PPL CORP
Form 8-K
September 21, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 15, 2009

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	PPL Corporation (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 7 - Regulation FD

Item 7.01 Regulation FD Disclosure

On September 15, 2009, PPL Corporation ("PPL" or the "Company") announced that on Tuesday, September 22, 2009 its Chairman, President and Chief Executive Officer, James H. Miller, will participate in a panel discussion at the Bank of America/Merrill Lynch 2009 Power & Gas Leaders Conference in New York City. At this meeting, Mr. Miller is expected to reaffirm the Company's previously announced ongoing earnings forecast of $1.60 to $1.90 per share for 2009 and 2010 earnings per share forecast of $3.10 to $3.50. In addition to this conference, representatives of PPL will be discussing the Company's business outlook with financial analysts and investors through September 30, 2009. Unless it publicly discloses otherwise, PPL expects that during these meetings and discussions it will reaffirm the Company's earnings forecasts. A webcast of the presentation will be available for 30 days following the conference on PPL's Internet Web site: www.pplweb.com.

Furnished as Exhibit 99.1 is a copy of the Company's September 15, 2009 press release.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 - Press release announcing PPL's participation at the Bank of America/Merrill Lynch 2009 Power & Gas Leaders Conference in New York City on September 22, 2009.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PPL CORPORATION

By: /s/ J. Matt Simmons, Jr.
J. Matt Simmons, Jr.
Vice President and Controller

Dated: September 21, 2009

/FONT> 5/24/2000 3/29/2001 612,196 *0 206,000* 3/30/2004 3/29/2011 68.94 28,476 36,964 546,756

Aventis

5/24/2000 11/07/2001 13,374,051 *1,068,261 875,200* 11/08/2004 11/07/2011 71.39 880,241 2,843,019 9,650,791

Aventis

5/24/2000 3/06/2002 1,173,913 *1,173,913 0* 3/07/2005 3/06/2012 69.82 0 7 1,173,906

Aventis

5/14/2002 11/12/2002 11,775,414 *352,174 741,100* 11/13/2005 11/12/2012 51.34 4,637,561 1,806,871 5,330,982

Aventis

5/14/2002 12/02/2003 12,012,414 *352,174 715,000* 12/03/2006 12/02/2013 40.48 4,650,275 1,657,153 5,704,986

Sanofi-Synthélabo

5/18/1999 12/10/2003 4,217,700 *240,000 393,000* 12/11/2007 12/10/2013 55.74 188,780 193,850 3,835,070

Sanofi-aventis

5/31/2005 5/31/2005 15,228,505 *400,000 550,000* 6/01/2009 5/31/2015 70.38 6,500 1,690,905 13,531,100

Sanofi-aventis

5/31/2005 12/14/2006 11,772,050 *450,000 585,000* 12/15/2010 12/14/2016 66.91 0 740,430 11,031,620

Sanofi-aventis

5/31/2007 12/13/2007 11,988,975 *325,000 625,000* 12/14/2011 12/13/2017 62.33 0 512,990 11,475,985

Sanofi-aventis

5/31/2007 03/02/2009 7,736,480 *250,000 655,000* 03/04/2013 03/01/2019 45.09 0 91,060 7,645,420

(1) Comprises the Chairman and Chief Executive Officer, the Chief Executive Officer, the Senior Executive Vice President or members of the Management Board in office as of the date of grant.
(2) Employed as of the date of grant.

At its meeting of March 1, 2010, in addition to the 275,000 stock options granted to Christopher Viehbacher, the Board of Directors granted 5,727 beneficiaries a total of 7,846,355 options to subscribe for one sanofi-aventis share each (representing 0.6% of our share capital before dilution). Half the stock options granted to the members of the Executive Committee and all the stock options granted to Christopher Viehbacher are subject to a performance condition. The performance condition must be fulfilled each financial year preceding the exercise period (2010, 2011, 2012 and 2013), and requires the ratio of business net income to net sales to be at least 18% (see Item 5. Operating and Financial Review and Prospects Sources of Revenues and Expenses Business Net Income).

Options granted to the Chief Executive Officer in 2010 represented 0.8% of the maximum total grant approved at the Shareholders Annual General Meeting of April 17, 2009 (2.5% of our share capital) and 3% of the total grant made to all of the beneficiaries on March 1, 2010.

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The main characteristics of our stock options are also described in Note D.15.8 to our consolidated financial statements, included in Item 18 of this annual report.

Awards of Shares as of December 31, 2009

For the first time in 2009, the Board of Directors awarded shares to certain employees in order to give them a direct stake in the Company s future and performances via trends in the share price, as a partial substitute for the granting of stock options.

Shares are awarded to employees on the basis of a list submitted to the Compensation Committee, which then submits the list to the Board of Directors, which awards the shares. The Board of Directors sets the vesting conditions for the award, and any lock-up conditions for the shares. No performance conditions are attached.

At its meeting of March 2, 2009, the Board of Directors set up two plans:

- a French plan by which it awarded 2,293 beneficiaries a total of 590,060 restricted shares, subject to an acquisition period of two years followed by a lock-up period of two years; and

- an international plan by which it awarded 2,945 beneficiaries a total of 604,004 restricted shares, subject to an acquisition period of four years.

No shares were awarded to executive Directors, members of the Executive Committee or members of the Management Committee in 2009.

However, an exception was made in favor of Christopher Viehbacher, who was awarded 65,000 performance shares on March 2, 2009, in line with the undertakings made to him on September 10, 2008, at the time of the announcement of his appointment as Chief Executive Officer effective December 1, 2008. These undertakings were made as compensation for loss of the benefits to which he had been entitled from his previous employer. All of his performance shares are awarded subject to a performance condition. The performance condition, which must be fulfilled each financial year before the transfer of the shares (i.e., 2009 and 2010), requires the ratio of adjusted net income excluding selected items (which was a non-GAAP financial measure used until the end of 2009) to net sales to be at least 18%.

Performance shares awarded to the Chief Executive Officer in 2009 represented 0.49% of the maximum total grant approved at the Shareholders Annual General Meeting of May 31, 2007 (1% of our share capital) and 5.44% of the total grant made to all of the beneficiaries on March 2, 2009.

Share Plans

Origin	Date of shareholder authorization	Date of award	Number of shares initially awarded	*- to corporate officers (1)*	*- to the 10 employees awarded the most shares (2)*	Date of award	Acquisition date	Availability date	Number transferred as of 12/31/2009	Number of rights canceled as of 12/31/2009	Number outstanding
Sanofi-aventis	5/31/2007	03/02/2009	590,060	*65,000*	*13,900*	03/02/2009	03/03/2011	03/04/2013	0	965	589,095
Sanofi-aventis	5/31/2007	03/02/2009	604,004	*0*	*13,200*	03/02/2009	03/04/2013	03/04/2013	0	12,050	591,954

(1) Comprises the Chairman and Chief Executive Officer, the Chief Executive Officer, the Senior Executive Vice President or members of the Management Board in office as of the date of grant.

(2) Employed as of the date of grant.

As of December 31, 2009, a total of 1,181,049 shares were outstanding as the acquisition period of each plan had not yet expired.

At its meeting of March 1, 2010, the Board of Directors set up two plans:

a French plan by which it awarded 2,262 beneficiaries a total of 531,725 restricted shares, subject to an acquisition period of two years followed by a lock-up period of two years; and

an international plan by which it awarded 3,333 beneficiaries a total of 699,524 restricted shares, subject to an acquisition period of four years.

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No shares were awarded to executive Directors, members of the Executive Committee or members of the Management Committee as part of the March 2010 plan.

Shares Owned by Members of the Board of Directors

As of December 31, 2009, members of our Board of Directors held in the aggregate 452,936 shares, or under 1% of the share capital and of the voting rights, excluding the beneficial ownership of 96,692,473 shares held by Total as of such date which may be attributed to Thierry Desmarest (who disclaims beneficial ownership of such shares) and excluding the beneficial ownership of 118,227,307 shares held by L Oréal as of such date which may be attributed to Lindsay Owen-Jones (who disclaims beneficial ownership of such shares).

Transactions in Shares by Members of the Board of Directors and comparable persons in 2009

On February 19, 2009, Christopher Viehbacher, Chief Executive Officer, bought 10,000 shares at a price of 46.27 per share.

On May 12, 2009, Philippe Luscan, Senior Vice President Industrial Affairs, sold 121 units of FCPE sanofi-aventis (mutual fund) at a price of 43.88 per unit.

On September 14, 2009, Christian Mulliez, a member of the Board of Directors, bought 250 shares at a price of 47.91 per share.

On December 11, 2009, Jean-René Fourtou, a member of the Board of Directors, exercised 234,782 options to subscribe for 234,782 shares at a price of 50.04 per share and sold the resulting 234,782 shares at a price of 53 per share.

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Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The table below shows the ownership of our shares as of January 31, 2010, indicating the beneficial owners of our shares. To the best of our knowledge and on the basis of the notifications received as disclosed below, except as described below no shareholder holds more than 5% of our share capital or voting rights.

	Total number of issued shares		Number of real voting rights (excluding own shares) [2]		Theoretical number of voting rights (including own shares) [3]	
	Number	%	Number	%	Number	%
L Oréal	118,227,307	8.97	236,454,614	15.36	236,454,614	15.27
Total	91,760,293	6.96	180,967,806	11.76	180,967,806	11.69
Treasury shares	9,332,455	0.71			9,332,455	0.60
- of which held directly by sanofi-aventis	9,203,481	0.70				
Employees [1]	18,146,041	1.37	32,291,732	2.10	32,291,732	2.09
Public	1,081,123,913	81.99	1,089,427,232	70.78	1,089,427,232	70.35
Total	**1,318,590,009**	**100**	**1,539,141,384**	**100**	**1,548,473,839**	**100**

(1) Shares held via the sanofi-aventis Group Employee Savings Plan.
(2) Based on the total number of voting rights as of January 31, 2010.
(3) Based on the total number of voting rights as of January 31, 2010 as published in accordance with article 223-11 and seq. of the General Regulations of the *Autorité des Marchés Financiers* (i.e., calculated before suspension of the voting rights of treasury shares).

Our *statuts* (Articles of Association) provide for double voting rights for shares held in registered form for at least two years. All of our shareholders may benefit from double voting rights if these conditions are met, and no shareholder benefits from specific voting rights. For more information relating to our shares, see Item 10. Additional Information B. Memorandum and Articles of Association.

L Oréal and Total are the only two entities known to hold more than 5% of the outstanding sanofi-aventis ordinary shares. As described below, these entities reduced their holdings in 2007, 2008 and 2009 after no significant changes in 2006 and 2005. At year end 2006, their respective holdings were 10.52% and 13.13% of our share capital compared to 8.97% and 6.96% on January 31, 2010.

L Oréal disclosed that, following the modification of the total number of shares and voting rights, it had exceeded the 15% legal voting rights threshold and held an interest of 8.99% of our share capital and 15.10% of our voting rights (notification dated September 21, 2009).

In accordance with our *statuts*, shareholders are required to notify us once they have passed the threshold of 1% of our share capital or our voting rights and each time they cross an incremental 1% threshold (see Item 10. Additional Information B. Memorandum and Articles of Association Requirements for Holdings Exceeding Certain Percentages).

For the year ended December 31, 2009, we were informed that the following share ownership declaration thresholds had been passed:

Natixis Asset Management disclosed that it had exceeded the 3% ownership threshold stipulated in our *statuts* and held 3.08% of our share capital (notification dated March 5, 2009);

Crédit Agricole Asset Management disclosed that through its *Fonds Communs de Placement* (mutual funds) (i) it had exceeded and then gone below the 3% ownership threshold stipulated in our *statuts*, (ii) had gone below and then exceeded the 2% voting rights threshold stipulated in our *statuts* and held *in fine* an interest of 2.97% of our share capital (notification dated April 17, 2009) and 2.04% of our voting rights (notification dated September 4, 2009);

Crédit Suisse disclosed that the Credit Suisse Group had gone below and then had exceeded the 1% ownership threshold stipulated in our *statuts* and held *in fine* an interest of 1.07% of our share capital (notification dated April 21, 2009);

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Caisse des Dépôts et Consignations disclosed that it gone below and then had exceeded the 2% ownership threshold stipulated in our *statuts* and held *in fine* an interest of 2% of our share capital and 1.68% of our voting rights (notification dated October 14, 2009);

Dodge & Cox disclosed that it gone below and then had exceeded the 2% ownership threshold stipulated in our *statuts* and held *in fine* an interest of 2.01% of our share capital and 1.69% of our voting rights on behalf of its clients (notification dated October 7, 2009);

Total disclosed that, following several sales of shares, it had gone below the 11%, 10%, 9%, 8% ownership thresholds and the 18%, 17%, 16%, 15%, 14%, 13% voting rights thresholds stipulated in our *statuts* and held *in fine* 7.99% of our share capital (notification dated November 17, 2009) and 12.98% of our voting rights (notification dated November 23, 2009).

Since January 1, 2010 we have been informed that the following share ownership declaration thresholds have been passed:

Amundi disclosed that, through its *Fonds Communs de Placement* (mutual funds) it had exceeded the 3% ownership threshold stipulated in our *statuts* and held 3.02% of our share capital and 2.55% of our voting rights (notification dated January 7, 2010);

Total disclosed that, following several sales of shares, it had gone below the 7% ownership threshold and the 12% voting rights threshold stipulated in our *statuts* and held *in fine* 6.99% of our share capital and 11.97% of our voting rights (notification dated January 25, 2010); and

BNP Paribas Asset Management disclosed that, through its *Fonds Communs de Placement* (mutual funds), its *Sociétés d Investissement à Capital Variable* (mutual funds) and mandates it had exceeded the 1% ownership threshold stipulated in our *statuts* and held 1% of our share capital and 0.85% of our voting rights (notification dated February 2, 2010).

Individual shareholders (including employees of sanofi-aventis and its subsidiaries, as well as retired employees holding shares via the sanofi-aventis Group Employee Savings Plan) hold approximately 8% of our share capital. Institutional shareholders (excluding L Oréal and Total) hold approximately 72% of our share capital. Such shareholders are primarily American (26.1%), French (19%) and British (10.7%). German institutions hold 3.4% of our share capital, Swiss institutions hold 1.3%, institutions from other European countries hold 7.1% and Canadian institutions hold 0.6% of our share capital. Other international institutional investors (excluding those from Europe and the United States) hold approximately 3.6% of our share capital.

(source: a survey conducted by Euroclear France as of December 31, 2009, and internal information).

Shareholders Agreement

We are unaware of any shareholders agreement currently in force.

B. Related Party Transactions

In the ordinary course of business, we purchase or provide materials, supplies and services from or to numerous companies throughout the world. Members of our Board of Directors are affiliated with some of these companies. We conduct our transactions with such companies on an arm s-length basis and do not consider the amounts involved in such transactions to be material.

On September 17, 2009 sanofi-aventis acquired the interest held by Merck & Co., Inc. (Merck) in Merial Limited (Merial) and Merial is now a wholly-owned subsidiary of sanofi-aventis. As per the terms of the agreement signed on July 29, 2009, sanofi-aventis also had an option, following the closing of the Merck/Schering-Plough merger, to combine the Intervet/Schering-Plough Animal Health business with Merial to form an animal health joint venture that would be equally owned by the new Merck and sanofi-aventis. On March 8, 2010, sanofi-aventis did in fact exercise its contractual right to combine the Intervet/Schering-Plough Animal Health business with Merial. In addition to execution of final agreements, formation of the new animal health joint venture remains subject to

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approval by the relevant competition authorities and other closing conditions (for more information see Item 8 B. Significant Changes Merial and Notes D.1 and D.8.1 to our consolidated financial statements included at Item 18 of this annual report). Other than this agreement, during 2009 and through the date of this annual report, we have not been involved in, and we do not currently anticipate becoming involved in, any transactions with related parties that are material to us or to any of our related parties and that are unusual in their nature or conditions. We have not made any outstanding loans to or for the benefit of:

enterprises that, directly or indirectly, control or are controlled by, or are under common control with us;

enterprises or associates in which we have significant influence or that have significant influence over us;

shareholders beneficially owning a 10.0% or greater interest in our voting power;

any member of our Management Committee or Board of Directors or close members of such individuals families; or

enterprises in which persons described above own, directly or indirectly, a substantial interest in the voting power or over which persons described above are able to exert significant influence.

C. Interests of Experts and Counsel

N/A

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Item 8. Financial Information

A. Consolidated Financial Statements and Other Financial Information

Our consolidated financial statements as of and for the years ended December 31, 2009, 2008, and 2007 are included in this annual report at Item 18. Financial Statements.

Dividends on Ordinary Shares

We paid annual dividends for the years ended December 31, 2004, 2005, 2006, 2007 and 2008 and our shareholders will be asked to approve the payment of an annual dividend of 2.40 per share for the 2009 fiscal year at our next annual shareholders meeting. If approved, this dividend will be paid on May 25, 2010.

We expect that we will continue to pay regular dividends based on our financial condition and results of operations. The proposed 2009 dividend equates to a distribution of 36.3% of our business earnings per share. For information on the non-GAAP financial measure, business earnings per share , see Item 5. Operating and Financial Review and Prospects Business Net Income.

The following table sets forth information with respect to the dividends paid by our Company in respect of the 2005, 2006, 2007, and 2008 fiscal years and the dividend that will be proposed for approval by our shareholders in respect of the 2009 fiscal year at our May 17, 2010 shareholders meeting.

	2009[1]	2008	2007	2006	2005
Net Dividend per Share (in)	2.40	2.20	2.07	1.75	1.52
Net Dividend per Share (in $) [2]	3.46	3.06	3.02	2.31	1.80

(1) Proposal, subject to shareholder approval.
(2) Based on the relevant year-end exchange rate.

The declaration, amount and payment of any future dividends will be determined by majority vote of the holders of our shares at an ordinary general meeting, following the recommendation of our Board of Directors. Any declaration will depend on our results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by our shareholders. Accordingly, we cannot assure you that we will pay dividends in the future on a continuous and regular basis. Under French law, we are required to pay dividends approved by an ordinary general meeting of shareholders within nine months following the meeting at which they are approved.

Annual Payments on Participating Share Series A (PSSA)

The table below sets forth, for the years indicated, the amount of dividends paid per PSSA (see Item 9. The Offer and Listing for further detail). In the United States, the PSSAs exist in the form of American Depositary Shares issued by The Bank of New York Mellon, formerly known as The Bank of New York, as depositary, each representing one-quarter of a PSSA (PSSA-ADSs). The PSSAs are generally entitled to receive an annual payment determined according to a specific formula and subject to certain conditions.

The annual payments on the PSSAs are equal to the sum of a fixed portion (1.14 per PPSA) and a variable portion equal to the greater of 704% of the dividend per ordinary share or 150% of an amount calculated pursuant to a formula which takes into account changes in consolidated sales and consolidated net income.

Such amounts have been translated in each case into dollars and adjusted for the one-to-four ratio of PSSAs to PSSA-ADSs. Annual payments paid to holders of PSSA-ADSs will generally be exempt from French withholding tax.

In 2009, the annual payment per PSSA in respect of 2008 was equal to 16.6390.

	2008	2007	2006	2005	2004
Annual payment per PSSA	16.6390	15.7234	13.4695	12.9929	0
Annual payment per PSSA-ADS	$ 6.0204	$ 5.8550	$ 4.5877	$ 4.1438	$ 0

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Information on Legal or Arbitration Proceedings

Our principal legal proceedings are described in Note D.22 to the consolidated financial statements included at Item 18 of this annual report, which we incorporate herein by reference, and are further updated below to reflect material developments through the date of this document.

We are also involved from time to time in a number of legal proceedings incidental to the normal conduct of our business, including proceedings involving product liability claims, intellectual property rights (particularly claims by generic product manufacturers seeking to limit the patent protection of sanofi-aventis products), compliance and trade practices, commercial claims, employment and wrongful discharge claims, tax assessment claims, waste disposal and pollution claims and claims under warranties or indemnification arrangements relating to business divestitures.

Rhodia Litigation

(Update to the caption Rhodia at Note D.22.e) to our consolidated financial statements included herein at Item 18.)

On February 10, 2010, Rhodia submitted its pleadings brief (*conclusions récapitulatives*) in connection with the complaint it had filed with the Commercial Court of Paris against sanofi-aventis in July 2007. In its brief, Rhodia has asked the Court to hold that sanofi-aventis was at fault in failing to provide Rhodia with sufficient capital to meet its pension obligations and environmental liabilities, and has claimed indemnification in the amount of 1.3 billion for retirement commitments and approximately 311 million for environmental liabilities. Sanofi-aventis will submit its answer in the coming weeks. The case should be decided in 2010.

B. Significant Changes

In addition to the information included elsewhere in this annual report, we bring to your attention the following developments since the end of 2009.

Merial

On March 8, 2010, sanofi-aventis exercised its option to combine Merial with Intervet/Schering-Plough, Merck s animal health business. This option was granted to sanofi-aventis in the Merial acquisition agreement signed July 29, 2009. See Note D.1 to our consolidated financial statements included at Item 18 of this annual report.

The new joint venture will be equally-owned by Merck and sanofi-aventis. Its formation is subject to execution of final agreements, antitrust review in the United States, Europe and other countries and other customary closing conditions. The completion of the transaction is expected to occur in approximately the next 12 months, and each of Merial and Intervet/Schering-Plough will continue to operate independently until the

closing of the transaction.

The enterprise value of Merial has been fixed at $8 billion and the enterprise value of Intervet/Schering-Plough at $8.5 billion, leading to a true-up payment of $250 million to Merck to establish a 50/50 joint venture. An additional amount of $750 million will be paid by sanofi-aventis, as per the terms of the agreement signed on July 29, 2009. All payments, including adjustments for debt and certain other liabilities will be made upon closing of the transaction.

Other

On January 11, 2010, sanofi-aventis launched its tender offer for all outstanding shares of Chattem, Inc (Chattem), subject to customary closing conditions. On February 9, 2010, sanofi-aventis acquired 89.8% of Chattem s shares on a fully-diluted basis (or approximately 97% of outstanding shares) by accepting all validly tendered shares. The remaining shares were acquired in a short form merger on March 10, 2010.

On January 29, 2010, sanofi-aventis signed agreements with Minsheng Pharmaceuticals Co., Ltd to establish a new Consumer Health Care joint venture. Subject to certain conditions precedent and to regulatory approvals, sanofi-aventis is to obtain a majority equity stake in the future venture.

On February 23, 2010, the petition by sanofi-aventis to squeeze-out the remaining minority holders of Zentiva N.V. was ratified by the Dutch courts.

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Item 9. The Offer and Listing

A. Offer and Listing Details

We have one class of shares. Each American Depositary Share, or ADS, represents one-half of one share. The ADSs are evidenced by American Depositary Receipts, or ADRs, which are issued by The Bank of New York.

Our shares trade on the Eurolist market of NYSE Euronext Paris (Compartment A) and our ADSs trade on the New York Stock Exchange. There can be no assurances as to the establishment or continuity of a public market for our shares or ADSs.

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Trading History

The table below sets forth, for the periods indicated, the reported high and low quoted prices of our shares on the Eurolist market of NYSE Euronext Paris and on the New York Stock Exchange (source: Bloomberg).

	NYSE Euronext		NYSE	
Calendar period	**High**	**Low**	**High**	**Low**
	(price per share in)		**(price per ADS in $)**	
Monthly				
February 2010	54.88	51.68	37.93	34.90
January 2010	58.90	52.18	41.59	36.32
December 2009	56.78	50.47	40.80	38.25
November 2009	52.46	48.35	39.53	35.83
October 2009	53.90	49.25	40.17	36.00
September 2009	51.68	46.11	38.00	32.91
2009				
First quarter	49.93	38.43	32.80	24.59
Second quarter	48.67	39.32	33.83	25.57
Third quarter	51.68	40.91	38.00	28.60
Fourth quarter	56.78	48.35	40.80	35.83
Full Year	56.78	38.43	40.80	24.59
2008				
First quarter	66.90	44.30	49.04	35.06
Second quarter	51.24	41.27	39.70	32.11
Third quarter	51.25	41.61	37.11	31.14
Fourth quarter	50.98	36.055	34.32	23.95
Full Year	66.90	36.055	49.04	23.95
2007				
First quarter	71.80	62.50	46.60	41.37
Second quarter	71.95	59.65	48.30	39.97
Third quarter	63.19	56.20	43.56	37.90
Fourth quarter	65.93	58.09	48.30	41.54
Full Year	71.95	56.20	48.30	37.90
2006				
First quarter	79.85	69.50	48.32	41.91
Second quarter	79.10	69.80	49.25	44.21
Third quarter	79.25	66.90	50.05	42.43
Fourth quarter	70.90	64.85	46.60	41.65
Full Year	79.85	64.85	50.05	41.65
2005				
Full Year	76.70	56.40	45.87	36.60
2004				
Full Year	63.25	49.42	40.48	29.22
2003				
Full Year	60.00	41.50	37.92	22.53
2002				
Full Year (NYSE beginning on July 1)	84.30	49.78	32.80	24.90

B. Plan of Distribution

N/A

C. Markets

Shares and ADSs

Our shares are listed on the Euronext Paris Market (Compartment A) under the symbol SAN and our ADSs are listed on the New York Stock Exchange, or NYSE, under the symbol SNY . At the date of this annual report, our shares are included in a large number of indices including the CAC 40 Index, the principal French

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index published by Euronext Paris. This index contains 40 stocks selected among the top 100 companies based on free-float capitalization and the most active stocks listed on the Euronext Paris Market. The CAC 40 Index indicates trends on the French stock market as a whole and is one of the most widely followed stock price indices in France. Our shares are also included in the S&P Global 100 Index, the Dow Jones EuroSTOXX 50 and the MSCI Pan-Euro Index.

The Euronext Paris Market

The Euronext Paris Market is a regulated market operated and managed by Euronext Paris, a market operator (*entreprise de marché*) responsible for the admission of securities and the supervision of trading in listed securities on Euronext Paris. Euronext Paris publishes a daily official price list that includes price information on listed securities. The Euronext Paris Market is divided into three capitalization compartments: A for issuers with a market capitalization over 1 billion, B for issuers with a market capitalization between 1 billion and 150 million, and C for issuers with a market capitalization under 150 million.

Trading on the Euronext Paris Market

Securities admitted to trading on the Euronext Paris Market are officially traded through authorized financial institutions that are members of Euronext Paris. Euronext Paris places securities admitted to trading on the Euronext Paris Market in one of two categories (continuous (*continu*) or fixing), depending on whether they belong to certain indices or compartments and/or on their historical and expected trading volume. Our shares trade in the category known as *continu*, which includes the most actively traded securities. Securities belonging to the *continu* category are traded on each trading day from 9:00 a.m. to 5:30 p.m. (Paris time), with a pre-opening session from 7:15 a.m. to 9:00 a.m. and a post-closing session from 5:30 p.m. to 5:35 p.m. (during which pre-opening and post-closing sessions trades are recorded but not executed until the opening auction at 9:00 a.m. and the closing auction at 5:35 p.m., respectively). In addition, from 5:35 p.m. to 5:40 p.m., trading can take place at the closing auction price. Trading in a share belonging to the *continu* category after 5:40 p.m. until the beginning of the pre-opening session of the following trading day may take place at a price that must be within a range of plus or minus 1% of the closing auction price.

Euronext Paris may temporarily interrupt trading in a security admitted to trading on the Euronext Paris Market if matching a bid or ask offer recorded in the system would inevitably result in a price beyond a certain threshold, determined on the basis of a percentage fluctuation above or below a set reference price. With respect to equity securities included in the CAC 40 Index and trading in the *continu* category, once trading has commenced, volatility interruptions for a reservation period of 2 minutes (subject to extension by Euronext Paris) are possible if the price fluctuates by more than 3% above or below the relevant reference price. Euronext Paris may also suspend trading of a security admitted to trading on the Euronext Paris Market in certain circumstances including at the request of the issuer or the occurrence of unusual trading activity in a security. In addition, in exceptional cases, including, for example, upon announcement of a takeover bid, the French market regulator (*Autorité des marchés financiers* or AMF) may also require Euronext Paris to suspend trading.

Trades of securities admitted to trading on the Euronext Paris Market are settled on a cash basis on the third trading day following the trade. For certain liquid securities, market intermediaries which are members of Euronext Paris are also permitted to offer investors the opportunity to place orders through a deferred settlement service (*Ordres Stipulés à Règlement-Livraison Différés* OSRD). The deferred settlement service is only available for trades in securities that have both a total market capitalization of at least 1 billion and a daily average volume of trades of at least 1 million. Investors can elect on or before the determination date (*jour de liquidation*), which is the fourth trading day before the end of the month, either to settle by the last trading day of the month or to postpone the settlement decision to the determination date of the following month. At the date of this annual report, our shares are currently eligible for the deferred settlement service.

Equity securities traded on a deferred settlement basis are considered to have been transferred only after they have been recorded in the purchaser s account. Under French securities regulations, if the sale takes place before, but during the month of, a dividend payment date, the purchaser s account will be credited with an amount equal to the dividend paid.

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Prior to any transfer of securities listed on the Euronext Paris Market held in registered form, the securities must be converted into bearer form and accordingly recorded in an account maintained by an accredited intermediary with Euroclear France S.A., a registered central security depositary. Transactions in securities are initiated by the owner giving the instruction (through an agent, if appropriate) to the relevant accredited intermediary. Trades of securities listed on the Euronext Paris Market are cleared through LCH.Clearnet and settled through Euroclear France S.A. using a continuous net settlement system. A fee or commission is payable to the accredited intermediary or other agent involved in the transaction.

Participating Shares Series A

Further to a public offer to exchange ordinary shares for PSSAs in 1993, a tender offer to purchase for cash all of the outstanding PSSA-ADSs in 1995 and repurchases in private transactions since that date, there are only 3,271 PSSAs outstanding as of December 31, 2009. In view of the small number of PSSAs that remain outstanding, at some time in the future, sanofi-aventis intends to terminate the Deposit Agreement for the PSSA-ADSs and apply to the U.S. Securities and Exchange Commission to terminate registration of the PSSAs and the PSSA-ADSs under the Securities Exchange Act of 1934, as amended.

We are not aware of any non-U.S. trading market for our Participating Shares Series A. In the United States, the PSSAs exist in the form of American Depositary Shares issued by The Bank of New York Mellon, formerly known as the Bank of New York, as depositary, each representing one-quarter of a PSSA. We are not aware of any U.S. trading market for the PSSA-ADSs since their suspension from trading on the NYSE on May 18, 1995, and their subsequent removal from listing on the NYSE on July 31, 1995. Prior to their delisting, the PSSA-ADSs traded on the NYSE under the symbol RP PrA.

Trading Practices and Trading in own Shares

Under French law, a company may not issue shares to itself, but it may purchase its own shares in the limited cases described at Item 10. Additional Information B. Memorandum and Articles of Association Trading in Our Own Shares.

D. Selling Shareholders

N/A

E. Dilution

N/A

F. Expenses of the Issue

N/A

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Item 10. Additional Information

A. Share Capital

N/A

B. Memorandum and Articles of Association

General

Our Company is a *société anonyme*, a form of limited liability company, organized under the laws of France.

In this section, we summarize material information concerning our share capital, together with material provisions of applicable French law and our *statuts*, an English translation of which has been filed as an exhibit to this annual report. For a description of certain provisions of our *statuts* relating to our Board of Directors and statutory auditors, see Item 6. Directors, Senior Management and Employees. You may obtain copies of our *statuts* in French from the *greffe* (Clerk) of the *Registre du Commerce et des Sociétés de Paris* (Registry of Commerce and Companies of Paris, France, registration number: 395 030 844). Please refer to that full document for additional details.

Our *statuts* specify that our corporate affairs are governed by:

applicable laws and regulations (in particular, Title II of the French Commercial Code); and

the *statuts* themselves.

Article 3 of our *statuts* specifies that the Company s corporate purposes, in France and abroad, are:

Acquiring interests and holdings, in any form whatsoever, in any company or enterprise, in existence or to be created, connected directly or indirectly with the health and fine chemistry sectors, human and animal therapeutics, nutrition and bio-industry;

in the following areas :

Purchase and sale of all raw materials and products necessary for these activities;

Research, study and development of new products, techniques and processes;

Manufacture and sale of all chemical, biological, dietary and hygienic products;

Obtaining or acquiring all intellectual property rights related to results obtained and, in particular, filing all patents, trademarks and models, processes or inventions;

Operating directly or indirectly, purchasing, and transferring for free or for consideration pledging or securing all intellectual property rights, particularly all patents, trademarks and models, processes or inventions;

Obtaining, operating, holding and granting all licenses; and

Within the framework of a group-wide policy and subject to compliance with the relevant legislation, participating in treasury management transactions, whether as lead company or otherwise, in the form of centralized currency risk management or intra-group netting, or any other form permitted under the relevant laws and regulations;

And, more generally:

All commercial, industrial, real or personal property, financial or other transactions, connected directly or indirectly, totally or partially, with the activities described above and with all similar or related activities or having any other purposes likely to encourage or develop the company s activities.

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Directors

Transactions in which Directors Are Materially Interested

Under French law, any agreement entered into (directly or through an intermediary) between our Company and any one of the members of the Board of Directors that is not entered into (i) in the ordinary course of our business and (ii) under normal conditions is subject to the prior authorization of the disinterested members of the Board of Directors. The same provision applies to agreements between our Company and another company if one of the members of the Board of Directors is the owner, general partner, manager, director, general manager or member of the executive or supervisory board of the other company, as well as to agreements in which one of the members of the Board of Directors has an indirect interest.

The Board of Directors must also authorize any undertaking taken by our Company for the benefit of our Chairman, Chief Executive Officer (*directeur général*) or his delegates (*directeurs généraux délégués*) pursuant to which such persons will or may be granted compensation, benefit or any other advantage as a result of the termination or change in their offices or following such termination or change.

In addition, such termination package, except any non-compete indemnity and certain pension benefits: (i) must be authorized by our shareholders by adopting a separate general shareholders meeting resolution for each such beneficiary, which has to be renewed at each renewal of such beneficiary s mandate, and (ii) cannot be paid to such beneficiary unless the Board of Directors decides that such beneficiary has satisfied certain conditions, linked to such beneficiary s performances measured by our Company s performances, that must have been defined by the Board of Directors when granting such package, and such decision is made publicly available.

Directors Compensation

The aggregate amount of attendance fees (*jetons de présence*) of the Board of Directors is determined at the ordinary general meeting of the shareholders. The Board of Directors then divides this aggregate amount up among its members, by a simple majority vote. In addition, exceptional compensation (*rémunérations exceptionnelles*) may be granted to directors on a case-by-case basis for special assignments. The Board may also authorize the reimbursement of travel and accommodation expenses, as well as other expenses incurred by Directors in the corporate interest. See also Item 6. Directors, Senior Management and Employees.

Board of Directors Borrowing Powers

All loans or borrowings on behalf of the Company may be decided by the Board of Directors within the limits, if any, duly authorized by the general meeting of the shareholders.

Directors Age Limits

For a description of the provisions of our *statuts* relating to age limits applicable to our Directors, see Item 6. Directors, Senior Management and Employees.

Directors Share Ownership Requirements

Directors are required to hold at least one share during the term of their appointment.

Share Capital

As of December 31, 2009, our share capital amounted to 2,636,958,104, divided into 1,318,479,052 outstanding shares with a par value of 2 per share. All of our outstanding shares are of the same class and are fully paid. Of these shares, we or entities controlled by us held 9,422,716 shares (or 0.71 % of our outstanding share capital), as treasury shares as of such date. As of December 31, 2009, the book value of such shares was 526 million.

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At an extraordinary general meeting held on April 17, 2009, our shareholders authorized our Board of Directors to increase our share capital, through the issuance of shares or other securities giving access to the share capital with or without preemptive rights, by an aggregate maximum nominal amount of 1.3 billion. See Changes in Share Capital Increases in Share Capital , below.

The maximum total amount of authorized but unissued shares as of December 31, 2009 was 581.7 million, reflecting the unused part of the April 17, 2009 shareholder authorization, outstanding options to subscribe for shares and awards of shares.

Stock Options

Stock Options

Types of Stock Options

We have two types of stock options outstanding: options to subscribe for shares (*options de souscription d actions*) and options to purchase shares (*options d achat d actions*). Upon exercise of an option to subscribe for shares, we issue new shares, whereas upon exercise of an option to purchase shares, the option holder receives existing shares. We purchase our shares on the market prior to the grant of the options to purchase in order to provide the option holder with shares upon exercise. Following the merger of Aventis with and into sanofi-aventis, all previously granted options for the shares of Aventis were converted into options for our shares.

Because the exercise of options to purchase shares will be satisfied with existing shares repurchased on the market or held in treasury, the exercise of options to purchase shares has no impact on our equity capital.

Stock Option Plans

Our combined general meeting of April 17, 2009 authorized our Board of Directors for 26 months to grant options to subscribe for shares and options to purchase shares to members of our salaried staff and/or corporate officers as well as to members of salaried staff and/or corporate officers of companies or economic interest groups related to our Company under the conditions referred to in Article L. 225-180 of the French Commercial Code.

The aggregate number of options to subscribe for shares and options to purchase shares that may be granted under this authorization may not give entitlement to a total number of shares exceeding 2.5% of the share capital as of the day the decision to grant options is made by the Board. Under such a resolution, the price payable on the exercise of options may not be lower than the average of the first quoted prices of sanofi-aventis ordinary shares on the Euronext Paris Market during the 20 consecutive trading days preceding the date on which the options are granted.

The authorization entails the express waiver by the shareholders, in favor of the grantees of options to subscribe for shares, of their preemptive rights in respect of shares that are to be issued as and when options are exercised.

The Board of Directors sets the terms on which options are granted and the arrangements as regards the dividend entitlement of the shares.

See Item 6. Directors, Senior Management and Employees E. Share Ownership for a description of our option plans currently in force.

Awards of Shares

Our combined general meeting held on April 17, 2009 authorized our Board of Directors for 38 months to allot existing or new consideration free shares to some or all salaried employees and corporate officers of the Company or of companies of the Group in accordance with Articles L. 225-197-1 et *seq* of the French Commercial Code.

The existing or new shares allotted under this authorization may not represent more than 1% of the share capital as of the date of the decision by the Board of Directors.

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The authorization provides that allotment of shares to the allottees will become irrevocable either (i) at the end of a minimum vesting period of two years, the allottees being required to retain their shares for a minimum period of two years from the irrevocable allotment thereof, or (ii) after a minimum vesting period of four years, in which case allottees may not be subject to any minimum retention period.

In case of newly issued shares, the authorization entails the express waiver by the shareholders, in favor of the allottees of restricted shares, of their preemptive rights in respect of shares that are to be issued as and when restricted shares are exercised.

The Board of Directors sets the terms on which restricted shares are granted and the arrangements as regards the dividend entitlement of the shares.

See Item 6. Directors, Senior Management and Employees E. Share Ownership for a description of our restricted shares plans currently in force.

Changes in Share Capital in 2009

See Note D.15.1. to our consolidated financial statements included at Item 18 of this annual report.

Voting Rights

In general, each shareholder is entitled to one vote per share at any general shareholders meeting. However, our *statuts* provide that any fully paid-up shares that have been held in registered form under the name of the same shareholder for at least two years acquire double voting rights. As of December 31, 2009, there were 234,852,104 shares that were entitled to double voting rights, representing 17.81% of our total share capital, approximately 15.21% of our voting rights held by holders other than us and our subsidiaries, and 15.12% of our total voting rights.

Double voting rights are not taken into account in determining whether a quorum exists.

Under the French Commercial Code, shares of a company held in treasury or by entities controlled by that company are not entitled to voting rights and do not count for quorum purposes.

Our *statuts* allow us to obtain from Euroclear France the name, nationality, address and number of shares held by holders of our securities that have, or may in the future have, voting rights. If we have reason to believe that a person on any list provided by Euroclear France holds securities on behalf of another person, our *statuts* allow us to request information regarding beneficial ownership directly from such person. See Memorandum and Articles of Association Form, Holding and Transfer of Shares , below.

Our *statuts* provide that Board members are elected on a rolling basis for a maximum tenure of four years. Our *statuts* do not provide for cumulative voting rights.

Shareholders Agreement

We are not aware of any shareholder s agreement currently in force concerning our shares.

Shareholders Meetings

General

In accordance with the French Commercial Code, there are three types of shareholders meetings: ordinary, extraordinary and special.

Ordinary general meetings of shareholders are required for matters such as:

electing, replacing and removing directors;

appointing independent auditors;

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approving the annual financial statements;

declaring dividends or authorizing dividends to be paid in shares, provided the *statuts* contain a provision to that effect; and

approving share repurchase programs.

Extraordinary general meetings of shareholders are required for approval of matters such as amendments to our *statuts*, including any amendment required in connection with extraordinary corporate actions. Extraordinary corporate actions include:

changing our Company s name or corporate purpose;

increasing or decreasing our share capital;

creating a new class of equity securities;

authorizing the issuance of securities giving access to our share capital or giving the right to receive debt instruments;

establishing any other rights to equity securities;

selling or transferring substantially all of our assets; and

the voluntary liquidation of our Company.

Special meetings of shareholders of a certain category of shares or shares with certain specific rights (such as shares with double voting rights) are required for any modification of the rights derived from that category of shares. The resolutions of the shareholders general meeting affecting these rights are effective only after approval by the relevant special meeting.

Annual Ordinary Meetings

The French Commercial Code requires the Board of Directors to convene an annual ordinary general meeting of shareholders for approval of the annual financial statements. This meeting must be held within six months of the end of each fiscal year. This period may be extended by an order of the President of the Commercial Court. The Board of Directors may also convene an ordinary or extraordinary general meeting of shareholders upon proper notice at any time during the year. If the Board of Directors fails to convene a shareholders meeting, our independent auditors may call the meeting. In case of bankruptcy, the liquidator or court-appointed agent may also call a shareholders meeting in some instances. In addition, any of the following may request the court to appoint an agent for the purpose of calling a shareholders meeting:

one or several shareholders holding at least 5% of our share capital;

duly qualified associations of shareholders who have held their shares in registered form for at least two years and who together hold at least 1% of our voting rights;

the works council in cases of urgency; or

any interested party in cases of urgency.

Notice of Shareholders Meetings

All prior notice periods provided for below are minimum periods required by French law and cannot be shortened, except in case of a public offer for our shares.

We must announce general meetings at least 35 days in advance by means of a preliminary notice (*avis de réunion*), which is published in the *Bulletin des Annonces Légales Obligatoires*, or *BALO*. The preliminary notice must first be sent to the AMF. The AMF also recommends that, prior to or simultaneously with the publication of the preliminary notice, we publish a summary of the notice indicating the date and place of the meeting in a newspaper of national circulation in France and on our website. The preliminary notice must contain, among other things, the agenda, a draft of the resolutions to be submitted to the shareholders and the procedure for voting by mail.

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At least 15 days prior to the date set for a first call, and at least six days prior to any second call, we must send a final notice (*avis de convocation*) containing the final agenda, the date, time and place of the meeting and other information for the meeting. Such final notice must be sent by mail to all registered shareholders who have held shares in registered form for more than one month prior to the date of the final notice and by registered mail, if shareholders have asked for it and paid the corresponding charges. The final notice must also be published in a newspaper authorized to publish legal announcements in the local administrative department (*département*) in which our Company is registered as well as in the *BALO*, with prior notice having been given to the AMF. If no shareholder has proposed any new resolutions to be submitted to the vote of the shareholders at the meeting and provided that the Board of Directors has not altered the draft resolutions included in the preliminary notice, we are not required to publish the final notice; publishing a preliminary notice that stipulates that it shall be deemed to be equivalent to a final notice will be deemed sufficient.

In general, shareholders can only take action at shareholders meetings on matters listed on the agenda. As an exception to this rule, shareholders may take action with respect to the dismissal of directors even though this action has not been included on the agenda. Additional resolutions to be submitted for approval by the shareholders at the meeting may be proposed to the Board of Directors, for recommendation to the shareholders as from the publication of the preliminary notice in the *BALO* and until 25 days prior to the general meeting or, alternatively within 20 days following the publication of the preliminary notice in the *BALO* if such preliminary notice was published more than 45 days prior to the general meeting:

- one or several shareholders together holding a specified percentage of shares;
- a duly qualified association of shareholders who have held their shares in registered form for at least two years and who together hold at least 1% of our voting rights; or
- the works council.

The Board of Directors must submit these resolutions to a vote of the shareholders after having made a recommendation thereon.

Following the date on which documents must be made available to the shareholders, shareholders may submit written questions to the Board of Directors relating to the agenda for the meeting until the fourth business day prior to the general meeting. The Board of Directors must respond to these questions during the meeting.

Attendance at Shareholders Meetings; Proxies and Votes by Mail

In general, all shareholders may participate in general meetings either in person or by proxy. Shareholders may vote in person, by proxy or by mail.

The right of shareholders to participate in general meetings is subject to the recording (*enregistrement comptable*) of their shares on the third business day, zero hour (Paris time), preceding the general meeting:

for holders of registered shares: in the registered shareholder account held by the Company or on its behalf by an agent appointed by it; and

for holders of bearer shares: in the bearer shareholder account held by the accredited financial intermediary with whom such holders have deposited their shares; such financial intermediaries shall deliver to holders of bearer shares a shareholding certificate (*attestation de participation*) enabling them to participate in the general meeting.

Attendance in Person

Any shareholder may attend ordinary general meetings and extraordinary general meetings and exercise its voting rights subject to the conditions specified in the French Commercial Code and our *statuts*.

Proxies and Votes by Mail

Proxies are sent to any shareholder upon request received between the publication of the final notice of meeting and six days before the general meeting. In order to be counted, such proxies must be received at our registered office, or at any other address indicated on the notice convening the meeting, prior to the date of the

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meeting (in practice, we request that shareholders return proxies at least three business days prior to the meeting). A shareholder may grant proxies only to his or her spouse or to another shareholder. A shareholder that is a corporation may grant proxies to a legal representative. Alternatively, the shareholder may send us a blank proxy without nominating any representative. In this case, the chairman of the meeting will vote the blank proxies in favor of all resolutions proposed or approved by the Board of Directors and against all others.

With respect to votes by mail, we must send shareholders a voting form upon request. The completed form must be returned to us at least three days prior to the date of the shareholders meeting.

Quorum

The French Commercial Code requires that shareholders together holding at least 20% of the shares entitled to vote must be present in person, or vote by mail or by proxy, in order to fulfill the quorum requirement for:

- an ordinary general meeting; and
- an extraordinary general meeting where the only resolutions pertain to either (a) a proposed increase in our share capital through incorporation of reserves, profits or share premium, or (b) the potential issuance of free share warrants in the event of a public offer for our shares (article L. 233-32 of the French Commercial Code).

For any other extraordinary general meeting the quorum requirement is at least 25% of the shares entitled to vote, present in person, or voting by mail or by proxy.

For a special meeting of holders of a certain category of shares, the quorum requirement is one third of the shares entitled to vote in that category, present in person, or voting by mail or by proxy.

If a quorum is not present at a meeting, the meeting is adjourned. However, only questions that were on the agenda of the adjourned meeting may be discussed and voted upon.

When an adjourned meeting is resumed, there is no quorum requirement for meetings cited in the first paragraph of this *Quorum* section. In the case of any other reconvened extraordinary general meeting or special meeting, the quorum requirement is 20% of the shares entitled to vote (or voting shares belonging to the relevant category for special meetings of holders of shares of such specific category), present in person or voting by mail or by proxy. If a quorum is not present, the reconvened meeting may be adjourned for a maximum of two months with the same quorum requirement. No deliberation or action by the shareholders may take place without a quorum.

Votes Required for Shareholder Action

A simple majority of shareholders may pass a resolution at either an ordinary general meeting or an extraordinary general meeting where the only resolution(s) pertain to either (a) a proposed increase in our share capital through incorporation of reserves, profits or share premium, or (b) the potential issuance of free share warrants in the event of a public offer for our shares (article L. 233-32 of the French Commercial Code). At any other extraordinary general shareholders meeting and at any special meeting of holders of a specific category of shares, a two-thirds majority of the shareholder votes cast is required.

Abstention from voting by those present or those represented by proxy or voting by mail is counted as a vote against the resolution submitted to a shareholder vote.

Changes to Shareholders Rights

Under French law, a two-thirds majority vote at the extraordinary shareholders meeting is required to change our *statuts*, which set out the rights attached to our shares, except for capital increases through incorporation of reserves, profits or share premium, or through the issuance of free share warrants in the event of a public offer for our shares (article L. 233-32 of the French Commercial Code).

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The rights of a class of shareholders can be amended only after a special meeting of the class of shareholders affected has taken place. The voting requirements applicable to this type of special meeting are the same as those applicable to an extraordinary general shareholders meeting. The quorum requirements for a special meeting are one-third of the voting shares, or 20% upon resumption of an adjourned meeting.

A unanimous shareholders vote is required to increase the liabilities of shareholders.

Financial Statements and Other Communications with Shareholders

In connection with any shareholders meeting, we must provide a set of documents including our annual report and a summary of the financial results of the five previous fiscal years to any shareholder who so requests.

Dividends

We may only distribute dividends out of our distributable profits, plus any amounts held in our reserves that the shareholders decide to make available for distribution, other than those reserves that are specifically required by law or our *statuts*. Distributable profits consist of our unconsolidated net profit in each fiscal year, as increased or reduced by any profit or loss carried forward from prior years, less any contributions to the reserve accounts pursuant to law or our *statuts*.

Legal Reserve

The French Commercial Code requires us to allocate 5% of our unconsolidated net profit for each year to our legal reserve fund before dividends may be paid with respect to that year. Funds must be allocated until the amount in the legal reserve is equal to 10% of the aggregate par value of the issued and outstanding share capital. This restriction on the payment of dividends also applies to each of our French subsidiaries on an unconsolidated basis. At December 31, 2009, our legal reserve amounted to 282,280,863, representing 10.7% of the aggregate par value of our issued and outstanding share capital as of that date. The legal reserve of any company subject to this requirement may only be distributed to shareholders upon liquidation of the company.

Approval of Dividends

According to the French Commercial Code, our Board of Directors may propose a dividend for approval by the annual general meeting of shareholders. If we have earned distributable profits since the end of the preceding fiscal year, as reflected in an interim income statement certified by our independent auditors, our Board of Directors may distribute interim dividends to the extent of the distributable profits for the period covered by the interim income statement. Our Board of Directors exercises this authority subject to French law and regulations and may do so without obtaining shareholder approval.

Distribution of Dividends

Dividends are distributed to shareholders *pro rata* according to their respective holdings of shares. In the case of interim dividends, distributions are made to shareholders on the date set by our Board of Directors during the meeting in which the distribution of interim dividends is approved. The actual dividend payment date is decided by the shareholders at an ordinary general shareholders meeting or by our Board of Directors in the absence of such a decision by the shareholders. Shareholders that own shares on the actual payment date are entitled to the dividend.

Dividends may be paid in cash or, if the shareholders meeting so decides, in kind, provided that all shareholders receive a whole number of assets of the same nature paid in lieu of cash. Our *statuts* provide that, subject to a decision of the shareholders meeting taken by ordinary resolution, each shareholder may be given the choice to receive his dividend in cash or in shares.

Timing of Payment

According to the French Commercial Code, we must pay any existing dividends within nine months of the end of our fiscal year, unless otherwise authorized by court order. Dividends on shares that are not claimed within five years of the date of declared payment revert to the French State.

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Changes in Share Capital

Increases in Share Capital

As provided for by the French Commercial Code, our share capital may be increased only with the shareholders approval at an extraordinary general shareholders meeting following the recommendation of our Board of Directors. Increases in our share capital may be effected by:

- issuing additional shares;
- increasing the par value of existing shares;
- creating a new class of equity securities; or
- exercising the rights attached to securities giving access to the share capital.

Increases in share capital by issuing additional securities may be effected through one or a combination of the following:

- in consideration for cash;
- in consideration for assets contributed in kind;
- through an exchange offer;
- by conversion of previously issued debt instruments;
- by capitalization of profits, reserves or share premium; or
- subject to various conditions, in satisfaction of debt incurred by our Company.

Decisions to increase the share capital through the capitalization of reserves, profits and/or share premium or through the issuance of free share warrants in the event of a public offer for our shares (article L. 233-32 of the French Commercial Code) require the approval of an extraordinary general shareholders meeting, acting under the quorum and majority requirements applicable to ordinary shareholders meetings. Increases effected by an increase in the par value of shares require unanimous approval of the shareholders, unless effected by capitalization of reserves, profits or share premium. All other capital increases require the approval of an extraordinary general shareholders meeting acting under the regular quorum and majority requirements for such meetings. See Quorum and Votes Required for Shareholder Action above.

Since the entry into force of order 2004-604 of June 24, 2004, the shareholders may delegate to our Board of Directors either the authority *(délégation de compétence)* or the power *(délégation de pouvoir)* to carry out any increase in share capital. Our Board of Directors may further delegate this power to our Chief Executive Officer or, subject to our Chief Executive Officer s approval, to his delegates *(directeurs généraux délégués)*.

On April 17, 2009, our shareholders approved various resolutions delegating to the Board of Directors the authority to increase our share capital through the issuance of shares or securities giving access to the share capital, subject to an overall cap set at 1.3 billion. This cap applies to all the resolutions whereby the extraordinary shareholders meeting delegated to the Board of Directors the authority to increase the share capital, it being also specified that:

- the maximum aggregate par value of capital increases that may be carried out with preemptive rights maintained was set at 1.3 billion;

- the maximum aggregate par value of capital increases that may be carried out without preemptive rights was set at 500 million;

- the maximum aggregate par value of capital increases that may be carried out by capitalization of share premium, reserves, profits or other items was set at 500 million; and

- capital increases resulting in the issuance of securities to employees, early retirees or retirees under our employee savings plans are limited to 2% of the share capital as computed on the date of the Board s decision, and such issuances may be made at a discount of 20% (or 30% if certain French law restrictions on resales were to apply).

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On April 17, 2009, our shareholders also approved resolutions delegating to the Board of Directors the authority to increase the share capital by granting options or free shares to our employees and/or corporate officers, subject to the overall cap mentioned above and under the following terms and conditions:

- the authorization, for a period of 26 months, to grant options to purchase or to subscribe for our shares to employees and/or corporate officers; such options may not give entitlement to a total number of shares exceeding 2.5% of the share capital as computed on the day of the Board s decision; see Stock Options and Warrants above;

- the authorization, for a period of 38 months, to grant existing or new shares free of consideration to employees and/or corporate officers, up to a limit of 1% of the share capital as computed on the day of the Board s decision; see Awards of Shares above.

See also Item 6. Directors, Senior Management and Employees E. Share Ownership .

Decreases in Share Capital

According to the French Commercial Code, any decrease in our share capital requires approval by the shareholders entitled to vote at an extraordinary general meeting. The share capital may be reduced either by decreasing the par value of the outstanding shares or by reducing the number of outstanding shares. The number of outstanding shares may be reduced either by an exchange of shares or by the repurchase and cancellation of shares. Holders of each class of shares must be treated equally unless each affected shareholder agrees otherwise.

In addition, specific rules exist to permit the cancellation of treasury shares, by which the shareholders meeting may authorize the cancellation of up to 10% of a company s share capital per 24-month period. On April 17, 2009, our shareholders delegated to our Board of Directors for 26 months the right to reduce our share capital by canceling our own shares.

Preemptive Rights

According to the French Commercial Code, if we issue additional securities to be paid in cash, current shareholders will have preemptive rights to these securities on a *pro rata* basis. These preemptive rights require us to give priority treatment to current shareholders. The rights entitle the individual or entity that holds them to subscribe to the issuance of any securities that may increase the share capital of our Company by means of a cash payment or a set-off of cash debts. Preemptive rights are transferable during the subscription period relating to a particular offering. These rights may also be listed on Euronext Paris Stock Exchange.

Preemptive rights with respect to any particular offering may be waived by a vote of shareholders holding a two-thirds majority of the shares entitled to vote at an extraordinary general meeting. Our Board of Directors and our independent auditors are required by French law to present reports that specifically address any proposal to waive preemptive rights. In the event of a waiver, the issue of securities must be completed within the period prescribed by law. Shareholders also may notify us that they wish to waive their own preemptive rights with respect to any particular offering if they so choose.

The shareholders may decide at extraordinary general meetings to give the existing shareholders a non-transferable priority right to subscribe to the new securities, for a limited period of time.

In the event of a capital increase without preemptive rights to existing shareholders, French law requires that the capital increase be made at a price equal to or exceeding the weighted average market prices of the shares for the last three trading days on Euronext Paris Stock Exchange prior to the determination of the subscription price of the capital increase less 5%.

Form, Holding and Transfer of Shares

Form of Shares

Our *statuts* provide that the shares may be held in either bearer form or registered form at the option of the holder.

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Holding of Shares

In accordance with French law relating to the dematerialization of securities, shareholders ownership rights are represented by book entries instead of share certificates. We maintain a share account with Euroclear France (a French clearing system, which holds securities for its participants) for all shares in registered form, which is administered by BNP Paribas Securities Services. In addition, we maintain separate accounts in the name of each shareholder either directly or, at a shareholder s request, through the shareholder s accredited intermediary. Each shareholder account shows the name of the holder and the number of shares held. BNP Paribas Securities Services issues confirmations (*attestations d inscription en compte*) to each registered shareholder as to shares registered in the shareholder s account, but these confirmations are not documents of title.

Shares of a listed company may also be issued in bearer form. Shares held in bearer form are held and registered on the shareholder s behalf in an account maintained by an accredited financial intermediary and are credited to an account at Euroclear France maintained by such intermediary. Each accredited financial intermediary maintains a record of shares held through it and provides the account holder with a securities account statement. Transfers of shares held in bearer form may only be made through accredited financial intermediaries and Euroclear France.

Shares held by persons who are not domiciled in France may be registered in the name of intermediaries who act on behalf of one or more investors. When shares are so held, we are entitled to request from such intermediaries the names of the investors. Also, we may request any legal person (*personne morale*) who holds more than 2.5% of our shares or voting rights, to disclose the name of any person who owns, directly or indirectly, more than one-third of its share capital or of its voting rights. A person not providing the complete requested information in time, or who provides incomplete or false information, will be deprived of its voting rights at shareholders meetings and will have its payment of dividends withheld until it has provided the requested information in strict compliance with French law. If such person acted willfully, the person may be deprived by a French court of either its voting rights or its dividends or both for a period of up to five years.

Transfer of Shares

Our *statuts* do not contain any restrictions relating to the transfer of shares.

Registered shares must be converted into bearer form before being transferred on the Euronext Paris Market on the shareholders behalf and, accordingly, must be registered in an account maintained by an accredited financial intermediary on the shareholders behalf. A shareholder may initiate a transfer by giving instructions to the relevant accredited financial intermediary. A fee or commission is payable to the broker involved in the transaction, regardless of whether the transaction occurs within or outside France. No registration duty is normally payable in France unless a transfer instrument has been executed in France.

Redemption of Shares

Under French law, our Board of Directors is entitled to redeem a set number of shares as authorized by the extraordinary shareholders meeting. In the case of such an authorization, the shares redeemed must be cancelled within one month after the end of the offer to purchase such shares from shareholders. However, shares redeemed on the open market do not need to be cancelled if the company redeeming the shares grants options on or awards those shares to its employees within one year following the acquisition. See also Trading in Our Own Shares below.

Sinking Fund Provisions.

Our *statuts* do not provide for any sinking fund provisions.

Liability to Further Capital Calls

Shareholders are liable for corporate liabilities only up to the par value of the shares they hold; they are not liable to further capital calls.

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Liquidation Rights

If we are liquidated, any assets remaining after payment of our debts, liquidation expenses and all of our remaining obligations will first be distributed to repay in full the par value of our shares. Any surplus will be distributed *pro rata* among shareholders in proportion to the par value of their shareholdings.

Requirements for Holdings Exceeding Certain Percentages

The French Commercial Code provides that any individual or entity, acting alone or in concert with others, that becomes the owner, directly or indirectly, of more than 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50%, 66 2/3%, 90% or 95% of the outstanding shares or voting rights of a listed company in France, such as our Company, or that increases or decreases its shareholding or voting rights above or below any of those percentages, must notify the company, before the end of the fourth trading day following the date it crosses the threshold, of the number of shares it holds and their voting rights. The individual or entity must also notify the AMF before the end of the fourth trading day following the date it crosses the threshold. The AMF makes the notice public.

Subject to certain limited exceptions, French law and AMF regulations impose additional reporting requirements on persons who acquire more than 10%, 15%, 20% or 25% of the outstanding shares or voting rights of a listed company in France. These persons must file a report with the company and the AMF before the end of the fifth trading day following the date they cross the threshold.

In the report, the acquirer will have to specify its intentions for the following six month including:

- whether it acts alone or in concert with others;
- the means of financing of the acquisition (the notifier shall indicate in particular whether the acquisition is being financed with equity or debt, the main features of that debt, and, where applicable, the main guarantees given or received by the notifier. The notifier shall also indicate what portion of its holding, if any, it obtained through securities loans);
- whether or not it intends to continue its purchases;
- whether or not it intends to acquire control of the company in question;
- the strategy it contemplates *vis-à-vis* the issuer;
- the way it intends to implement it: (i) any plans for a merger, reorganization, liquidation, or partial transfer of a substantial part of the assets of the issuer or of any other entity it controls within the meaning of Article L. 233-3 of the French Commercial Code, (ii) any plans to modify the business of the issuer, (iii) any plans to modify the memorandum and articles of association of the issuer, (iv) any plans to delist a category of the issuer s financial instruments, and (v) any plans to issue the issuer s financial instruments;

- any agreement for the temporary transfer of shares or voting rights; and

- whether it seeks representation on the Board of Directors.

The AMF makes the report public. Upon any change of intention, it will have to file a new report for the following six-month period.

In order to enable shareholders to give the required notice, we must each month publish on our website and send the AMF a written notice setting forth the total number of our shares and voting rights (including treasury shares) whenever they vary from the figures previously published.

If any shareholder fails to comply with an applicable legal notification requirement, the shares in excess of the relevant threshold will be deprived of voting rights for all shareholders meetings until the end of a two-year period following the date on which the owner complies with the notification requirements. In addition, any shareholder who fails to comply with these requirements may have all or part of its voting rights suspended for up to five years by the Commercial Court at the request of our Chairman, any shareholder or the AMF, and may be subject to criminal fines.

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Under AMF regulations, and subject to limited exemptions granted by the AMF, any person or entity, acting alone or in concert, that crosses the threshold of 33 1/3% of the share capital or voting rights of a French listed company must initiate a public tender offer for the balance of the shares and securities giving access to the share capital or voting rights of such company.

In addition, our *statuts* provide that any person or entity, acting alone or in concert with others, who becomes the owner of 1%, or any multiple of 1% of our share capital or our voting rights must notify us by certified mail, return receipt requested, within five trading days, of the total number of shares and securities giving access to our share capital and voting rights that such person then owns. The same provisions of our *statuts* apply whenever such owner increases or decreases its ownership of our share capital or our voting rights to such extent that it goes above or below one of the thresholds described in the preceding sentence. Any person or entity that fails to comply with such notification requirement, will, upon the request of one or more shareholders holding at least 5% of our share capital or of our voting rights made at the general shareholders meeting, be deprived of voting rights with respect to the shares in excess of the relevant threshold for all shareholders meetings until the end of a two-year period following the date on which such person or entity complies with the notification requirements.

Change in Control/Anti-takeover

There are no provisions in our *statuts* that would have the effect of delaying, deferring or preventing a change in control of our Company or that would operate only with respect to a merger, acquisition or corporate restructuring involving our Company or any of our subsidiaries. Further, there are no provisions in our *statuts* that allow the issuance of preferred stock upon the occurrence of a takeover attempt or the addition of other anti-takeover measures without a shareholder vote.

Our *statuts* do not include any provisions discriminating against any existing or prospective holder of our securities as a result of such shareholder owning a substantial number of shares.

Trading in Our Own Shares

Under French law, sanofi-aventis may not issue shares to itself. However, we may, either directly or through a financial intermediary acting on our behalf, acquire up to 10% of our issued share capital within a maximum period of 18 months, provided our shares are listed on a regulated market. Prior to acquiring our shares, we must publish a description of the share repurchase program (*descriptif du programme de rachat d actions*).

We may not cancel more than 10% of our issued share capital over any 24-month period. Our repurchase of shares must not result in our Company holding, directly or through a person acting on our behalf, more than 10% of our issued share capital. We must hold any shares that we repurchase in registered form. These shares must be fully paid up. Shares repurchased by us continue to be deemed issued under French law but are not entitled to dividends or voting rights so long as we hold them directly or indirectly, and we may not exercise the preemptive rights attached to them.

The shareholders, at an extraordinary general shareholders meeting, may decide not to take these shares into account in determining the preemptive rights attached to the other shares. However, if the shareholders decide to take them into account, we must either sell the rights attached to the shares we hold on the market before the end of the subscription period or distribute them to the other shareholders on a *pro rata* basis.

On April 17, 2009, our shareholders approved a resolution authorizing us to repurchase up to 10% of our shares over an 18-month period. Under this authorization, the purchase price for each sanofi-aventis ordinary share may not be greater than 80.00 and the maximum amount that sanofi-aventis may pay for the repurchases is 10,524,203,680. A description of this share repurchase program as adopted by the Board of Directors on April 17, 2009 *(descriptif du programme de rachat d actions)* was published on March 4, 2009.

Purposes of Share Repurchase Programs

European regulation 2273/2003, dated December 22, 2003 (which we refer to in this section as the Regulation), in application of European directive 2003/6/EC, dated January 28, 2003, known as the Market Abuse Directive (the Directive) relating to share repurchase programs and the stabilization of financial instruments, came into effect on October 13, 2004.

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The entry into force of the Regulation has resulted in changes in the manner in which share repurchase programs are implemented. Under the Regulation, an issuer will benefit from a safe harbor for share transactions that comply with certain conditions relating in particular to the pricing, volume and timing of transactions (see below) and that are made in connection with a share repurchase program the purpose of which is:

- to reduce the share capital through the cancellation of treasury shares; and/or
- to meet obligations arising from debt instruments exchangeable into equity instruments and/or the implementation of employee share option programs or other employee share allocation plans.

Safe harbor transactions will by definition not be considered market abuses under the Regulation. Transactions that are carried out for other purposes than those mentioned above do not qualify for the safe harbor. However, as permitted by the Directive, which provides for the continuation of existing practices that do not constitute market manipulation and that conform with certain criteria set forth in European directive 2004/72, dated April 29, 2004, the AMF published exceptions on March 22, 2005 to permit the following existing market practices:

- transactions pursuant to a liquidity agreement entered into with a financial services intermediary that complies with the ethical code (*charte de déontologie*) approved by the AMF; and
- the purchase of shares that are subsequently used as acquisition currency in a business combination transaction.

The AMF confirmed that all transactions directed at maintaining the liquidity of an issuer s shares must be conducted pursuant to a liquidity agreement with a financial services intermediary acting independently.

Additionally, our program could be used for any purpose that is authorized or could be authorized under applicable laws and regulations.

Pricing, Volume and Other Restrictions

In order to qualify for the safe harbor, the issuer must generally comply with the following pricing and volume restrictions:

- a share purchase must not be made at a price higher than the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out;
- subject to certain exceptions for illiquid securities, the issuer must not purchase more than 25% of the average daily volume of the shares in any one day on the regulated market on which the purchase is carried out. The average daily volume figure must be based on the average daily volume traded in the month preceding the month of public disclosure of the share repurchase program and fixed on that basis for the authorized period of that program. If the program does not make reference to this volume, the average daily volume figure must be based on the average daily volume traded in the 20 trading days preceding the date of purchase.

In addition, an issuer must not:

resell the shares acquired pursuant to the repurchase program (without prejudice to the right of the issuer to meet its obligations under employee share option programs or other employee share allocation plans or to use shares as acquisition currency as mentioned above); it being further specified that such prohibition is not applicable if the share repurchase program is implemented by a financial services intermediary pursuant to a liquidity agreement as mentioned above;

effect any transaction during a blackout period imposed by the applicable law of the Member State in which the transaction occurs (*i.e.,* under French law, during the period between the date on which the company is aware of insider information and the date on which such information is made public and during the 15-day period preceding the date of publication of annual and interim financial statements), without prejudice to transactions carried out pursuant to a liquidity agreement as mentioned above; or

effect any transaction in securities with respect to which the issuer has decided to defer disclosure of any material, non-public information.

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Use of Share Repurchase Programs

Pursuant to the AMF rules, issuers must immediately allocate the repurchased shares to one of the purposes provided for in the Regulation and must not subsequently use the shares for a different purpose. As an exception to the foregoing, shares repurchased with a view to covering stock option plans may, if no longer needed for this purpose, be re-allocated for cancellation or sold in compliance with AMF requirements relating in particular to blackout periods. Shares repurchased in connection with one of the market practices authorized by the AMF (see above) may also be re-allocated to one of the purposes contemplated by the Regulation or sold in compliance with AMF requirements. Shares repurchased with a view to their cancellation must be cancelled within 24 months following their acquisition.

During the year ended December 31, 2009, we did not use the authority delegated by our shareholders to repurchase our shares on the stock market.

As of December 31, 2009, we directly owned 9,293,742 sanofi-aventis shares with an aggregate par value of 18,587,484 (representing around 0.70 % of our share capital and with a value estimated at the share price upon purchase of 524,629,506).

In 2009, of the 8,193,471 shares allocated to stock purchase option plans outstanding at December 31, 2008, 592,255 shares were transferred to grantees of options, comprising:

354,059 shares transferred directly by us; and

238,196 shares transferred indirectly (by Hoechst GmbH).

Following these transfers, the shares owned directly or indirectly by us were allocated as follows:

7,601,216 shares were allocated to outstanding stock purchase option plans comprising:

7,472,242 directly-owned shares, representing 0.57% of our share capital; and

128,974 indirectly-owned shares, representing 0.01% of our share capital.

1,821,500 shares were allocated to cancellation, representing 0.14% of our share capital.

There has been no reallocation and no cancellation of repurchased shares.

Reporting Obligations

Pursuant to the AMF Regulation and the French Commercial Code, issuers trading in their own shares are subject to the following reporting obligations:

- issuers must report all transactions in their own shares on their web site within seven trading days of the transaction in a prescribed format, unless such transactions are carried out pursuant to a liquidity agreement that complies with the ethical code approved by the AMF; and

- issuers must declare to the AMF on a monthly basis all transactions completed under the share repurchase program unless they provide the same information on a weekly basis.

Ownership of Shares by Non-French Persons

The French Commercial Code and our *statuts* currently do not limit the right of non-residents of France or non-French persons to own or, where applicable, to vote our securities. However, non-residents of France must file an administrative notice with the French authorities in connection with the acquisition of a controlling interest in our Company. Under existing administrative rulings, ownership of 33 1/3% or more of our share capital or voting rights is regarded as a controlling interest, but a lower percentage might be held to be a controlling interest in certain circumstances depending upon factors such as:

- the acquiring party s intentions;

- the acquiring party s ability to elect directors; or

- financial reliance by the company on the acquiring party.

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Enforceability of Civil Liabilities

We are a limited liability company (*société anonyme*) organized under the laws of France, and most of our directors and officers reside outside the United States. In addition, a substantial portion of our assets is located in France. As a result, it may be difficult for investors to effect service of process within the United States on such persons. It may also be difficult to enforce against them, either inside or outside the United States, judgments obtained against them in U.S. courts, or to enforce in U.S. courts, judgments obtained against them in courts in jurisdictions outside the United States, in any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability against such persons in France, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws. Actions for enforcement of foreign judgments against such persons would require such persons who are of French nationality to waive their right under Article 15 of the French Civil Code to be sued only in France. We believe that no such French persons have waived such right with respect to actions predicated solely upon U.S. federal securities laws. In addition, actions in the United States under the U.S. federal securities laws could be affected under certain circumstances by the French law of July 26, 1968, as amended, which may preclude or restrict the obtaining of evidence in France or from French persons in connection with such actions. Additionally, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in France.

C. Material Contracts

N/A

D. Exchange Controls

French exchange control regulations currently do not limit the amount of payments that we may remit to non-residents of France. Laws and regulations concerning foreign exchange controls do require, however, that all payments or transfers of funds made by a French resident to a non-resident be handled by an accredited intermediary. In France, all registered banks and most credit establishments are accredited intermediaries.

E. Taxation

General

The following generally summarizes the material French and U.S. federal income tax consequences to U.S. holders (as defined below) of owning and disposing of our ADSs, ordinary shares, PSSAs and PSSA-ADSs (collectively the Securities). This discussion is intended only as a descriptive summary and does not purport to be a complete analysis or listing of all potential tax effects of the purchase, ownership or disposition of our Securities.

This summary does not constitute a legal opinion or tax advice. Holders are urged to consult their own tax advisers regarding the tax consequences of the purchase, ownership and disposition of Securities in light of their particular circumstances, including the effect of any U.S.

federal, state, local or other national tax laws.

The description of the French and U.S. federal income tax consequences set forth below is based on the laws (including, for U.S. federal income tax purposes, the Internal Revenue Code of 1986, as amended (the Code), final, temporary and proposed U.S. Treasury Regulations promulgated thereunder and administrative and judicial interpretations thereof) in force as of the date of this annual report, the Convention Between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital of August 31, 1994 (the Treaty), which entered into force on December 30, 1995 (as amended by any subsequent protocols, including the protocol of January 13, 2009), and the tax regulations issued by the French tax authorities (the Regulations) in force as of the date of this report. All of the foregoing is subject to change. Such changes could apply retroactively and could affect the consequences described below.

In particular, the United States and France signed a protocol on January 13, 2009, that made several changes to the Treaty, including changes to the Limitation on Benefits provision. The protocol entered into force on December 23, 2009; its provisions became effective in respect of withholding taxes for amounts paid or credited

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on or after January 1, 2009 and in respect of other taxes for taxable years beginning on or after January 1, 2010. *U.S. holders are advised to consult their own tax advisers regarding the effect the protocol may have on their eligibility for Treaty benefits in light of their own particular circumstances.*

For the purposes of this discussion, a U.S. holder is a beneficial owner of Securities that is (i) an individual who is a U.S. citizen or resident for U.S. federal income tax purposes, (ii) a U.S. domestic corporation or certain other entities created or organized in or under the laws of the United States or any state thereof, including the District of Colombia, or (iii) otherwise subject to U.S. federal income taxation on a net income basis in respect of Securities. A non-U.S. holder is a person other than a U.S. holder.

If a partnership holds Securities, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. *If a U.S. holder is a partner in a partnership that holds Securities, the holder is urged to consult its own tax adviser regarding the specific tax consequences of acquiring, owning and disposing of Securities.*

This discussion is intended only as a general summary and does not purport to be a complete analysis or listing of all potential tax effects of the acquisition, ownership or disposition of the Securities to any particular investor, and does not discuss tax considerations that arise from rules of general application or that are generally assumed to be known by investors. The discussion applies only to investors that hold our Securities as capital assets, that have the U.S. dollar as their functional currency, that are entitled to Treaty benefits under the Limitation on Benefits provision contained in the Treaty, and whose ownership of the Securities is not effectively connected to a permanent establishment or a fixed base in France. Certain holders (including, but not limited to, U.S. expatriates, partnerships or other entities classified as partnerships for U.S. federal income tax purposes, banks, insurance companies, regulated investment companies, tax-exempt organizations, financial institutions, persons subject to the alternative minimum tax, persons who acquired the Securities pursuant to the exercise of employee stock options or otherwise as compensation, persons that own (directly, indirectly or by attribution) 5% or more of our voting stock or 5% or more of our outstanding share capital, dealers in securities or currencies, persons that elect to mark their securities to market for U.S. federal income tax purposes and persons holding Securities as a position in a synthetic security, straddle or conversion transaction) may be subject to special rules not discussed below. *Holders of Securities are advised to consult their own tax advisers with regard to the application of French tax law and U.S. federal income tax law to their particular situations, as well as any tax consequences arising under the laws of any state, local or other foreign jurisdiction.*

French Taxes

Estate and Gift Taxes and Transfer Taxes

In general, a transfer of Securities by gift or by reason of death of a U.S. holder that would otherwise be subject to French gift or inheritance tax, respectively, will not be subject to such French tax by reason of the Convention between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Estates, Inheritances and Gifts, dated November 24, 1978, unless the donor or the transferor is domiciled in France at the time of making the gift or at the time of his or her death, or the Securities were used in, or held for use in, the conduct of a business through a permanent establishment or a fixed base in France.

Generally, transfers of Securities (other than ordinary shares) are not subject to French registration or stamp duty. Generally, transfers of ordinary shares will not be subject to French registration or stamp duty if such transfers are not evidenced by a written agreement or if such an agreement is executed outside of France.

Wealth Tax

The French wealth tax *impôt de solidarité sur la fortune* does not generally apply to the Securities if the holder is a U.S. resident, as defined pursuant to the provisions of the Treaty.

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U.S. Taxes

Ownership of the Securities

Deposits and withdrawals by a U.S. holder of ordinary shares in exchange for ADSs, or of PSSAs in exchange for PSSA-ADSs (including in connection with the intended termination of the deposit agreement with respect to the PSSA-ADSs), will not be taxable events for U.S. federal income tax purposes. For U.S. tax purposes, holders of ADSs will be treated as owners of the ordinary shares represented by such ADSs, and holders of PSSA-ADSs will be treated as owners of the PSSAs represented by such PSSA-ADSs. Accordingly, the discussion that follows regarding the U.S. federal income tax consequences of acquiring, owning and disposing of ordinary shares and PSSAs is equally applicable to ADSs and PSSA-ADSs, respectively.

Information Reporting and Backup Withholding Tax

Distributions made to holders and proceeds paid from the sale, exchange, redemption or disposal of Securities may be subject to information reporting to the Internal Revenue Service. Such payments may be subject to backup withholding taxes unless the holder (i) is a corporation or other exempt recipient or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary to establish that it is an exempt recipient. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder s U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

State and Local Taxes

In addition to U.S. federal income tax, U.S. holders of Securities may be subject to U.S. state and local taxes with respect to such Securities. *Holders of Securities are advised to consult their own tax advisers with regard to the application of U.S. state and local income tax law to their particular situation.*

ADSs-Ordinary Shares

French Taxes

Taxation of Dividends

Under French law, dividends paid by a French corporation, such as sanofi-aventis, to non-residents of France are generally subject to French withholding tax at a rate of 25% (18% for distributions made as from January 1, 2008 to individuals that are resident in the European Economic Area, except Liechtenstein). From March 1, 2010, dividends paid by a French corporation, such as sanofi-aventis, towards non-cooperative States or territories, as defined in Article 238-0 A of the French General Tax Code, will generally be subject to French withholding tax at a rate of 50%, irrespective of the tax residence of the beneficiary of the dividends if the dividends are received in such States or territories; however, eligible U.S. holders entitled to Treaty benefits under the Limitation on Benefits provision contained in the Treaty and receiving dividends in non-cooperative States or territories will not be subject to this 50% withholding tax.

Under the Treaty, the rate of French withholding tax on dividends paid to an eligible U.S. holder whose ownership of the ordinary shares or ADSs is not effectively connected with a permanent establishment or fixed base that such U.S. holder has in France is reduced to 15% and a U.S. holder may claim a refund from the French tax authorities of the amount withheld in excess of the Treaty rate of 15%, if any. For U.S. holders that are not individuals, the requirements for eligibility for Treaty benefits, including the reduced 15% withholding tax rate, contained in the Limitation on Benefits provision of the Treaty are complicated, and certain technical changes were made to these requirements by the new protocol. U.S. holders are advised to consult their own tax advisers regarding their eligibility for Treaty benefits in light of their own particular circumstances.

Dividends paid to an eligible U.S. holder are immediately subject to the reduced rate of 15%, provided that such holder establishes before the date of payment that it is a U.S. resident under the Treaty by completing and providing the depositary with a treaty form (Form 5000). Dividends paid to a U.S. holder that has not filed the

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Form 5000 before the dividend payment date will be subject to French withholding tax at the rate of 25% and then reduced at a later date to 15%, provided that such holder duly completes and provides the French tax authorities with the treaty forms Form 5000 and Form 5001 before December 31 of the second calendar year following the year during which the dividend is paid. Pension funds and certain other tax-exempt entities are subject to the same general filing requirements as other U.S. holders except that they may have to supply additional documentation evidencing their entitlement to these benefits.

Form 5000 and Form 5001, together with instructions, will be provided by the depositary to all U.S. holders registered with the depositary and is also available from the U.S. Internal Revenue Service. The depositary will arrange for the filing with the French Tax authorities of all such forms properly completed and executed by U.S. holders of ordinary shares or ADSs and returned to the depositary in sufficient time that they may be filed with the French tax authorities before the distribution so as to obtain immediately a reduced withholding tax rate.

The withholding tax refund, if any, ordinarily is paid within 12 months of filing the applicable French Treasury Form, but not before January 15 of the year following the calendar year in which the related dividend is paid.

Tax on Sale or Other Disposition

In general, under the Treaty, a U.S. holder who is a U.S. resident for purposes of the Treaty will not be subject to French tax on any capital gain from the redemption, sale or exchange of ordinary shares or ADSs unless the ordinary shares or the ADSs form part of the business property of a permanent establishment or fixed base that the U.S. holder has in France. Special rules apply to individuals who are residents of more than one country.

U.S. Taxes

Taxation of Dividends

For U.S. federal income tax purposes, the gross amount of any distribution paid to U.S. holders (that is, the net distribution received plus any tax withheld therefrom) will be treated as ordinary dividend income to the extent paid or deemed paid out of the current or accumulated earnings and profits of sanofi-aventis (as determined under U.S. federal income tax principles). Dividends paid by sanofi-aventis will not be eligible for the dividends-received deduction generally allowed to corporate U.S. holders.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual U.S. holder with respect to taxable years beginning before January 1, 2011, with respect to the ADSs or our ordinary shares will be subject to taxation at a maximum rate of 15% if the dividends are qualified dividends. Dividends paid on the ordinary shares or ADSs will be treated as qualified dividends if (i) the issuer is eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service has approved for the purposes of the qualified dividend rules and (ii) the issuer was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company (PFIC). The Treaty has been approved for the purposes of the qualified dividend rules. Based on our audited financial statements and relevant market and shareholder data, we believe sanofi-aventis was not a PFIC for U.S. federal income tax purposes with respect to its 2009 taxable year. In addition, based on its audited financial statements and current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, we do not anticipate that sanofi-aventis will become a PFIC for its 2010 taxable year. *Holders of ordinary*

shares and ADSs should consult their own tax advisers regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.

If you are a U.S. holder, dividend income received by you with respect to ADSs or ordinary shares generally will be treated as foreign source income for foreign tax credit purposes. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Distributions out of earnings and profits with respect to the ADSs or ordinary shares generally will be treated as passive category income (or, in the case of certain U.S. holders, general category income). Subject to certain limitations, French income tax withheld in connection with any distribution with respect to the ADSs or ordinary shares may be claimed as a

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credit against the U.S. federal income tax liability of a U.S. holder if such U.S. holder elects for that year to credit all foreign income taxes. Alternatively, such French withholding tax may be taken as a deduction against taxable income. Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in Securities and may not be allowed in respect of certain arrangements in which a U.S. holder s expected economic profit is insubstantial. *The U.S. federal income tax rules governing the availability and computation of foreign tax credits are complex. U.S. holders should consult their own tax advisers concerning the implications of these rules in light of their particular circumstances.*

To the extent that an amount received by a U.S. holder exceeds the allocable share of our current and accumulated earnings and profits, such excess will be applied first to reduce such U.S. holder s tax basis in its ordinary shares or ADSs and then, to the extent it exceeds the U.S. holder s tax basis, it will constitute capital gain from a deemed sale or exchange of such ordinary shares or ADSs (see Tax on Sale or Other Disposition , below).

The amount of any distribution paid in euros will be equal to the U.S. dollar value of the euro amount distributed, calculated by reference to the exchange rate in effect on the date the dividend is received by a U.S. holder of ordinary shares (or by the depositary, in the case of ADSs) regardless of whether the payment is in fact converted into U.S. dollars on such date. *U.S. holders should consult their own tax advisers regarding the treatment of foreign currency gain or loss, if any, on any euros received by a U.S. holder or depositary that are converted into U.S. dollars on a date subsequent to receipt.*

Tax on Sale or Other Disposition

In general, for U.S. federal income tax purposes, a U.S. holder that sells, exchanges or otherwise disposes of its ordinary shares or ADSs will recognize capital gain or loss in an amount equal to the U.S. dollar value of the difference between the amount realized for the ordinary shares or ADSs and the U.S. holder s adjusted tax basis (determined in U.S. dollars and under U.S. federal income tax rules) in the ordinary shares or ADSs. Such gain or loss generally will be U.S. -source gain or loss, and will be treated as long-term capital gain or loss if the U.S. holder s holding period in the ordinary shares or ADSs exceeds one year at the time of disposition. If the U.S. holder is an individual, any capital gain generally will be subject to U.S. federal income tax at preferential rates (currently a maximum of 15%) if specified minimum holding periods are met. The deductibility of capital losses is subject to significant limitations.

Participating Shares Series A (PSSAs) and PSSA-ADSs

French Taxes

Taxation of Annual Payments and Any Reorganization Payment

Under French law, no French withholding tax is imposed on Annual Payments on the Participating Shares Series A (PSSAs) owned by U.S. holders. Pursuant to Article 131 quater of the French General Tax Code, the withholding tax exemption on Annual Payments is not subject to any filing requirement because the PSSAs have been offered exclusively outside France before March 1, 2010. In the event that French law should change and a French withholding tax becomes applicable to the Annual Payments, (i) sanofi-aventis or an affiliate shall be obligated, to the extent it may lawfully do so, to gross up such payments (with certain exceptions relating to the holder s connection with France, failure to claim an exemption or failure to present timely such shares for payment) so that, after the payment of such withholding tax, the holder will

receive an amount equal to the amount which the holder would have received had there been no withholding or (ii) sanofi-aventis may redeem the PSSAs.

Taxation of Redemption

In general, under the Treaty, a U.S. holder who is a U.S. resident for purposes of the Treaty will not be subject to French tax on any capital gain from the redemption, sale or exchange of PSSAs or PSSA-ADSs. Special rules apply to individuals who are residents of more than one country.

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U.S. Taxes

Taxation of Annual Payments

For U.S. federal income tax purposes, the gross amount of the annual payments paid to U.S. holders entitled thereto will be treated as ordinary dividend income (in an amount equal to the cash or fair market value of the property received) to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Such dividends generally will be foreign-source income and generally will be treated as passive category (or, in the case of certain U.S. holders, general category) income for foreign tax credit purposes. Dividends paid by sanofi-aventis will not be eligible for the dividends-received deduction generally allowed to corporate U.S. holders.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by a U.S. holder that is an individual with respect to taxable years beginning before January 1, 2011 with respect to the PSSAs or PSSA-ADSs will be subject to taxation at a maximum rate of 15% if the dividends are qualified dividends. Dividends paid on the PSSAs or PSSA-ADSs will be treated as qualified dividends if (i) the issuer is eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service has approved for the purposes of the qualified dividend rules and (ii) the issuer was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company (PFIC). The Treaty has been approved for the purposes of the qualified dividend rules. Based on our audited financial statements and relevant market and shareholder data, we believe we were not a PFIC for U.S. federal income tax purposes with respect to our 2009 taxable year. In addition, based on our audited financial statements and current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate that we will become a PFIC for our 2010 taxable year. *Holders of PSSAs and PSSA-ADSs should consult their own tax advisers regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.*

To the extent that an amount received by a U.S. holder exceeds the allocable share of our current and accumulated earnings and profits, such excess will be applied first to reduce such U.S. holder s tax basis in its PSSAs or PSSA-ADSs and then, to the extent it exceeds the U.S. holder s tax basis, it will constitute gain from a deemed sale or exchange of such PSSAs or PSSA-ADSs (see Tax on Sale or Other Disposition (Including Redemption) , below).

The amount of any distribution paid in euros will be equal to the U.S. dollar value of the distributed euros, calculated by reference to the exchange rate in effect on the date the dividend is received by a U.S. holder of PSSAs (or by the depositary, in the case of PSSA-ADSs), regardless of whether the payment is in fact converted into U.S. dollars on such date. *U.S. holders should consult their own tax advisers regarding the treatment of foreign currency gain or loss, if any, on any euros received by a U.S. holder or depositary that are converted into U.S. dollars on a date subsequent to receipt.*

Tax on Sale or Other Disposition (Including Redemption)

In general, for U.S. federal income tax purposes, a U.S. holder that sells, exchanges or otherwise disposes of PSSAs or PSSA-ADSs will recognize capital gain or loss in an amount equal to the U.S. dollar value of the difference between the amount realized for the PSSAs or PSSA-ADSs and the holder s adjusted tax basis (determined in U.S. dollars) in the PSSAs or PSSA-ADSs. Such gain or loss generally will be U.S. -source gain or loss, and will be treated as long-term capital gain or loss if the U.S. holder s holding period in the PSSAs or PSSA-ADSs exceeds one year at the time of disposition. If the U.S. holder is an individual, any capital gain generally will be subject to U.S. federal income tax at preferential rates (currently a maximum of 15%) if specified minimum holding periods are met. The deductibility of capital losses is subject to significant limitations.

If, however, a U.S. holder s PSSAs or PSSA-ADSs are redeemed and it has a direct or indirect stock interest in sanofi-aventis after such redemption, then amounts received in a redemption could, under applicable U.S. tax rules, be treated as a distribution taxable as a dividend that is measured by the full amount of cash received by such U.S. holder (to the extent of the current and accumulated earnings and profits of sanofi-aventis, as described above in Taxation of Annual Payments). *U.S. holders should consult their own tax advisers as to the application of these rules to any such redemption.*

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F. Dividends and Paying Agents

N/A

G. Statement by Experts

N/A

H. Documents on Display

We are subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended, and, in accordance therewith, we are required to file reports, including annual report on Form 20-F, and other information with the U.S. Securities and Exchange Commission by electronic means. Our public filings are available to the public over the Internet at the Commission s Website at http://www.sec.gov (these documents are not incorporated by reference in this annual report).

I. Subsidiary Information

N/A

Item 11. Quantitative and Qualitative Disclosures about Market Risk[(1)]

General Policy

Liquidity risk, foreign exchange risk and interest rate risk, as well as related counterparty risk, are managed centrally by our dedicated treasury team within the Group Finance Department. Where it is not possible to manage these risks centrally, in particular due to regulatory restrictions (such as foreign exchange controls) or local tax restrictions, credit facilities and/or currency lines guaranteed by the parent company are contracted by our subsidiaries locally with banks, under the supervision of the central treasury team.

Our investment and financing strategies, as well as our interest rate and currency hedging strategies, are reviewed monthly by the Group Finance Department.

Our policy on derivatives prohibits speculative exposure.

Liquidity Risk

We operate a centralized treasury platform according to which all surplus cash and financing needs of our subsidiaries are invested with or funded by the parent company (where permitted by local legislation), at market conditions. The central treasury department manages the Group s current and projected financing (debt, net of cash and cash equivalents), and ensures that the Group is able to meet its financial commitments by maintaining sufficient cash and confirmed credit facilities for the size of our operations and the maturity of our debt.

As of December 31, 2009, cash and cash equivalents amounted to 4,692 million. The Group tends to diversify its short term investments with leading banks on monetary supports which maturity is lower than three months. As of December 31, 2009, these short term investments were mainly made of:

Mutual funds investments classified as Euro money-market funds by the *Autorité des Marchés Financiers*, within a limit of 10% of held assets.

Bank term deposits with a maturity lower than three months. These short-term investments are entered into with leading financial institutions.

As of December 31, 2009, the Group had 12.3 billion of undrawn confirmed credit facilities, of which 7.7 billion expire in 2012, 4.0 billion in 2011, 0.6 billion in 2010. Our credit facilities are not subject to financial covenant ratios.

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

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Our policy is to diversify our sources of funding through public or private issuances of debt securities, in particular under our Euro Medium Term Note program, and by issuing commercial paper in France and the United States. Debt securities issued in 2009 (for more information, see Note D.17 to the consolidated financial statements) helped extend the average term of our total debt to 4.1 years as of December 31, 2009, compared to 2.3 years as of December 31, 2008. Short-term commercial paper programs (U.S. dollar-denominated commercial paper swapped into euros and euro-denominated commercial paper) are used to meet our short-term financing needs. Drawdowns under these programs are generally renewed for periods of two months. The commercial paper programs are backed by confirmed short term credit facilities (see description above), to permit the Group to continue to access financing if raising funds via commercial paper is no longer possible (for more information, see Note D.17 to the consolidated financial statements). None of these programs was drawn as of December 31, 2009.

In the event of a market-wide liquidity crisis, the Group could be exposed to a scarcity of its sources of funding including the above-mentioned programs, or to a deterioration in their terms. This situation could damage the capacity of the Group to refinance its debt or to issue new debt on reasonable terms.

Interest Rate Risk

Our cost of debt is influenced by trends in interest rates as regards the floating-rate portion of our total debt (credit facilities, commercial paper) linked to Eonia, US Libor and Euribor, in proportion to the amounts drawn under these programs. To optimize the cost of our short-term and medium-term debt or reduce its volatility, we use interest rate swaps, cross-currency swaps, and, if necessary interest rate options, to alter the fixed rate / floating rate mix of our debt.

As of December 31, 2009, 67% of our total debt (amounting to 8,796 million), was fixed-rate and 33% was floating-rate after taking account of interest rate derivatives. Our cash and cash equivalents (amounting to 4,692 million) are entirely floating-rate.

As of December 31, 2009, the sensitivity of our total debt, net of cash and cash equivalents to interest rate fluctuations over a full year is detailed in the table below:

Change in 3-month Euribor	Impact on pre-tax net income (in million)
+100 bp	18
+ 25 bp	4
-25 bp	(4)
-100 bp	Non applicable

Foreign Exchange Risk

a. Operational Foreign Exchange Risk

A substantial proportion of our net sales is generated in countries in which the euro, which is our reporting currency, is not the functional currency. In 2009, for example, 32% of our consolidated net sales were generated in the United States. Although we also incur expenses in those countries, the impact of those expenses is not enough wholly to offset the impact of exchange rates on net sales. Consequently, our operating income may be materially affected by fluctuations in the exchange rate between the euro and other currencies, primarily the U.S. dollar.

We operate a foreign exchange risk hedging policy to reduce the exposure of our operating income to exchange rate movements. This policy involves regular assessments of our worldwide foreign currency exposure, based on budget estimates of foreign-currency transactions to be carried out by the parent company and its subsidiaries. These transactions mainly comprise sales, purchases, research costs, co-marketing and co-promotion expenses, and royalties. To reduce the exposure of these transactions to exchange rate movements, we contract currency hedges using liquid financial instruments such as forward purchases and sales of currency as well as call and put options, and combinations of currency options (collars).

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The table below shows operational currency hedging derivatives in place as of December 31, 2009, with the notional amount translated into euros at the relevant closing exchange rate. See also Note D.20 to the consolidated financial statements for the accounting classification of these instruments as of December 31, 2009.

Operational foreign exchange derivatives as of December 31, 2009 [(1)]:

(in million)	Notional amount	Fair value
Forward currency sales	**2 800**	**(51)**
of which: U.S. dollar	*1,757*	*(41)*
Japanese yen	*269*	*1*
Russian rouble	*132*	*(4)*
Pound Sterling	*111*	
Hungarian forint	*104*	*(1)*
Forward currency purchases	**377**	**6**
of which: Hungarian forint	*114*	*3*
U.S dollar	*69*	
Pound Sterling	*68*	*1*
Canadian dollar	*42*	*1*
Swiss franc	*20*	
Put options purchased	**448**	**14**
of which: U.S. dollar	*278*	*8*
Call options written	**881**	**(17)**
of which: U.S. dollar	*555*	*(10)*
Put options written	**278**	**(8)**
of which: U.S. dollar	*278*	*(8)*
Call options purchased	**555**	**10**
of which: U.S. dollar	*555*	*10*
Total	**5,339**	**(46)**

(1) As of December 31, 2008, the notional amount of forward currency sales was 3,305 million with a fair value of 219 million (including forward sales of U.S. dollars of a notional amount of 2,461 million with a fair value of 182 million). As of December 31, 2008, the notional amount of forward currency purchases was 601 million with a fair value of - 11 million (including forward sales of U.S. dollars of a notional amount of 140 million with a fair value of 3 million). In addition, as of December 31, 2008, the Group portfolio included purchased put options of a notional amount of 24 million with an immaterial fair value, and written call options of a notional amount of 48 million with a fair value of - 7 million.

As of December 31, 2009, none of these instruments had an expiry date after December 31, 2010.

These positions hedge:

future foreign-currency cash flows arising after the balance sheet date in relation to transactions carried out during the year ended December 31, 2009 and recognized in the balance sheet at that date. Gains and losses on derivative instruments (forward contracts) have been and will continue to be calculated and recognized in parallel with the recognition of gains and losses on the hedged items.

Due to this hedging relationship, the foreign exchange gain or loss on these items (derivative instruments and underlying assets) will be close to zero in 2010; and

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forecast foreign-currency cash flows relating to commercial transactions to be carried out in 2010. These hedges (forward contracts and options) cover approximately 8% to 40% of the expected net cash flows for 2010 in currencies subject to budgetary hedging. The portfolio of derivatives relating to 2010 U.S. dollar denominated cash flows consists entirely of forward contracts and accounts for around 8% of the 2010 expected cash flows. Given that these forward contracts were designated as cash flow hedges as of December 31, 2009, the sensitivity of the foreign exchange gain or loss and the impact on equity related to these instruments over 2010 would be as follows:

Constant euro/U.S. dollar exchange rate over 2010	Foreign exchange gain/(loss) on U.S. dollar hedging in million	Impact on equity
Depreciation of 10% in the U.S. dollar (1 = $1.5847)	28	33
Exchange rate maintained at the December 31, 2009 rate (1 = $1.4406)	(5)	
Appreciation of 10% in the U.S. dollar (1 = $1.2965)	(46)	(41)

b. Financial Foreign Exchange Risk

Some of our financing activities, such as the cash pooling arrangements for foreign subsidiaries outside the euro zone and our U.S. commercial paper issues, expose certain entities 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 mainly affects the sanofi-aventis parent company on the U.S. dollar and is hedged by firm financial instruments, usually forward contracts and currency swaps.

The table below shows financial currency hedging instruments in place as of December 31, 2009, calculated using exchange rates prevailing as of that date. See also Note D.20 to the consolidated financial statements for the accounting classification of these instruments as of December 31, 2009.

Financial foreign exchange derivatives as of December 31, 2009 [(1)]:

(in million)	Notional amount	Fair value	Expiry
Forward currency purchases	**6,760**	**185**	
of which: U.S. dollar [(*)]	*5,634*	*180*	*2010*
Pound sterling	*433*	*2*	*2010*
Swiss franc	*152*	*1*	*2010*
Forward currency sales	**3,169**	**(7)**	
of which: U.S. dollar	*1,634*	*(28)*	*2010*
Japanese yen	*837*	*18*	*2010*
Czech koruna	*394*	*7*	*2010*
Total	**9,929**	**178**	

(*) Corresponding to the hedging of intra-group U.S. dollar deposits placed with the sanofi-aventis parent company.

(1) As of December 31, 2008, the notional amount of forward currency purchases was 9,210 million with a fair value of - 80 million (including forward purchases of U.S. dollars of a notional amount of 8,256 million with a fair value of - 66 million). As of December 31, 2008, the notional amount of forward currency sales was 1,954 million with a fair value of - 22 million (including forward sales of U.S. dollars of a notional amount of 1,043 million with a fair value of - 23

million).

These swaps generate a net financial foreign exchange gain or loss arising from the differential between the interest rates of the hedged currency and the euro, given that the foreign exchange gain or loss on the foreign-currency assets and liabilities is offset by the change in the intrinsic value of the hedging instruments. As regards the U.S. dollar, the interest rate differential on forward currency purchases had a negative impact of 24 million on the foreign exchange gain/loss in 2009, compared to a negative impact of 51 million in 2008.

As of December 31, 2009, none of the instruments had an expiry date after December 31, 2010.

We may also hedge some future foreign-currency cash flows relating to investment or divestment transactions.

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c. Other Foreign Exchange Risks

A significant proportion of our consolidated net assets is denominated in U.S. dollars. For a breakdown of net assets see Note D.35 to our consolidated financial statements. As a result, any fluctuation in the U.S. dollar against the euro affects shareholders equity as expressed in euros. As of December 31, 2009, we had no derivative instruments in place to limit the effect of such fluctuations.

Counterparty Risk

Our financing and investing operations, as well as our currency and interest rate hedges, are contracted with leading banks. As regards investing operations and derivative instruments, a limit is set for each financial institution, depending on its rating. Compliance with these limits, which are computed by reference to the notional amount of the transaction and weighted to reflect the residual maturity and nature of the commitment, is monitored on a daily basis.

As of December 31, 2009, the distribution of our exposure by rating and the percentage committed to the dominant counterparty were as follows:

	Cash and cash equivalents (excluding mutual funds) [1]	Notional amounts of currency hedges [2]	Notional amounts of interest rate hedges [2]	Credit facilities
AA	304	2,538	981	2,560
AA-	104	2,551		3,465
A+	427	8,812	1,124	4,899
A				881
A-				485
BBB ratings and not rated				
Unallocated	40			
Total	875	13,901	2,105	12,290
% / rating of the dominant counterparty	28% / AA	15% / A+	21% / AA	11% /A+

(1) The cash equivalents include mutual funds investments for 3,128 million.
(2) The notional amounts are computed on the basis of the forward rates negotiated at the inception date of the derivative instruments.

Mutual funds investments are mainly made by the sanofi-aventis parent company. These mutual funds investments, classified as Euro Money-Market Funds by the *Autorité des Marchés Financiers*, show low volatility, low sensitivity to interest rate risk and a very low probability of loss of principal. Depositary banks of the mutual funds as well as depositaries of sanofi-aventis are at least A+ rated.

Crystallization of counterparty risk could impact the Group s liquidity in certain circumstances.

Stock Market Risk

It is our policy not to trade on the stock market for speculative purposes.

Item 12. Description of Securities other than Equity Securities

N/A

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12.D American Depositary Shares

Fees Payable By ADS Holders

A copy of our Form of Amended and Restated Deposit Agreement with JPMorgan Chase Bank N.A. (JPMorgan) (including the Form of American Depositary Receipt or ADR) was filed with the SEC as an exhibit to our Form F-6 filed on August 7, 2007 (the Deposit Agreement). Pursuant to the Deposit Agreement, holders of our ADSs may have to pay to JPMorgan, either directly or indirectly, fees or charges up to the amounts set forth in the table below.

Associated Fee	Depositary Action
$5.00 or less per 100 ADSs (or portion thereof)	Execution and delivery of ADRs for distributions and dividends in shares and rights to subscribe for additional shares or rights of any other nature and surrender of ADRs for the purposes of withdrawal, including the termination of the Deposit Agreement
$0.02 or less per ADS (or portion thereof)	Any cash distribution made pursuant to the Deposit Agreement, including, among other things: cash distributions or dividends, distributions other than cash, shares or rights, distributions in shares, and rights of any other nature, including rights to subscribe for additional shares.
Taxes and other governmental charges	As applicable
Registration fees in effect for the registration of transfers of shares generally on the share register of the company or foreign registrar and applicable to transfers of shares to or from the name of JPMorgan or its nominee to the custodian or its nominee on the making of deposits and withdrawals	As applicable
A fee equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	Distributions of securities other than cash, shares or rights
Any other charges payable by JPMorgan, its agents (and their agents), including BNP Paribas, as custodian (by deductions from cash dividends or other cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them)	Servicing of shares or other deposited securities
Expenses incurred by JPMorgan	Cable, telex and facsimile transmission (where expressly provided for in the Deposit Agreement)

Foreign currency conversion into U.S. dollars

Fees Paid to sanofi-aventis by the Depositary

JPMorgan, as depositary, has agreed to reimburse sanofi-aventis up to $4,000,000 per year for expenses sanofi-aventis incurs relating to legal fees, investor relations servicing, investor-related presentations, ADR-related advertising and public relations in those jurisdictions in which the ADRs may be listed or otherwise quoted, investor relations channel, perception studies, accountants fees in relation to our annual report on

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Form 20-F or any other expenses directly or indirectly relating to managing the program or servicing the shareholders. From January 1, 2009 to March 1, 2010, sanofi-aventis has obtained reimbursements corresponding to the ceiling of $4,000,000 for 2009. Furthermore, JPMorgan has agreed to waive up to $425,000 each year in servicing fees for routine corporate actions, such as annual general meetings and divided distributions, as well as for other assistance such as tax and regulatory compliance fees, investor relations advisory services, etc.

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PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

N/A

Item 14. Material Modifications to the Rights of Security Holders

N/A

Item 15. Controls and Procedures

(a) Our Chief Executive Officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Form 20-F, have concluded that, as of such date, our disclosure controls and procedures were effective to ensure that material information relating to sanofi-aventis was timely made known to them by others within the Group.

(b) Report of Management on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a 15(f). Management assessed the effectiveness of internal control over financial reporting as of December 31, 2009 based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Business combinations that have been consummated during the year 2009 have been excluded from the scope of management s assessment of and conclusion on internal control over financial reporting as of December 31, 2009. The acquired businesses comprise essentially Zentiva, Medley, and Merial, whose respective contributions to the Company s consolidated financial statements as of and for the year ended December 31, 2009 are presented in the following table (the other acquired businesses are not significant):

	As a % of total sales	As a % of total assets	As a % of consolidated net income
Zentiva	1.6%	3.3%	(1.3%)
Medley	0.6%	1.1%	0.3%
Merial	N/A[(1)]	7.9%	3.1%

(1) Not applicable, as Merial is accounted for on a separate line item, Net income from the held-for-exchange Merial business in accordance with IFRS 5, and its revenues and expenses, including its sales, are presented as a single amount on this line item.

Based on that assessment, management has concluded that the Company s internal control over financial reporting was effective as of December 31, 2009 to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of its financial statements for external purposes, in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements, and can only provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of the Company s internal control over financial reporting has been audited by PricewaterhouseCoopers Audit and Ernst & Young Audit, independent registered public accounting firms, as stated in their report on the Company s internal control over financial reporting as of December 31, 2009, which is included herein. See paragraph (c) of the present Item 15, below.

(c) See report of PricewaterhouseCoopers Audit and Ernst & Young Audit, independent registered public accounting firms, included under Item 18. Financial Statements on page F-3.

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(d) There were no changes to our internal control over financial reporting that occurred during the period covered by this Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16.

[Reserved]

Item 16A. Audit Committee Financial Expert

Our Board of Directors has determined that Gérard Van Kemmel and Klaus Pohle, independent directors serving on the Audit Committee, are financial experts. The Board of Directors determined that Gérard Van Kemmel qualifies as an independent financial expert based on his experience as a partner at an international accounting firm. The Board of Directors also deemed Klaus Pohle to be an independent financial expert taking into account his education and professional experience in financial matters, accountancy and internal control.

Item 16B. Code of Ethics

We have adopted a financial code of ethics, as defined in Item 16.B. of Form 20-F under the Exchange Act. Our financial code of ethics applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and other officers performing similar functions, as designated from time to time. Our financial code of ethics is available on our Website at www.sanofi-aventis.com (information on our website is not incorporated by reference in this annual report). A copy of our financial code of ethics may also be obtained without charge by addressing a written request to the attention of Individual Shareholder Relations at our headquarters in Paris. We will disclose any amendment to the provisions of such financial code of ethics on our website.

Item 16C. Principal Accountants Fees and Services

See Note E to our consolidated financial statements included at Item 18 of this annual report.

Item 16D. Exemptions from the Listing Standards for Audit Committees

N/A

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In 2009, neither sanofi-aventis nor affiliated purchasers made purchases of equity securities of sanofi-aventis registered pursuant to Section 12 of the Exchange Act. For more information see Item 10. Additional Information Trading in Our Own Shares Use of Share Repurchase Programs .

Item 16F. Change in Registrant s Certifying Accountant

N/A

Item 16G. Corporate Governance

Sanofi-aventis is incorporated under the laws of France, with securities listed on regulated public markets in the United States (New York Stock Exchange) and France (Euronext Paris). Consequently, as described further in our annual report, our corporate governance framework reflects the mandatory provisions of French corporate law, the securities laws and regulations of France and the United States and the rules of the aforementioned public markets. In addition, we generally follow the so-called AFEP-MEDEF corporate governance recommendations for French listed issuers. As a result, our corporate governance framework is similar in many respects to, and provides investor protections that are comparable to or in some cases, more stringent than the corresponding rules of the New York Stock Exchange. Nevertheless, there are important differences to keep in mind.

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In line with New York Stock Exchange rules applicable to domestic issuers, sanofi-aventis aims to maintain a board of directors at least half of the members of which are independent. Sanofi-aventis evaluates the independence of members of our Board of Directors using the standards of the French AFEP-MEDEF corporate governance recommendations as the principal reference. We believe that AFEP-MEDEF s overarching criteria for independence no relationship of any kind whatsoever with the Company, its group or the management of either that is such as to color a Board member s judgment are on the whole consistent with the goals of the New York Stock Exchange s rules although the specific tests proposed under the two standards may vary on some points. Additionally, we have complied with the audit committee independence and other requirements of the Rule 10A-3 under the U.S. Securities Exchange Act of 1934, as amended, adopted pursuant to the Sarbanes-Oxley Act of 2002.

Under French law, the committees of our Board of Directors are advisory only, and where the New York Stock Exchange Listed Company Manual would vest certain decision-making powers with specific committees by delegation (*e.g.,* nominating or audit committees), our Board of Directors remains under French law the only competent body to take such decisions, albeit taking into account the recommendation of the relevant committees. Additionally, under French corporate law, it is the shareholder meeting of sanofi-aventis that is competent to appoint our auditors upon the proposal of our Board of Directors, although our internal rules provide that the Board of Directors will make its proposal on the basis of the recommendation of our Audit Committee. We believe that this requirement of French law, together with the additional legal requirement that two sets of statutory auditors be appointed, share the New York Stock Exchange s underlying goal of ensuring that the audit of our accounts be conducted by auditors independent from company management.

In addition to the oversight role of our Compensation Committee for questions of management compensation including by way of equity, under French law any option plans or other share capital increases, whether for the benefit of top management or employees, may only be adopted by the Board of Directors pursuant to and within the limits of a shareholder resolution approving the related capital increase and delegating to the Board the authority to implement such operations.

As described above, a number of issues, which could be resolved directly by a board or its committees in the United States, require the additional protection of direct shareholder consultation in France. On the other hand, there is not a tradition of non-executive Board of Director sessions. Our audit committee is entirely composed of independent directors as that term is defined in Rule 10A-3 under the U.S. Securities Exchange Act of 1934, as amended, adopted pursuant to the Sarbanes-Oxley Act of 2002. The composition of our Compensation Committee, and Appointments and Governance Committee includes directors who are also officers of our principal shareholders.

As a foreign private issuer under the U.S. securities laws, our Chief Executive Officer and our Chief Financial Officer issue the certifications required by §302 and §906 of the Sarbanes Oxley Act of 2002 on an annual basis (with the filing of our annual report on U.S. Form 20-F) rather than on a quarterly basis as would be the case of a U.S. corporation filing quarterly reports on U.S. Form 10-Q.

French corporate law provides that the Board of Directors must vote to approve a broadly defined range of transactions that could potentially create conflicts of interest between sanofi-aventis on the one hand and its directors and officers on the other hand. This legal safeguard operates in place of certain provisions of the NYSE Listed Company Manual.

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PART III

Item 17. Financial Statements

See Item 18.

Item 18. Financial Statements

See pages F-1 through F-121 incorporated herein by reference.

Item 19. Exhibits

1.1	Articles of association (statuts) of sanofi-aventis (English translation)
2.1	Form of Deposit Agreement between sanofi-aventis and JPMorgan Chase Bank, N.A., as depositary (*incorporated herein by reference to Exhibit A to the Registration Statement on Form F-6 dated August 7, 2007 relating to our American Depositary Shares, SEC File No. 333-145177*)
2.2	Instrument defining rights of holders of American Depositary Shares each representing one quarter of a Participating Share Series A (*incorporated by reference to Item. 3 Exhibit (a) of the Registration Statement on Form F-6 (Registration No. 33-31904) dated November 21, 1989*)
8.1	List of significant subsidiaries, see Item 4. Information on the Company C. Organizational Structure
12.1	Certification by Christopher Viehbacher, Chief Executive Officer, required by Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification by Jérôme Contamine, Principal Financial Officer, required by Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification by Christopher Viehbacher, Chief Executive Officer, required by Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification by Jérôme Contamine, Principal Financial Officer, required by Section 906 of the Sarbanes-Oxley Act of 2002
23.1	Consent of Ernst & Young Audit dated March 12, 2010
23.2	Consent of PricewaterhouseCoopers Audit dated March 12, 2010
99.1	Report of the Chairman of the Board of Directors for 2009 as required by Art. L. 225-37 paragraph 6 of the French Commercial Code

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Signatures

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

by: /s/ CHRISTOPHER VIEHBACHER
Christopher Viehbacher

Chief Executive Officer

Date: March 12, 2010

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ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The financial statements are presented in accordance with

International Financial Reporting Standards (IFRS)

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REPORT OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRMS

SANOFI-AVENTIS

To the Board of Directors and Shareholders of sanofi-aventis,

We have audited the accompanying consolidated balance sheets of sanofi-aventis and its subsidiaries (together the Group) as of December 31, 2009, 2008 and 2007, and the related consolidated statements of income, comprehensive income, changes in equity and cash-flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Group s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2009, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the PCAOB, the effectiveness of the Group s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2010 expressed an unqualified opinion thereon.

Neuilly-sur-Seine and Paris-La Défense, March 9, 2010

PricewaterhouseCoopers Audit		ERNST & YOUNG Audit	
Catherine Pariset	Philippe Vogt	Christian Chiarasini	Jacques Pierres

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REPORT OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRMS

SANOFI-AVENTIS

To the Board of Directors and Shareholders of sanofi-aventis,

We have audited internal control over financial reporting of sanofi-aventis and its subsidiaries (together the Group) as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Group s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States), (the PCAOB). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in the accompanying Report of Management on Internal Control Over Financial Reporting, management s assessment of and conclusion on the effectiveness of internal control over financial reporting excluded the internal controls of business combinations that have been consummated during 2009. The acquired businesses comprise essentially Zentiva, Medley and Merial. We have also excluded the 2009 business combinations from our audit of internal control over financial reporting of the Group. Zentiva, Medley and Merial s respective contributions to the Group s consolidated financial statements as of and for the year ended December 31, 2009 are presented in the following table:

	As a % of total sales	As a % of total assets	As a % of consolidated net income
Zentiva	1.6%	3.3%	(1.3)%
Medley	0.6%	1.1%	0.3 %
Merial	N/A	7.9%	3.1 %

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

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We also have audited, in accordance with the standards of the PCAOB, the consolidated balance sheets of the Group as of December 31, 2009, 2008 and 2007, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2009 and our report dated March 9, 2010 expressed an unqualified opinion thereon.

Neuilly-sur-Seine and Paris-La Défense, March 9, 2010

PricewaterhouseCoopers Audit

Catherine Pariset

Philippe Vogt

ERNST & YOUNG Audit

Christian Chiarasini

Jacques Pierres

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CONSOLIDATED BALANCE SHEETS

(million)	*Note*	December 31, 2009	December 31, 2008	December 31, 2007
ASSETS				
Property, plant and equipment	**D.3.**	7,830	6,961	6,538
Goodwill	**D.4.**	29,733	28,163	27,199
Intangible assets	**D.4.**	13,747	15,260	19,182
Investments in associates	**D.6.**	955	2,459	2,493
Financial assets non-current	**D.7.**	998	821	1,037
Deferred tax assets	**D.14.**	2,912	2,920	2,912
Non-current assets		**56,175**	**56,584**	**59,361**
Inventories	**D.9.**	4,444	3,590	3,729
Accounts receivable	**D.10.**	6,015	5,303	4,904
Other current assets	**D.11.**	2,104	1,881	2,126
Financial assets current	**D.12.**	277	403	83
Cash and cash equivalents	**D.13. - D.17.**	4,692	4,226	1,711
Current assets		**17,532**	**15,403**	**12,553**
Assets held for sale or exchange	**D.8.**	6,342		
TOTAL ASSETS		**80,049**	**71,987**	**71,914**

The accompanying notes on pages F-12 to F-121 are an integral part of the consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

(million)	*Note*	December 31, 2009	December 31, 2008	December 31, 2007
LIABILITIES & EQUITY				
Equity attributable to equity holders of the Company	**D.15.**	48,188	44,866	44,542
Minority interests	**D.16.**	258	205	177
Total equity		**48,446**	**45,071**	**44,719**
Long-term debt	**D.17.**	5,961	4,173	3,734
Provisions and other non-current liabilities	**D.18.**	8,311	7,730	6,857
Deferred tax liabilities	**D.14.**	4,933	5,668	6,935
Non-current liabilities		**19,205**	**17,571**	**17,526**
Accounts payable		2,654	2,791	2,749
Other current liabilities	**D.19.**	5,445	4,721	4,713
Short-term debt and current portion of long-term debt	**D.17.**	2,866	1,833	2,207
Current liabilities		**10,965**	**9,345**	**9,669**
Liabilities related to assets held for sale or exchange	**D.8.**	1,433		
TOTAL LIABILITIES & EQUITY		**80,049**	**71,987**	**71,914**

The accompanying notes on pages F-12 to F-121 are an integral part of the consolidated financial statements.

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CONSOLIDATED INCOME STATEMENTS

(million)	*Note*	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Net sales	**D.34. - D.35.**	**29,306**	**27,568**	**28,052**
Other revenues		1,443	1,249	1,155
Cost of sales		(7,880)	(7,337)	(7,571)
Gross profit		**22,869**	**21,480**	**21,636**
Research and development expenses		(4,583)	(4,575)	(4,537)
Selling and general expenses		(7,325)	(7,168)	(7,554)
Other operating income	**D.25.**	866	556	522
Other operating expenses	**D.26.**	(481)	(353)	(307)
Amortization of intangibles		(3,528)	(3,483)	(3,654)
Operating income before restructuring, impairment of property, plant and equipment and intangibles, gains and losses on disposals, and litigation		**7,818**	**6,457**	**6,106**
Restructuring costs	**D.27.**	(1,080)	(585)	(137)
Impairment of property, plant and equipment and intangibles	**D.5.**	(372)	(1,554)	(58)
Gains and losses on disposals, and litigation	**D.28.**		76	
Operating income		**6,366**	**4,394**	**5,911**
Financial expenses	**D.29.**	(324)	(335)	(329)
Financial income	**D.29.**	24	103	190
Income before tax and associates		**6,066**	**4,162**	**5,772**
Income tax expense	**D.30.**	(1,364)	(682)	(687)
Share of profit/loss of associates	**D.31.**	814	692	446
Net income excluding the held-for-exchange Merial business [(1)]		**5,516**	**4,172**	**5,531**
Net income from the held-for-exchange Merial business [(1)]	**D.8.**	175	120	151
Net income		**5,691**	**4,292**	**5,682**
Net income attributable to minority interests	**D.32.**	426	441	419
Net income attributable to equity holders of the Company		**5,265**	**3,851**	**5,263**
Average number of shares outstanding (million)	**D.15.9.**	1,305.9	1,309.3	1,346.9
Average number of shares outstanding after dilution (million)	**D.15.9.**	1,307.4	1,310.9	1,353.9
- Basic earnings per share (in euros)		4.03	2.94	3.91
- Diluted earnings per share (in euros)		4.03	2.94	3.89

(1) Reported separately in accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations). For the other disclosures required under IFRS 5, refer to Note D.8. to our consolidated financial statements.

The accompanying notes on pages F-12 to F-121 are an integral part of the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(million)	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Net income	**5,691**	**4,292**	**5,682**
Income (expense) recognized directly in equity:			
Available-for-sale financial assets	110	(132)	(5)
Cash flow hedges	(175)	104	8
Remeasurement of previously-held equity interests:			
Merial	1,215		
Zentiva	108		
Actuarial gains/(losses)	(169)	(829)	282
Change in cumulative translation difference	(301)	948	(2,764)
Tax effect of income and expenses recognized directly in equity [(1)]	(241)	132	(119)
Total income/(expense) recognized directly in equity	**547**	**223**	**(2,598)**
Total recognized income/(expense) for the period	**6,238**	**4,515**	**3,084**
Attributable to equity holders of the Company	*5,811*	*4,090*	*2,666*
Attributable to minority interests	*427*	*425*	*418*

(1) See analysis in Note D.15.7.

The accompanying notes on pages F-12 to F-121 are an integral part of the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(million)	Share capital	Additional paid-in capital and retained earnings	Treasury shares	Stock options and other share-based payment	Other items recognized directly in equity	Attributable to equity holders of the Company	Attributable to minority interests	Total equity
Balance at January 1, 2007	**2,719**	**43,776**	**(492)**	**1,369**	**(1,772)**	**45,600**	**220**	**45,820**
Income/(expense) recognized directly in equity [1]		176			(2,773)	(2,597)	(1)	(2,598)
Net income for the period		5,263				5,263	419	5,682
Total recognized income/(expense) for the period		**5,439**			**(2,773)**	**2,666**	**418**	**3,084**
Dividend paid out of 2006 earnings (1.75 per share)		(2,364)				(2,364)		(2,364)
Payment of dividends and equivalents to minority shareholders							(459)	(459)
Share repurchase program			(1,806)			(1,806)		(1,806)
Share-based payment:								
Exercise of stock options	10	201				211		211
Proceeds from sale of treasury shares on exercise of stock options			23			23		23
Value of services obtained from employees				115		115		115
Tax effect of exercise of stock options				(16)		(16)		(16)
Capital increase reserved for employees (excluding stock option plans)	3	92[2]				95		95
Buyout of minority shareholders							(2)	(2)
Other movements		18				18		18
Balance at December 31, 2007	**2,732**	**47,162**	**(2,275)**	**1,468**	**(4,545)**	**44,542**	**177**	**44,719**
Income/(expense) recognized directly in equity [1]		(693)			932	239	(16)	223
Net income for the period		3,851				3,851	441	4,292
Total recognized income/(expense) for the period		**3,158**			**932**	**4,090**	**425**	**4,515**
Dividend paid out of 2007 earnings (2.07 per share)		(2,702)				(2,702)		(2,702)
Payment of dividends and equivalents to minority shareholders							(397)	(397)
Share repurchase program			(1,227)			(1,227)		(1,227)
Reduction in share capital [3]	(103)	(2,843)	2,946					
Share-based payment:								
Exercise of stock options	2	37				39		39
Proceeds from sale of treasury shares on exercise of stock options			4			4		4
Value of services obtained from employees				125		125		125
Tax effect of exercise of stock options				(12)		(12)		(12)
Other movements		7				7		7
Balance at December 31, 2008	**2,631**	**44,819**	**(552)**	**1,581**	**(3,613)**	**44,866**	**205**	**45,071**
Income/(expense) recognized directly in equity [1]		869			(323)	546	1	547
Net income for the period		5,265				5,265	426	5,691
		6,134			**(323)**	**5,811**	**427**	**6,238**

Total recognized income/(expense) for the period								
Dividend paid out of 2008 earnings (2.20 per share)		(2,872)				(2,872)		(2,872)
Payment of dividends and equivalents to minority shareholders							(418)	(418)
Share-based payment:								
Exercise of stock options	6	134				140		140
Proceeds from sale of treasury shares on exercise of stock options			26			26		26
Value of services obtained from employees				114		114		114
Tax effect of exercise of stock options				1		1		1
Step acquisition [4]		102				102	31	133
Other movements							13	13
Balance at December 31, 2009	**2,637**	**48,317**	**(526)**	**1,696**	**(3,936)**	**48,188**	**258**	**48,446**

(1) See Note D.15.7.
(2) Includes discount of 21 million in 2007 (see Note D.15.3.).
(3) See Note D.15.5.
(4) Adjustment to retained earnings prior to acquisition of Zentiva, in particular the impairment loss recognized against the carrying amount of the equity interest in 2007 (see Note D.6.).

The accompanying notes on pages F-12 to F-121 are an integral part of the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(million)	*Note*	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Net income attributable to equity holders of the Company		**5,265**	**3,851**	**5,263**
Net income from the held-for-exchange Merial business		(175)	(120)	(151)
Dividends received from Merial		179	116	145
Minority interests, excluding BMS [(1)]		21	19	16
Share of undistributed earnings of associates		34	23	139
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		5,011	5,985	4,664
Gains and losses on disposals of non-current assets, net of tax [(2)]		(25)	(45)	(64)
Net change in deferred taxes		(1,169)	(1,473)	(1,476)
Net change in provisions		161	56	(247)
Cost of employee benefits (stock options and other share-based payments)		114	125	134
Impact of the workdown of acquired inventories remeasured at fair value		27		
Unrealized (gains)/losses recognized in income		(81)	(13)	(506)[(5)]
Operating cash flow before changes in working capital		**9,362**	**8,524**	**7,917**
(Increase)/decrease in inventories		(489)	(84)	(89)
(Increase)/decrease in accounts receivable		(429)	(309)	(60)
Increase/(decrease) in accounts payable		(336)	(28)	(156)
Net change in other current assets, financial assets (current) and other current liabilities		407	420	(506)
Net cash provided by/(used in) operating activities [(3)]		**8,515**	**8,523**	**7,106**
Acquisitions of property, plant and equipment and intangible assets	**D.3. - D.4.**	(1,785)	(1,606)	(1,610)
Acquisitions of investments in consolidated undertakings, net of cash acquired	**D.1.**	(5,563)	(661)	(214)
Acquisitions of available-for-sale financial assets	**D.1.**	(5)	(6)	(221)
Proceeds from disposals of property, plant and equipment, intangible assets and other non-current assets, net of tax [(4)]	**D.2.**	85	123	329
Net change in loans and other non-current financial assets		(19)	(4)	
Net cash provided by/(used in) investing activities		**(7,287)**	**(2,154)**	**(1,716)**
Issuance of sanofi-aventis shares	**D.15.**	142	51	271
Dividends paid:				
to sanofi-aventis shareholders		(2,872)	(2,702)	(2,364)
to minority shareholders, excluding BMS[(1)]		(6)	(6)	(9)
Additional long-term borrowings	**D.17.**	4,697	765	1,639
Repayments of long-term borrowings	**D.17.**	(1,989)	(1,253)	(2,065)
Net change in short-term borrowings	**D.17.**	(785)	557	(509)
Acquisition of treasury shares	**D.15.4.**		(1,227)	(1,806)
Disposals of treasury shares, net of tax	**D.15.**	26	6	23
Net cash provided by/(used in) financing activities		**(787)**	**(3,809)**	**(4,820)**

Impact of exchange rates on cash and cash equivalents		**25**	**(45)**	**(12)**
Net change in cash and cash equivalents		**466**	**2,515**	**558**
Cash and cash equivalents, beginning of period		**4,226**	**1,711**	**1,153**
Cash and cash equivalents, end of period	**D.13.**	**4,692**	**4,226**	**1,711**

(1) See Note C.1. (i)
(2) Including available-for-sale financial assets.
(3) Including:

Income tax paid	(2,981)	(2,317)	(3,030)
Interest paid	(269)	(317)	(315)
Interest received	88	132	88
Dividends received from non-consolidated entities	5	5	3

(4) Property, plant and equipment, intangible assets, investments in consolidated subsidiaries and participating interests.
(5) Arising primarily on the translation of U.S. dollar surplus cash from American subsidiaries transferred to the sanofi-aventis parent company.

The accompanying notes on pages F-12 to F-121 are an integral part of the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2009

INTRODUCTION

Sanofi-aventis is a global healthcare group engaged in the research, development, manufacture and marketing of healthcare products, drugs and vaccines. The sanofi-aventis pharmaceutical portfolio includes flagship products, together with a broad range of prescription and generic drugs and consumer health products.

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 consolidated financial statements for the year ended December 31, 2009, and the notes thereto, were adopted by the sanofi-aventis Board of Directors on February 9, 2010.

A. BASIS OF PREPARATION

A.1. International Financial Reporting Standards (IFRS)

The consolidated financial statements cover the twelve-month periods ended December 31, 2009, 2008 and 2007.

In accordance with Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002 on the application of international accounting standards, sanofi-aventis has presented its consolidated financial statements in accordance with IFRS since January 1, 2005. The term IFRS refers collectively to international accounting and financial reporting standards (IASs and IFRSs) and to interpretations of the interpretations committees (SIC and IFRIC), mandatorily applicable as of December 31, 2009.

The consolidated financial statements of sanofi-aventis as of December 31, 2009 have been prepared in compliance with IFRS as issued by the International Accounting Standards Board (IASB) and with IFRS adopted by the European Union as of December 31, 2009.

IFRS adopted by the European Union as of December 31, 2009 are available under the heading IASs/IFRSs, Standards and Interpretations via the web link *http://ec.europa.eu/internal_market/accounting/ias_en.htm*.

The consolidated financial statements have been prepared in accordance with the IFRS general principles of fair presentation, going concern, accrual basis of accounting, consistency of presentation, materiality, and aggregation.

New standards, amendments and interpretations applied in the consolidated financial statements for the first time in the year ended December 31, 2009 are described in Note A.2. Standards, amendments and interpretations issued by the IASB but not mandatorily applicable in 2009 are described in Note B.28.

A.2. New standards, amendments and interpretations applicable in 2009

In 2009, the IASB issued an amendment to IFRS 7 (Financial Instruments: Disclosures). This amendment, which defines a three-level hierarchy for fair value measurement methods, is applicable from 2009 onwards and has been adopted by the European Union. The disclosures required under this amendment are supplied in Note B.8.6. Fair value of financial instruments .

During the period, the IASB issued amendments to IFRIC 9 (Reassessment of Embedded Derivatives) and to IAS 39 (Financial Instruments: Recognition and Measurement) relating to embedded derivatives. These amendments, which have been adopted by the European Union, are applicable to financial periods ending on or after June 30, 2009. They specify the treatment to be applied to embedded derivatives where non-derivative financial assets are reclassified out of the held-for-trading category. Because sanofi-aventis does not make such reclassifications, these amendments do not apply to its consolidated financial statements.

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In 2009, sanofi-aventis applied for the first time the following standards and standards amendments, all of which were issued by the IASB in 2008 and earlier and have been adopted by the European Union:

IFRS 8, (Operating Segments), which replaces IAS 14. Under IFRS 8, published segment information must be prepared on the basis of data used internally to measure the performance of segments and to allocate resources between segments. Sanofi-aventis reviewed its operating segments during 2009, and now reports information for two operating segments, Pharmaceuticals and Human Vaccines (Vaccines). All other activities are combined in a separate segment, Other. Previously, sanofi-aventis reported two segments, Pharmaceuticals and Vaccines, under IAS 14. Operating segment information is disclosed in Note D.34. Split of net sales and Note D.35. Segment information .

The revised version of IAS 1 (Presentation of Financial Statements). Sanofi-aventis applies the recommendations of the revised IAS 1 in presenting its financial statements, including (i) presentation of income and expense recognized directly in equity separately from the consolidated income statement, in a consolidated statement of comprehensive income; (ii) separate presentation of income tax for each component of other comprehensive income recognized directly in equity; and (iii) separate presentation of reclassifications from equity to profit or loss. IAS 1 also requires an opening balance sheet to be presented in the event of retrospective restatement of an entity s balance sheet; sanofi-aventis did not make any such retrospective restatements in 2009.

Amendment to IAS 23 (Borrowing Costs). Under this amendment, entities are now required to capitalize borrowing costs directly attributable to the acquisition or in-house construction of items of property, plant and equipment. The optional treatment of recognizing such costs as an expense is no longer permitted. Because sanofi-aventis elected to capitalize such costs on first-time adoption of IFRS, application of this amendment in 2009 had no impact on the consolidated financial statements.

Amendment to IFRS 2 (Share-Based Payment). This amendment relates to the definition of vesting conditions, and to the accounting treatment of cancellations. Application of this amendment in 2009 had no impact on the consolidated financial statements.

The first Annual Improvements to IFRSs standard, issued in 2008. The most relevant amendments to sanofi-aventis are described below. They are not inconsistent with the standards they amend, because they merely provide clarification to the existing text; and they have no impact on the consolidated financial statements of sanofi-aventis, because the accounting treatment applied by sanofi-aventis already complied with the treatment proposed in the amendments.

Amendments to IAS 28 (Investments in Associates), IAS 32 (Financial Instruments: Presentation) and IFRS 7 (Financial Instruments: Disclosures), relating to impairment of an investment in an associate. These amendments specify that if an investment in an associate is impaired, the impairment loss cannot be allocated to any asset (in particular, goodwill) that forms part of the carrying amount of the investment. Consequently, the impairment loss may be reversed in the event of a subsequent improvement in the recoverable amount of the investment.

Amendment to IAS 38 (Intangible Assets), relating to advertising and promotional activities. Under this amendment, promotional expenses involving the supply of goods are recognized when the Group has a right to access those goods, and promotional expenses involving the supply of services are recognized when the Group receives that service. Prepayments are recognized as an asset until the Group obtains access to the goods or receives the service.

The following interpretations have been adopted by the European Union, and are mandatorily applicable, according to the IASB, with effect from 2009:

IFRIC 13 (Customer Loyalty Programmes), which sets out the accounting treatment for awards granted by entities to their customers in connection with the sale of goods or services. Because sanofi-aventis does not grant awards of this nature at present, this interpretation has no impact on the consolidated financial statements.

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IFRIC 15 (Agreements for the Construction of Real Estate), which clarifies whether revenue arising from sales of real estate assets (in particular off-plan sales) should be recognized using the percentage of completion method or on completion. This interpretation does not apply to the activities carried on by sanofi-aventis.

IFRIC 16 (Hedges of a Net Investment in a Foreign Operation), which clarifies the nature of the hedged risk and the accounting treatment of this type of hedge. The only risk to which hedge accounting may be applied is the risk relating to differences arising between the functional currency of the foreign operation and the functional currency of the intermediate or ultimate parent entity. In the event of disposal of the hedged foreign operation, the effective portion of the hedge initially recognized in other comprehensive income is reclassified to profit or loss, as is the portion of the foreign currency translation reserve that relates to the divested operation. The first-time application of IFRIC 16 did not generate a material impact on the consolidated financial statements of sanofi-aventis.

IFRIC 18 (Transfer of Assets from Customers). This interpretation, which has been adopted by the European Union, specifies the treatment of transfers of items of property, plant and equipment from a customer to a public service operator; it has no impact on the consolidated financial statements of sanofi-aventis, since the Group is not involved in this type of activity.

A.3. Use of estimates

The preparation of financial statements requires management to make reasonable 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 contingent liabilities.

Examples include:

amounts deducted from sales for projected sales returns, chargeback incentives, rebates and price reductions (see Note B.14.);

provisions relating to product liability claims (see note D.22.);

impairment of property, plant and equipment, goodwill, intangible assets and investments in associates (see Note B.6.);

the valuation of goodwill and the valuation and useful life of acquired intangible assets (see Notes B.3. and B.4.3.);

the amount of post-employment benefit obligations (see Note B.23.);

the amount of provisions for restructuring, tax risks, environmental risks and litigation (see Note B.12.).

Actual results could differ from these estimates.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B.1. Basis of consolidation

The consolidated financial statements include the accounts of sanofi-aventis and subsidiaries controlled by sanofi-aventis, using the full consolidation method. The existence of effectively exercisable or convertible potential voting rights is taken into account in determining whether control exists.

Joint ventures are accounted for by the equity method in accordance with the option in IAS 31 (Interests in Joint Ventures).

Companies over which sanofi-aventis exercises significant influence are accounted for by the equity method.

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Material transactions between consolidated companies and intragroup profits are eliminated.

Companies are consolidated from the date on which control (exclusive or joint) or significant influence is transferred to the Group. The Group s share of post-acquisition profits or losses is taken to the income statement, and post-acquisition movements in the acquiree s reserves are taken to consolidated reserves. Companies are excluded from consolidation from the date on which the Group transfers control or significant influence.

B.2. Foreign currency translation

Accounting for transactions in foreign currencies in individual company accounts

Non-current assets (other than receivables) and inventories acquired in foreign currencies are translated into the functional currency using the exchange rate prevailing at the date of acquisition.

All amounts receivable or payable in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. The resulting gains and losses are recorded in the income statement. However, foreign exchange gains and losses arising from the translation of advances between consolidated subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are recognized directly in equity in ***Cumulative translation difference***.

Foreign currency translation of the financial statements of foreign subsidiaries

In accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates), each Group subsidiary translates foreign currency transactions into the currency that is most representative of its economic environment (the functional currency).

All assets and liabilities are translated into euros using the exchange rate of the subsidiary s functional currency prevailing at the balance sheet date. Income statements are translated using a weighted average exchange rate for the period. The resulting translation difference is recorded as a separate component of equity and is recognized in the income statement only when the subsidiary is sold or is wholly or partially liquidated.

Under the exemptions allowed by IFRS 1, sanofi-aventis elected to eliminate through equity all cumulative translation differences for foreign operations at the January 1, 2004 IFRS transition date.

B.3. Business combinations

B.3.1. Accounting treatment

Business combinations consummated subsequent to the IFRS transition date (January 1, 2004) are accounted for by the purchase method in accordance with IFRS 3 (Business Combinations).

Under this method, the acquiree s identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria of IFRS 3 are measured initially at their fair values as at the date of acquisition, except for non-current assets classified as held for sale, which are measured at fair value less costs to sell.

Only identifiable liabilities that satisfy the criteria for recognition as a liability by the acquiree are recognized in a business combination. Consequently, restructuring liabilities are not recognized as a liability of the acquiree unless the acquiree has an obligation as at the date of the acquisition to carry out the restructuring.

Adjustments to the values of assets and liabilities initially determined provisionally (pending the results of independent valuations or further analysis) are recognized as a retrospective adjustment to goodwill if they are made within twelve months of the acquisition date. Once this twelve-month period has elapsed, the effects of any adjustments are recognized directly in the income statement, unless they qualify as an error correction.

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Where the contractual arrangements for a business combination include an adjustment to the cost of the combination contingent upon future events, this adjustment is included in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

If the adjustment is not probable or cannot be measured reliably, it is not included in the cost of the combination on initial recognition of the combination. If the adjustment subsequently becomes probable and reliably measurable, the additional consideration is treated as an adjustment to the cost of the combination (i.e. as an adjustment to goodwill).

Where control is acquired in stages, goodwill is determined at each stage as the excess of the cost of the transaction over the fair value of the share of assets acquired at each successive transaction date. The remeasurement of the fair value of the previously-held equity interest is recognized in equity on the line ***Remeasurement of previously-held equity interests***.

Under the exemptions allowed by IFRS 1, sanofi-aventis elected not to restate in accordance with IFRS 3 any business combinations that were consummated prior to the January 1, 2004 transition date. This includes the combination between Sanofi and Synthélabo that took place in 1999.

New accounting rules for business combinations will apply from 2010. The principal changes arising from these rules are described in Note B.28.

Purchase price allocations are performed under the responsibility of management, with assistance from an independent valuer in the case of major acquisitions.

B.3.2. Goodwill

The difference between the cost of an acquisition (including any costs directly attributable to the acquisition) and the Group s interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree is recognized as goodwill at the date of the business combination.

Goodwill arising on the acquisition of subsidiaries is shown as a separate line in the balance sheet under ***Goodwill***, whereas goodwill arising on the acquisition of associates is recorded in ***Investments in associates***.

Goodwill arising on the acquisition of foreign entities is measured in the functional currency of the acquired entity and translated using the exchange rate prevailing at the balance sheet date.

In accordance with IFRS 3 and with IAS 36 (Impairment of Assets), goodwill is carried at cost less accumulated impairment.

Goodwill is tested for impairment annually and whenever events or circumstances indicate that impairment might exist. Such events or circumstances include significant changes liable to have an other-than-temporary impact on the substance of the original investment.

B.4. Intangible assets

Intangible assets are initially measured at acquisition cost or production cost, including any directly attributable costs of preparing the asset for its intended use, or (in the case of assets acquired in a business combination) at fair value as at the date of the combination. They are amortized on a straight line basis over their useful lives.

The useful lives of intangible assets are reviewed at each reporting date. The effect of any adjustment to useful lives is recognized prospectively as a change of accounting estimate.

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Amortization of intangible assets is recognized in the income statement under ***Amortization of intangibles*** with the exception of amortization of acquired or internally-developed software, which is recognized on the relevant line of the income statement according to the purpose for which the software is used.

Sanofi-aventis does not own any intangible assets with an indefinite useful life.

Intangible assets are carried at cost less accumulated amortization and accumulated impairment, if any, in accordance with IAS 36 (see Note B.6.).

B.4.1. Research and development not acquired in a business combination

Internally generated research and development

In accordance with IAS 38 (Intangible Assets), internally generated research expenditure is expensed as incurred under ***Research and development expenses***.

Under IAS 38, internally generated development expenses are recognized as an intangible asset if, and only if, all the following six criteria can be demonstrated: (a) the technical feasibility of completing the development project; (b) the Group s intention to complete the project; (c) the Group s ability to use the project; (d) the probability that the project will generate future economic benefits; (e) the availability of adequate technical, financial and other resources to complete the project; and (f) the ability to measure the development expenditure reliably.

Due to the risks and uncertainties relating to regulatory approval and to the research and development process, the six criteria for capitalization are considered not to have been met until marketing approval has been obtained from the regulatory authorities. Consequently, internally generated development expenses arising before marketing approval has been obtained, mainly the cost of clinical trials, are expensed as incurred under ***Research and development expenses***.

Chemical industrial development expenses incurred to develop a second-generation process are incurred after initial regulatory approval has been obtained, in order to improve the industrial process for an active ingredient. To the extent that the six IAS 38 criteria are considered as being met, these expenses are capitalized under ***Intangible assets*** as incurred.

Separately acquired research and development

Payments for separately acquired research and development are capitalized under ***Intangible assets*** provided that they meet the definition of an intangible asset: a resource that is (i) controlled by the Group, (ii) expected to provide future economic benefits, and (iii) identifiable, i.e. is either separable or arises from contractual or legal rights. Under paragraph 25 of IAS 38, the first condition for capitalization (the probability that the expected future economic benefits will flow to the entity) is considered to be satisfied for separately acquired research and development. Because the amount of the payments is determinable, the second condition for capitalization (the cost can be measured reliably) is also met. Consequently, upfront and milestone payments to third parties related to pharmaceutical products for which regulatory marketing approval has not yet been obtained are recognized as intangible assets, and amortized on a straight line basis over their useful lives from the date on which regulatory approval is obtained.

Payments under research and development arrangements relating to access to technology or to databases and payments made to purchase generics files are also capitalized, and amortized over the useful life of the intangible asset.

Subcontracting arrangements, payments for research and development services and continuous payments under research and development collaborations unrelated to the outcome of the research and development efforts are expensed over the service term.

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B.4.2. Other intangible assets

Patents are capitalized at acquisition cost and amortized over the shorter of the period of legal protection or their useful life.

Licenses other than those related to pharmaceutical products and research projects, in particular software licenses, are capitalized at acquisition cost, including any directly attributable cost of preparing the software for its intended use. Software licenses are amortized on a straight line basis over their useful lives (three to five years).

Internally generated costs incurred to develop or upgrade software are capitalized if the IAS 38 criteria for recognition as an intangible asset are satisfied, and amortized on a straight line basis over the useful life of the software from the date on which the software is ready for use.

B.4.3. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination which relate to in-process research and development and are reliably measurable are separately identified from goodwill and capitalized in ***Intangible assets*** in accordance with IFRS 3 (Business Combinations) and IAS 38 (Intangible Assets). The related deferred tax liability is also recognized.

In-process research and development acquired in a business combination is amortized on a straight line basis over its useful life from the date of receipt of regulatory approval for the product derived from the research and development work.

Rights to products sold by the Group are amortized on a straight line basis over their useful lives, which are in a range from 5 to 20 years. Useful lives are determined on the basis of cash flow forecasts that take account of (among other factors) the period of legal protection of the related patents.

B.5. Property, plant and equipment

Property, plant and equipment is initially measured and recognized at acquisition cost, including any directly attributable cost of preparing the asset for its intended use, or (in the case of assets acquired in a business combination) at fair value as at the date of the acquisition. The component-based approach to accounting for property, plant and equipment is applied. Under this approach, each component of an item of property, plant and equipment with a cost which is significant in relation to the total cost of the item and which has a different useful life from the other components must be depreciated separately.

After initial measurement, property, plant and equipment is carried at cost less accumulated depreciation and impairment, except for land which is carried at cost less impairment.

Subsequent costs are not recognized as assets unless (i) it is probable that future economic benefits associated with these costs will flow to the Group and (ii) the costs can be measured reliably.

Day-to-day maintenance costs of property, plant and equipment are expensed as incurred.

Borrowing costs attributable to the financing of items of property, plant and equipment and incurred during the construction period of such items are capitalized as part of the acquisition cost of the item.

Government grants relating to non-current assets are deducted from the acquisition cost of the asset to which they relate.

In accordance with IAS 17 (Leases), items of property, plant and equipment leased by sanofi-aventis as lessee under finance leases are recognized as an asset in the balance sheet, with the related lease obligation

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recognized as a liability. A lease qualifies as a finance lease if it transfers substantially all the risks and rewards of ownership of the asset to the Group. Assets held under finance leases are carried at the lower of the fair value of the leased asset or the present value of the minimum lease payments, and are depreciated over the shorter of the useful life of the asset or the term of the lease.

The depreciable amount of items of property, plant and equipment, net of any residual value, is depreciated on a straight line basis over the useful life of the asset. The useful life of an asset is usually equivalent to its economic life.

The useful lives of property, plant and equipment are as follows:

Buildings	15 to 40 years
Fixtures	10 to 20 years
Plant and equipment	5 to 15 years
Other tangible assets	3 to 15 years

Useful lives and residual values of property, plant and equipment are reviewed annually. The effect of any adjustment to useful lives or residual values is recognized prospectively as a change of accounting estimate.

Depreciation of property, plant and equipment is recognized as an expense in the income statement, in the relevant classification of expense by function.

B.6. Impairment of property, plant and equipment, goodwill, intangible assets, and investments in associates

B.6.1. Impairment of property, plant and equipment, goodwill and intangible assets

Assets that generate separate cash flows and assets included in cash-generating units (CGUs) are assessed for impairment in accordance with IAS 36 (Impairment of Assets) when events or changes in circumstances indicate that the asset or CGU may be impaired.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Quantitative and qualitative indications of impairment (primarily relating to pharmacovigilance, patent protection and the launch of competing products) are reviewed at each reporting date. If there is any internal or external indication of impairment, the Group estimates the recoverable amount of the asset or CGU.

Property, plant and equipment and intangible assets not yet available for use (such as capitalized in-process research and development), and CGUs that include goodwill, are tested for impairment annually whether or not there is any indication of impairment, and more frequently if any event or circumstance indicates that they might be impaired. These assets are not amortized.

When there is an internal or external indication of impairment, the Group estimates the recoverable amount of the asset and recognizes an impairment loss when the carrying amount of the asset exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of any particular asset, the Group determines the recoverable amount of the CGU to which the asset belongs. The recoverable amount of the asset is the higher of its fair value less costs to sell or its value in use. To determine the value in use, the Group uses estimates of future cash flows generated by the asset or CGU, prepared using the same methods as those used in the initial measurement of the asset or CGU on the basis of the medium-term plans of each business activity.

Under IAS 36, each CGU to which goodwill is allocated must (i) represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, and (ii) not be larger than an operating

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segment determined in accordance with IFRS 8 (Operating Segments), before application of the IFRS 8 aggregation criteria. Consequently, the CGUs used by sanofi-aventis to test goodwill for impairment correspond to the geographical sub-segments of each operating segment.

In the case of goodwill, estimates of future cash flows are based on a five-year strategic plan, plus an extrapolation of the cash flows for the next seven years, plus a terminal value. In the case of intangible assets, the period used is based on the shorter of the period of patent protection or the economic life of the asset. Any cash flows beyond this period are estimated by applying a positive or negative growth rate to future periods.

Estimated cash flows are discounted at long-term market interest rates that reflect the best estimate by sanofi-aventis of the time value of money, the risks specific to the asset or CGU, and economic conditions in the geographical regions in which the business activity associated with the asset or CGU is located.

Certain assets and liabilities that are not directly attributable to a specific CGU are allocated between CGUs on a basis that is reasonable, and consistent with the allocation of the corresponding goodwill.

Impairment losses in respect of property, plant and equipment and intangible assets are recognized under ***Impairment of property, plant and equipment and intangibles*** in the income statement.

B.6.2. Impairment of investments in associates

In accordance with IAS 28 (Investments in Associates), the Group applies the criteria specified in IAS 39 (see Note B.8.2.) to determine whether an investment in an associate may be impaired. If an investment is impaired, the amount of the impairment loss is determined by applying IAS 36 (see Note B.6.1.) and recognized in ***Share of profit/loss of associates***.

B.6.3. Reversals of impairment losses charged against property, plant and equipment, intangible assets, and investments in associates

At each reporting date, the Group assesses if events or changes in circumstances indicate that an impairment loss recognized in a prior period in respect of an asset (other than goodwill) or an investment in an associate can be reversed. If this is the case, and the recoverable amount as determined based on the new estimates exceeds the carrying amount of the asset, the Group reverses the impairment loss only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset.

Reversals of impairment losses in respect of property, plant and equipment and intangible assets are recognized in the income statement under ***Impairment of property, plant and equipment and intangibles***, while reversals of impairment losses in respect of investments in associates are recognized in the income statement under ***Share of profit/loss of associates***. Impairment losses taken against goodwill are never reversed, unless the goodwill relates to an investment in an associate.

B.7. Assets held for sale or exchange

In accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations), non-current assets and groups of assets must be classified as held for sale in the balance sheet if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Within the meaning of IFRS 5, the term sale also includes exchanges for other assets.

Non-current assets or asset groups held for sale must be available for immediate sale in their present condition, subject only to terms that are usual and customary for sales of such assets, and a sale must be highly probable. Criteria used to determine whether a sale is highly probable include:

the appropriate level of management must be committed to a plan to sell;

an active program to locate a buyer and complete the plan must have been initiated;

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the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;

the sale should be completed within 12 months from the date of classification as held for sale or exchange;

actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Before the initial classification of the non-current asset (or asset group) as held for sale or exchange , the carrying amounts of the asset (or of all the assets and liabilities in the asset group) must be measured in accordance with the applicable standards.

Subsequent to classification as held for sale or exchange , the non-current asset (or asset group) is measured at the lower of carrying amount or fair value less costs to sell, with any write-down recognized by means of an impairment loss. Once a non-current asset has been classified as held for sale or exchange , it is no longer depreciated or amortized.

In the absence of any specific indication in the current IFRS 5 as to how to account for a partial disposal of an equity interest leading to loss of control, sanofi-aventis has adopted the following treatment: all the assets and liabilities included in a partial disposal of an equity interest leading to loss of control are classified in the balance sheet line items ***Assets held for sale or exchange*** or ***Liabilities related to assets held for sale or exchange***, provided that the partial disposal satisfies the IFRS 5 classification criteria. This presentation is consistent with that adopted by the IASB in the amendment to IFRS 5 (IFRS 5, paragraph 8A), issued in May 2008 as part of the Annual Improvements to IFRSs standard, relating to a disposal resulting in loss of exclusive control. This amendment will be mandatorily applicable effective January 1, 2010 (see Note B.28.).

The profit or loss generated by a held-for-sale asset group is reported on a separate line in the income statement for the current period and for the comparative periods presented, provided that the asset group:

represents a separate major line of business or geographical area of operations; or,

is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or,

is a subsidiary acquired exclusively with a view to resale.

B.8. Financial instruments

B.8.1. Financial assets

Under IFRS, and in accordance with IAS 39 and IAS 32, sanofi-aventis has adopted the following classification for participating interests and investment securities, based on management intent at the date of acquisition (except for investments already held at the transition date and reclassified at that date in accordance with IFRS 1). The designation and classification of these investments is carried out at initial recognition and reassessed at each reporting date.

Purchases of investments are recognized on the date when sanofi-aventis becomes party to the contractual terms of such investments. On initial recognition, financial assets are measured at fair value, plus direct transaction costs in the case of financial assets not designated as fair value through profit or loss.

Classification, presentation and subsequent measurement of financial assets are as follows:

Financial assets at fair value through profit or loss

These assets are classified in the balance sheet under ***Financial assets current*** and ***Cash and cash equivalents***.

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Financial assets at fair value through profit or loss comprise financial assets held for trading and financial instruments designated as fair value through profit and loss on initial recognition, in accordance with the conditions for application of the fair value option. This category consists of financial assets acquired principally for the purpose of selling them in the near term (usually within less than 12 months). Derivative instruments are classified as held for trading unless they are designated as hedging instruments.

These financial assets are carried at fair value, without any deduction for transaction costs that may be incurred on sale. Realized and unrealized gains and losses resulting from changes in the fair value of these assets are recognized in the income statement, in ***Financial income*** or ***Financial expenses***.

Realized and unrealized foreign exchange gains and losses on financial assets in currencies other than the euro are recognized in the income statement in ***Financial income*** or ***Financial expenses***.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are (i) designated by management as available-for-sale or (ii) not classified as financial assets at fair value through profit or loss , held-to-maturity investments or loans and receivables . This category includes participating interests in quoted or unquoted companies (other than investments in associates and joint ventures) that management intends to hold on a long-term basis. Available-for-sale financial assets are classified in non-current assets under ***Financial assets non-current***.

Available-for-sale financial assets are measured at fair value, without any deduction for transaction costs that may be incurred on sale. Gains and losses arising from changes in the fair value of these assets, including unrealized foreign exchange gains and losses, are recognized directly in equity in the consolidated statement of comprehensive income in the period in which they occur except for impairment losses and foreign exchange gains and losses on debt instruments. On derecognition of an available-for-sale financial asset, or on recognition of an impairment loss on such an asset, the cumulative gains and losses previously recognized in equity are recognized in the income statement for the period under ***Financial income*** or ***Financial expenses***.

Interest income and dividends on equity instruments are recognized in the income statement under ***Financial income*** when the Group is entitled to receive payment.

Available-for-sale financial assets in the form of participating interests in companies not quoted in an active market are measured at cost if their fair value cannot be measured reliably.

Realized foreign exchange gains and losses are recognized in the income statement under ***Financial income*** or ***Financial expenses***.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

These investments are measured at amortized cost using the effective interest method.

Sanofi-aventis did not hold any such investments during the years ended December 31, 2009, 2008 or 2007.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented in current assets, under ***Other current assets*** in the case of loans and under ***Accounts receivable*** in the case of receivables. Loans with a maturity of more than 12 months are presented in Long-term loans and advances under ***Financial assets non current***. Loans and receivables are measured at amortized cost using the effective interest method.

Realized and unrealized foreign exchange gains and losses are recognized in the income statement under ***Financial expenses*** or ***Financial income.***

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B.8.2. Impairment of financial assets

Indicators of impairment are reviewed for all financial assets at each reporting date. Such indicators include default in contractual payments, significant financial difficulties of the issuer or debtor, probability of bankruptcy, or prolonged or significant decline in quoted market price. An impairment loss is recognized in the income statement when there is objective evidence that an asset is impaired.

The impairment loss on loans and receivables, which are measured at amortized cost, is the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the financial asset s original effective interest rate.

When an impairment loss is identified on an available-for-sale financial asset, the cumulative losses previously recognized directly in equity are recorded in the income statement. The loss recognized in the income statement is the difference between the acquisition cost (net of principal repayment and amortization) and the fair value at the time of impairment, less any impairment loss previously recognized in the income statement.

The impairment loss on investments in companies that are not quoted in an active market and are measured at cost is the difference between the carrying amount of the investment and the present value of its estimated future cash flows discounted at the current market interest rate for similar financial assets.

Impairment losses in respect of loans are recognized under ***Financial expenses*** in the income statement.

Impairment losses in respect of trade receivables are recognized under ***Selling and general expenses*** in the income statement.

Impairment losses on investments in companies that are not quoted in an active market and are measured at cost, and on equity instruments classified as available-for-sale financial assets, cannot be reversed through the income statement.

B.8.3. Derivative instruments

Derivative instruments not designated as hedges of operating transactions are initially and subsequently measured at fair value, with changes in fair value recognized in the income statement, under ***Financial income*** or ***Financial expenses***, in the period when they arise.

Derivative instruments qualifying as hedging instruments are measured in accordance with the hedge accounting requirements of IAS 39 (see Note B.8.4.).

B.8.4. Hedging

Hedging involves the use of derivative financial instruments. Changes in the fair value of these instruments are intended to offset the exposure of the hedged items to changes in fair value.

As part of its overall interest rate risk and foreign exchange risk management policy, the Group enters into various transactions involving derivative instruments. Derivative instruments used in connection with the Group s hedging policy may include forward exchange contracts, currency options, interest rate swaps and interest rate options.

Derivative financial instruments qualify as hedging instruments for hedge accounting purposes when (a) at the inception of the hedge there is formal designation and documentation of the hedging relationship and of the risk management strategy and objective; (b) the hedge is expected to be highly effective in offsetting the risk; (c) the forecast transaction being hedged is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss; (d) the effectiveness of the hedge can be reliably measured; and (e) the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the reporting periods for which the hedge was designated.

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These criteria are applied when the Group uses derivative instruments designated as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation.

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or unrecognized firm commitment that could affect profit or loss.

Changes in fair value of the hedging instrument and changes in fair value of the hedged item attributable to the hedged risk are recognized in the income statement, under ***Other operating income*** for hedges of operating activities and under ***Financial income*** or ***Financial expenses*** for hedges of investing or financing activities.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecast transaction, that could affect profit or loss.

Changes in fair value of the hedging instrument attributable to the effective portion of the hedge are recognized directly in equity in the consolidated statement of comprehensive income. Changes in fair value attributable to the ineffective portion of the hedge are recognized in the income statement under ***Other operating income*** for hedges of operating activities, and under ***Financial income*** or ***Financial expenses*** for hedges of investing or financing activities.

Cumulative changes in fair value of the hedging instrument previously recognized in equity are transferred to the income statement when the hedged transaction affects profit or loss. These transferred gains and losses are recorded under ***Other operating income*** for hedges of operating activities and ***Financial income*** or ***Financial expenses*** for hedges of investing or financing activities.

When a forecast transaction results in the recognition of a non-financial asset or liability, cumulative changes in the fair value of the hedging instrument previously recognized in equity are included in the initial measurement of the asset or liability.

When the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss previously recognized in equity remains separately recognized in equity until the forecast transaction occurs. However, if the Group no longer expects the forecast transaction to occur, the cumulative gain or loss previously recognized in equity is recognized immediately in the income statement.

Hedge of a net investment in a foreign operation

A hedge of a net investment in a foreign operation is accounted for in the same way as a cash flow hedge. Changes in fair value of the hedging instrument attributable to the effective portion of the hedge are recognized directly in equity in the consolidated statement of comprehensive income. Changes in fair value attributable to the ineffective portion of the hedge are recognized in the income statement under ***Financial income*** or ***Financial expenses.*** When the investment in the foreign operation is sold, or wholly or partially liquidated, the changes in the fair value of the hedging instrument previously recognized in equity are transferred to the income statement under ***Financial income*** or ***Financial expenses.***

Hedge accounting is discontinued when (a) the hedging instrument expires or is sold, terminated or exercised, or (b) the hedge no longer meets the criteria for hedge accounting, or (c) the Group revokes the hedge designation, or (d) management no longer expects the forecast transaction to occur.

B.8.5. Financial liabilities

Bank borrowings and debt instruments are initially measured at fair value of the consideration received, net of directly attributable transaction costs.

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Subsequently, they are measured at amortized cost using the effective interest method. All costs related to the issuance of borrowings or debt instruments, and all differences between the issue proceeds net of transaction costs and the value on redemption, are recognized under ***Financial expenses*** in the income statement over the term of the debt using the effective interest method.

B.8.6. Fair value of financial instruments

Under IFRS 7, fair value measurements must be classified using a fair value hierarchy with the following levels:

Level 1: quoted prices in active markets for identical assets or liabilities (without modification or repackaging);

Level 2: quoted prices in active markets for similar assets and liabilities, and valuation techniques in which all important inputs are derived from observable market data;

Level 3: valuation techniques in which not all important inputs are derived from observable market data.

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The table below sets forth the principles used to measure the fair value of the principal financial assets and liabilities recognized by sanofi-aventis in its consolidated balance sheet:

Note	Type of financial instrument	Measurement principle applied in the consolidated balance sheet	Level in the IFRS 7 hierarchy of fair value as disclosed in the notes to the consolidated financial statements	Method used to determine fair value as disclosed in the notes to the consolidated financial statements			
				Valuation model	Exchange rate	Market data: Interest rate	Market data: Volatility
D.7.	Available-for-sale financial assets (quoted securities)	Fair value	1	Quoted market price		N/A	
D.7.	Long-term loans and advances	Amortized cost	N/A	The amortized cost of long-term loans and advances at the balance sheet date is not materially different from their fair value.			
D.7.	Assets recognized under the fair value option [1]	Fair value	1	Market value (net asset value)		N/A	
D.20.	Forward currency contracts	Fair value	2	Present value of future cash flows	ECB Fixing	< 1 year: Mid Money Market > 1 year: Mid Zero Coupon	N/A
D.20.	Currency options	Fair value	2	Options with no knock-out feature: Garman & Kohlhagen Knock-out options: Merton, Reiner & Rubinstein	ECB Fixing	< 1 year: Mid Money Market > 1 year: Mid Zero Coupon	Mid in-the-money
D.20.	Interest rate swaps	Fair value	2	Present value of future cash flows	N/A	< 1 year: Mid Money Market and LIFFE interest rate futures > 1 year: Mid Zero Coupon	N/A
D.20.	Cross-currency swaps	Fair value	2	Present value of future cash flows	ECB Fixing	< 1 year: Mid Money Market and LIFFE interest rate futures > 1 year: Mid Zero Coupon	N/A
D.13.		Fair value	1	Market value		N/A	

	Investments in collective investment schemes			(net asset value)
D.13.	Negotiable debt instruments, sight deposits and term deposits	Amortized cost	N/A	Because these instruments have a maturity of less than 3 months, amortized cost is regarded as an acceptable approximation of fair value as disclosed in the notes to the consolidated financial statements
D.17.	Financial liabilities	Amortized cost [2]	N/A	For financial liabilities with a maturity of less than 3 months, amortized cost is regarded as an acceptable approximation of fair value as disclosed in the notes to the consolidated financial statements For financial liabilities with a maturity of more than 3 months, fair value as disclosed in the notes to the consolidated financial statements is determined either by reference to quoted market prices at the balance sheet date (quoted instruments) or by discounting the future cash flows based on observable market data at the balance sheet date (unquoted instruments).

[1] These assets are held to fund a deferred compensation plan offered to certain employees, included in the obligations described in Note D.18.1.
[2] In the case of financial liabilities designated as hedged items in a fair value hedging relationship, the carrying amount in the consolidated balance sheet includes changes in fair value relating to the hedged risk(s).

The other financial assets and liabilities included in the Group balance sheet are the following:

Non-derivative current financial assets and liabilities: due to their short-term maturity, the fair value of these instruments approximates their carrying amount, i.e., historical cost less any credit risk allowance.

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Investments in equity instruments not quoted in an active market: in accordance with IFRS 7 the fair value of these instruments is not disclosed because their fair value cannot be measured reliably.

Contingent considerations as part of business combinations: in accordance with IFRS 3, a financial liability is recognized if payment is more likely than not and a reliable estimate is determinable. The fair value of these financial liabilities is determined by discounting this estimate at the balance sheet date.

B.8.7. Derecognition of financial instruments

Sanofi-aventis derecognizes financial assets when the contractual rights to cash flows from these assets have ended or have been transferred and when the Group has transferred substantially all risks and rewards of ownership of these assets. If the Group has neither transferred nor retained substantially all the risks and rewards of ownership of these assets, they are derecognized if the Group does not retain the control of these assets.

Financial liabilities are derecognized when the Group s contractual obligations in respect of such liabilities are discharged or cancelled or expired.

B.8.8. Risks relating to financial instruments

Market risks in respect of non-current financial assets, cash equivalents, derivative instruments and debt are described in the risk factors presented in Item 3.D. and Item 11.

Credit risk is the risk that customers may fail to pay their debts. This risk also arises as a result of the concentration of the Group s sales with its largest customers, in particular certain wholesalers in the United States. Customer credit risk is described in the risk factors presented in Item 3.D.

B.9. Inventories

Inventories are measured at the lower of cost or net realizable value. Cost is calculated using the weighted average cost method or the first-in, first-out method, depending on the nature of the inventory.

The cost of finished goods inventories includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

B.10. Cash and cash equivalents

Cash and cash equivalents as shown in the consolidated balance sheet and statement of cash flows comprise cash, plus liquid short-term investments that are (i) readily convertible into cash and (ii) subject to an insignificant risk of changes in value in the event of movements in interest rates.

B.11. Treasury shares

In accordance with IAS 32, sanofi-aventis treasury shares are deducted from equity irrespective of the purpose for which they are held. No gain or loss is recognized in the income statement on the purchase, sale, impairment or cancellation of treasury shares.

B.12. Provisions for risks

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), sanofi-aventis records a provision where it has a present obligation, whether legal or constructive, as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the outflow of resources. If the obligation is expected to be

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settled more than twelve months after the balance sheet date, or has no definite settlement date, the provision is recorded under ***Provisions and other non-current liabilities***.

Provisions relating to the insurance programs in which the Group s captive insurance company participates are based on risk exposure estimates calculated by management, with assistance from independent actuaries, using IBNR (Incurred But Not Reported) techniques. These techniques use past claims experience, within the Group and in the market, to estimate future trends in the cost of claims.

Contingent liabilities are not recognized, but are disclosed in the notes to the financial statements unless the possibility of an outflow of economic resources is remote.

Provisions are estimated on the basis of events and circumstances related to present obligations at the balance sheet date, of past experience, and to the best of management s knowledge at the date of preparation of the financial statements.

Reimbursements offsetting the probable outflow of resources are recognized as assets only if it is virtually certain that they will be received. Contingent assets are not recognized.

Restructuring provisions are recognized if the Group has a detailed, formal restructuring plan at the balance sheet date and has announced its intention to implement this plan to those affected by it.

No provisions are recorded for future operating losses.

Sanofi-aventis records long-term provisions for certain obligations such as legal environmental obligations and litigation where an outflow of resources is probable. Where the effect of the time value of money is material, these provisions are measured at the present value of the expenditures expected to be required to settle the obligation, calculated using a discount rate that reflects an estimate of the time value of money and the risks specific to the obligation.

Increases in provisions to reflect the effects of the passage of time are recognized in ***Financial expenses***.

B.13. Emission rights

Under international agreements, the European Union has committed to reducing greenhouse gas emissions and instituted an emissions allowance trading scheme. Approximately ten sanofi-aventis sites in Europe are covered by the scheme. Sanofi-aventis accounts for emission allowances as follows: the annual allowances allocated by government are recognized as intangible assets measured at fair value at the date of initial recognition, with a matching liability recognized to reflect the government grant effectively arising from the fact that allowances are issued free of charge. As and when allowances are consumed, they are transferred to Deliverable allowances in order to recognize the liability to government in respect of actual CO_2 emissions. If the allocated allowances are insufficient to cover actual emissions, an expense is recognized in order to reflect the additional allowances deliverable; this expense is measured at the market value of the allowances.

B.14. Revenue recognition

Revenue arising from the sale of goods is presented in the income statement under ***Net sales***. Net sales comprise revenue from sales of pharmaceutical products, vaccines, and active ingredients, net of sales returns, of customer incentives and discounts, and of certain sales-based payments paid or payable to the healthcare authorities.

Revenue is recognized when all of the following conditions have been met: the risks and rewards of ownership have been transferred to the customer; the Group no longer has effective control over the goods sold; the amount of revenue and costs associated with the transaction can be measured reliably; and it is probable that the economic benefits associated with the transaction will flow to the Group, in accordance with IAS 18

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(Revenue). In particular, the contracts between sanofi pasteur and government agencies specify terms for the supply and acceptance of batches of vaccine; revenue is recognized when these conditions are met.

The Group offers various types of price reductions on its products. In particular, products sold in the United States are covered by various governmental programs (such as Medicare and Medicaid) under which products are sold at a discount. Rebates are granted to healthcare authorities, and under contractual arrangements with certain customers. Some wholesalers are entitled to chargeback incentives based on the selling price to the end customer, under specific contractual arrangements. Cash discounts may also be granted for prompt payment.

Returns, discounts, incentives and rebates as described above are recognized in the period in which the underlying sales are recognized, as a reduction of sales revenue.

These amounts are calculated as follows:

Provisions for chargeback incentives are estimated on the basis of the relevant subsidiary s standard sales terms and conditions, and in certain cases on the basis of specific contractual arrangements with the customer. They represent management s best estimate of the ultimate amount of chargeback incentives that will eventually be claimed by the customer.

Provisions for rebates based on attainment of sales targets are estimated and accrued as each of the underlying sales transactions is recognized.

Provisions for price reductions under Government and State programs, largely in the United States, are estimated on the basis of the specific terms of the relevant regulations and/or agreements, and accrued as each of the underlying sales transactions is recognized.

Provisions for sales returns are calculated on the basis of management s best estimate of the amount of product that will ultimately be returned by customers. In countries where product returns are possible, sanofi-aventis has implemented a returns policy that allows the customer to return products within a certain period either side of the expiry date (usually 6 months before and 12 months after the expiry date). The provision is estimated on the basis of past experience of product returns.

The Group also takes account of factors such as levels of inventory in its various distribution channels, product expiry dates, information about potential discontinuation of products, the entry of competing generics into the market, and the launch of over-the-counter medicines.

In each case, the provisions are subject to continuous review and adjustment as appropriate based on the most recent information available to management.

The Group believes that it has the ability to measure each of the above provisions reliably, using the following factors in developing its estimates:

- the nature and patient profile of the underlying product;
- the applicable regulations and/or the specific terms and conditions of contracts with governmental authorities, wholesalers and other customers;
- historical data relating to similar contracts, in the case of qualitative and quantitative rebates and chargeback incentives;
- past experience and sales growth trends for the same or similar products;
- actual inventory levels in distribution channels, monitored by the Group using internal sales data and externally provided data;
- the shelf life of the Group s products;
- market trends including competition, pricing and demand.

Non-product revenues, mainly comprising royalty income from license arrangements that constitute ongoing operations of the Group (see Note C.), are presented in ***Other revenues***.

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B.15. Cost of sales

Cost of sales consists primarily of the industrial cost of goods sold, payments made under licensing agreements, and distribution costs. The industrial cost of goods sold includes the cost of materials, depreciation of property, plant and equipment and software, personnel costs, and other expenses attributable to production.

B.16. Research and development expenses

Internally generated research costs are expensed as incurred.

Internally generated pharmaceutical development costs are also expensed as incurred; they are not capitalized, because the criteria for capitalization are considered not to have been met until marketing approval for the related product has been obtained from the regulatory authorities. Recharges to or contributions from alliance partners are recorded as a reduction in ***Research and development expenses***.

Note B.4.1. Research and development not acquired in a business combination and Note B.4.3. Intangible assets acquired in a business combination , describe the principles applied to the recognition of separately acquired research and development.

B.17. Other operating income

Other operating income includes the share of profits that sanofi-aventis is entitled to receive from alliance partners in respect of product marketing agreements. It also includes revenues generated under certain complex agreements, which may include partnership and co-promotion agreements.

Upfront payments received are deferred for as long as a service obligation remains. Milestone payments are assessed on a case by case basis, and recognized in the income statement on delivery of the products and/or provision of the services in question. Revenue generated in connection with these services is recognized on the basis of delivery of the goods or provision of the services to the other contracting party.

This line also includes realized and unrealized foreign exchange gains and losses on operating activities (see Note B.8.4.), and operating gains on disposals not regarded as major disposals (see Note B.20.).

B.18. Other operating expenses

Other operating expenses mainly comprise the share of profits that alliance partners are entitled to receive from sanofi-aventis under product marketing agreements.

B.19. Amortization of intangibles

The expenses recorded on this line mainly comprise amortization of product rights (see Note D.4.), which are presented as a separate item because the benefit of these rights to the Group s commercial, industrial and development functions cannot be separately identified.

Amortization of software is recognized as an expense in the income statement, in the relevant line items of expense by function.

B.20. Operating income before restructuring, impairment of property, plant and equipment and intangibles, gains and losses on disposals, and litigation

Operating income before restructuring, impairment of property, plant and equipment and intangibles, gains and losses on disposals, and litigation is presented as a separate line item in the consolidated income statement in accordance with paragraph 85 of the revised IAS 1 (Presentation of Financial Statements), because it is relevant to an understanding of the Group s financial performance. This line item allows the Group to present

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separately items which, although they are components of operating income, nonetheless have a low degree of predictability because of their nature, frequency and/or materiality, and which if not presented separately would impair the understanding of the Group s financial performance.

This line item corresponds to operating income before the three items described below:

Restructuring costs

Restructuring costs include early retirement benefits, compensation for early termination of contracts, and rationalization costs relating to restructured sites. Asset impairment losses directly attributable to restructuring are also recorded on this line. Restructuring costs included on this line relate only to unusual and major restructuring plans.

Impairment of property, plant and equipment and intangibles

This line includes major impairment losses (other than those directly attributable to restructuring) on property, plant and equipment and intangibles, including goodwill. It also includes any reversals of such losses.

Gains and losses on disposals, and litigation

This line comprises gains and losses on major disposals of property, plant and equipment and intangible assets, and costs and provisions related to major litigation.

B.21. Financial expenses/income

B.21.1. Financial expenses

Financial expenses mainly comprise interest charges on debt financing, negative changes in the fair value of financial instruments (where changes in fair value are taken to the income statement), realized and unrealized foreign exchange losses on financing and investing activities, and impairment losses on financial instruments. They also include any reversals of impairment losses on financial instruments.

Financial expenses also include the expenses arising from the unwinding of discount on long-term provisions, except provisions for retirement benefits and other long-term employee benefits. This line does not include cash discounts, which are deducted from net sales.

B.21.2. Financial income

Financial income includes interest and dividend income, positive changes in the fair value of financial instruments (where changes in fair value are taken to the income statement), realized and unrealized foreign exchange gains on financing and investing activities, and gains or losses on disposals of financial assets.

B.22. Income tax expense

Income tax expense includes all current and deferred taxes of consolidated companies.

Sanofi-aventis accounts for deferred taxes in accordance with IAS 12 (Income Taxes), using the methods described below.

Deferred tax assets and liabilities are recognized on taxable and deductible temporary differences, and tax loss carry-forwards. Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

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Deferred tax assets and liabilities are calculated using the tax rate expected to apply in the period when a temporary difference is expected to reverse, based on tax rates enacted or substantively enacted at the balance sheet date.

Unused tax losses and unused tax credits are recognized as deferred tax assets to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Sanofi-aventis recognizes a deferred tax liability for temporary differences relating to investments in subsidiaries and associates and to interests in joint ventures except when the Group is able to control the timing of the reversal of the temporary differences. This applies in particular when the Group is able to control dividend policy and it is probable that the temporary differences will not reverse in the foreseeable future.

No deferred tax is recognized on intragroup transfers of investments in subsidiaries or associates.

For consolidation purposes, each tax entity calculates its own net deferred tax position. All net deferred tax asset and liability positions are then aggregated and shown as separate line items on the assets and liabilities sides of the consolidated balance sheet respectively. Deferred tax assets and liabilities can be offset only if (i) the Group has a legally enforceable right to set off current tax assets and current tax liabilities, and (ii) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

Deferred taxes are not discounted, except implicitly in the case of deferred taxes on assets and liabilities which are themselves discounted.

Withholding taxes on intragroup royalties and dividends, and on royalties and dividends collected from third parties, are accounted for as current income taxes.

In accounting for business combinations, sanofi-aventis complies with IFRS 3 as regards the recognition of deferred tax assets after the initial accounting period. This means that if any deferred tax assets are recognized by the acquiree after the end of this period on temporary differences or tax loss carry-forwards existing at the date of the combination, a corresponding reduction is made to the amount of goodwill.

Income tax expense includes the effect of tax disputes, and any penalties and late payment interest arising from such disputes.

B.23. Employee benefit obligations

Sanofi-aventis offers retirement benefits to employees and retirees of the Group. These benefits are accounted for in accordance with IAS 19 (Employee Benefits).

These benefits are in the form of either defined-contribution plans or defined-benefit plans.

In the case of defined-contribution plans, the contributions paid by sanofi-aventis are expensed in the period in which they occur, and no actuarial estimate is performed.

In the case of defined-benefit plans, sanofi-aventis recognizes its obligations to employees as a liability, based on an actuarial estimate of the rights vested and/or currently vesting in employees and retirees using the projected unit credit method. The amount of the liability is recognized net of the fair value of plan assets.

These estimates are performed at least once a year, and rely on assumptions about life expectancy, employee turnover, and salary increases. The estimated obligation is discounted.

Obligations in respect of other post-employment benefits (healthcare, life insurance) offered by Group companies to employees are also recognized as a liability based on an actuarial estimate of the rights vested or currently vesting in employees and retirees at the balance sheet date.

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Actuarial gains and losses relating to defined-benefit plans (pensions and other post-employment benefits), arising from the effects of changes in actuarial assumptions and experience adjustments, are recognized in equity net of deferred taxes via the consolidated statement of comprehensive income, under the option allowed by the amendment to IAS 19. All unrecognized actuarial gains and losses at the transition date (January 1, 2004) were recognized in retained earnings at that date in accordance with the optional treatment allowed in IFRS 1 (First-time Adoption of International Financial Reporting Standards).

Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If benefits are already vested on the introduction of, or changes to, a defined benefit plan, past service cost is recognized immediately as an expense.

Actuarial gains and losses relating to other long-term employee benefits are recognized immediately in the income statement.

B.24. Share-based payment

B.24.1. Stock option plans

Sanofi-aventis has granted a number of equity-settled share-based payment plans (stock option plans) to some of its employees.

In accordance with IFRS 2 (Share-Based Payment), services received from employees as consideration for stock options are recognized as an expense in the income statement, with the matching entry recognized in equity. The expense corresponds to the fair value of the stock option plans, and is charged to income on a straight-line basis over the four-year vesting period of the plan.

The fair value of stock option plans is measured at the date of grant using the Black-Scholes valuation model, taking into account the expected life of the options. The expense recognized in this evaluation takes into account the expected cancellation rate of the options. The expense is adjusted over the vesting period to reflect the actual cancellation rates resulting from the departure of the holders of the options.

B.24.2. Employee share ownership plans

The sanofi-aventis Group may offer its employees the opportunity to subscribe to reserved share issues at a discount to the reference market price. Shares allotted to employees under these plans fall within the scope of IFRS 2. The discount is measured at the subscription date and recognized as an expense, with no reduction for any lock-up period.

B.24.3. Restricted share plans

Sanofi-aventis may award restricted share plans to certain of its employees. The terms of these plans may make the award contingent on performance criteria for some grantees.

In accordance with IFRS 2, an expense equivalent to the fair value of such plans is recognized on a straight line basis over the vesting period of the plan. Performance conditions are vesting conditions, and are built into the fair value of the plan. Depending on the country, the vesting period of such plans is either two or four years. Plans with a two-year vesting period are subject to a two-year lock-up period.

B.25. Earnings per share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the reporting period, adjusted on a time-weighted basis from the acquisition date to reflect the number of sanofi-aventis shares held by the Group. Diluted earnings per share is calculated on the basis of the weighted average number of ordinary shares, computed using the treasury stock method.

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This method assumes that (a) all outstanding dilutive options and warrants are exercised and (b) the Group acquires its own shares at the quoted market price for an amount equivalent to the cash received as consideration for the exercise of the options or warrants, plus the expense arising on unamortized stock options.

In the event of a stock split or restricted share issue, earnings per share for prior periods is adjusted accordingly.

B.26. Segment information

In accordance with IFRS 8 (Operating Segments), the segment information reported by sanofi-aventis is prepared on the basis of internal management data provided to the Chief Executive Officer, who is the Group s chief operating decision maker. The performance of these segments is monitored individually using internal reports and common indicators.

Sanofi-aventis reports information for two operating segments: Pharmaceuticals and human Vaccines (Vaccines). All other activities are combined in a separate segment, Other. These segments reflect the Group s internal organizational structure, and are used internally for performance measurement and resource allocation.

Information on operating segments is provided in Note D.34. Split of net sales and Note D.35. Segment information .

B.27. Management of capital

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends paid to shareholders, or repurchase its own shares, or issue new shares, or issue securities giving access to its capital.

The following objectives are defined under the terms of the Group s share repurchase programs:

- the implementation of any stock option plan giving entitlement to purchase shares in the sanofi-aventis parent company;
- the allotment or sale of shares to employees under statutory profit-sharing schemes and employee savings plans;

the award of restricted shares;

the cancellation of some or all of the repurchased shares;

market-making in the secondary market in the shares by an investment services provider under a liquidity contract in compliance with the ethical code recognized by the *Autorité des Marchés Financiers*;

the delivery of shares on the exercise of rights attached to securities giving access to the capital by redemption, conversion, exchange, presentation of a warrant or any other means;

the delivery of shares (in exchange, as payment, or otherwise) in connection with mergers and acquisitions;

the execution by an investment services provider of purchases, sales or transfers by any means, in particular via off-market trading;

or any other purpose that is or may in future be authorized under the applicable laws and regulations.

The Group is not subject to any constraints on equity capital imposed by third parties.

The gearing ratio (the ratio of debt, net of cash and cash equivalents to total equity) is a non-GAAP financial indicator used by management to measure overall net indebtedness and to manage the Group s equity capital.

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Total equity includes ***Equity attributable to equity holders of the Company*** and ***Minority interests***, as shown on the consolidated balance sheet. Debt, net of cash and cash equivalents is defined as short-term debt plus long-term debt, minus cash and cash equivalents.

For trends in this ratio, see Note D.17.

B.28. New IASB standards, amendments and interpretations applicable from 2010 onwards

New standards and interpretations applied in the consolidated financial statements for the first time in 2009 are described in Note A.2. New standards, amendments and interpretations applicable in 2009 .

The note below describes standards, amendments and interpretations issued by the IASB that will be mandatorily applicable in 2010 or subsequent years, and the Group s position regarding future application.

Standards and amendments applicable to the sanofi-aventis consolidated financial statements

At the start of 2008, the IASB issued revised versions of IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements). These revised standards have been adopted by the European Union, and will be applied by sanofi-aventis to business combinations and transactions resulting in loss of control completed from 2010 onwards. The main changes introduced by these revised standards are described below.

The revised IFRS 3 (Business Combinations), which is applicable to financial periods beginning on or after July 1, 2009, changes the way in which the acquisition method is applied. Firstly, the revised standard introduces an option to calculate goodwill on the basis of either (i) the entire fair value of the acquiree, or (ii) a share of the fair value of the acquiree proportionate to the interest acquired. This option may be elected for each acquisition individually. Secondly, in the case of a step acquisition, the previously-held equity interest in the acquiree must be remeasured at its acquisition-date fair value, with the difference between this fair value and the carrying amount taken to profit or loss, along with any gains or losses relating to the previously-held interest that were initially recognized directly in equity (other comprehensive income) and are reclassifiable to profit or loss. Thirdly, contingent purchase consideration must be recognized at fair value at the acquisition date irrespective of the probability of payment, with the obligation to pay recognized either as a liability or as equity; if this obligation is initially recognized as a liability, subsequent adjustments must be recognized in profit or loss. Finally, acquisition-related costs must now be recognized as an expense at the acquisition date, and deferred tax assets not recognized at the acquisition date (or during the twelve-month remeasurement period) that are subsequently recognized must be recognized directly as a gain.

The amendments to IAS 27 (Consolidated and Separate Financial Statements) apply to financial periods beginning on or after July 1, 2009, and change the way in which entities account for transactions with non-controlling interests: under the revised standard, the impact of such transactions must be recognized in equity provided there is no change of control. In addition, in the

event of a partial disposal resulting in loss of control, the retained equity interest must be remeasured at fair value; the gain or loss recognized on the disposal will include the effect of this remeasurement and the gain or loss on the sale of the shares, including items initially recognized in equity and reclassified to profit or loss.

In 2008, the IASB issued an amendment to IAS 39 (Financial Instruments: Recognition and Measurement), applicable to financial periods beginning on or after July 1, 2009, relating to eligibility for hedge accounting. In particular, the amendment specifies (i) the conditions under which the inflation risk on a debt instrument is eligible for hedge accounting, and (ii) the treatment to be applied to the ineffectiveness of the time value element of options designated as hedges. This amendment has no impact on the consolidated financial statements of sanofi-aventis because (i) the Group has not issued any inflation-linked debt instruments and (ii) the accounting treatment applied by the Group to the time value element of options designated as hedges already complies with the treatment specified by the amendment. This amendment has been adopted by the European Union.

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The first Annual Improvements to IFRSs standard, issued in 2008, includes an amendment to IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations), mandatorily applicable simultaneously with application of the revised IAS 27. This amendment clarifies the treatment under IFRS 5 of partial disposals resulting in loss of control, and specifies that in such cases all assets and liabilities of the subsidiary must be classified as held for sale . This standard has been adopted by the European Union and is applicable to financial periods beginning on or after July 1, 2009. The practice applied by sanofi-aventis already complies with this amendment (see Note B.7.).

In April 2009, the IASB issued the second Annual Improvements to IFRSs standard. The most relevant amendments to sanofi-aventis are described below. They are not inconsistent with the standards they amend, because they merely provide clarification to the existing text, and sanofi-aventis does not expect their application to have a material impact. This standard has not yet been adopted by the European Union.

IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations). This amendment, applicable to financial periods beginning on or after January 1, 2010, clarifies that the disclosures required in respect of non-current assets classified as held for sale or discontinued operations are limited to (i) the disclosures specified in IFRS 5 and (ii) specific disclosures required under other IFRSs in respect of non-current assets classified as held for sale or discontinued operations.

IFRS 8 (Operating Segments). This amendment is applicable to financial periods beginning on or after January 1, 2010, and clarifies that segment information about total assets is only required if this information is regularly provided to the entity s chief operating decision maker.

IAS 18 (Revenue). The appendix to IAS 18 has been supplemented by examples to help determine whether an entity is acting as principal or agent in a transaction.

Amendment to IAS 36 (Impairment of Assets). This amendment is applicable to financial periods beginning on or after January 1, 2010, and specifies that the segments used in allocating goodwill must correspond to segments as defined in IFRS 8 before aggregation.

Amendment to IAS 38 (Intangible Assets), on measuring the fair value of intangible assets acquired in a business combination. The amendment, applicable to financial periods beginning on or after July 1, 2009, clarifies the criteria for the identification of intangible assets acquired in a business combination and accounted for separately from goodwill. A further change clarifies the scope of fair value measurement techniques for intangible assets for which there is no active market.

Amendment to IAS 39 (Financial Instruments: Recognition and Measurement) on cash flow hedge accounting. These changes, which apply to financial periods beginning on or after January 1, 2010, confirm that gains or losses on a hedged item must be reclassified from equity to profit or loss in the same period as that in which the hedged forecast cash flows affect profit or loss.

In late 2009, the IASB issued the following standards and amendments, of which only the amendment to IAS 32 had been adopted by the European Union at the balance sheet date:

Amendment to IAS 24 (Related Party Disclosures). This amendment, applicable to financial periods beginning on or after January 1, 2011, sets out the disclosure requirements in respect of future commitments related to a particular event involving

related parties. Sanofi-aventis already discloses such information. The amendment also aims to simplify the disclosure requirements for entities that are related to a government department or agency; this part of the amendment does not apply to sanofi-aventis.

IFRS 9 (Financial Instruments). This standard is intended to replace IAS 39 (Financial Instruments: Recognition and Measurement); it completes the first of the three phases of the IASB financial instruments project, and deals solely with the classification and measurement of financial assets. This standard will be applicable to financial periods beginning on or after January 1, 2013.

Amendment to IAS 32 (Financial Instruments: Disclosure), on the classification of rights issues. This amendment is applicable to financial periods beginning on or after February 1, 2010, and deals

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with issues of subscription rights in a currency other than the issuer s functional currency. To date, such issues have been accounted for as derivatives (i.e. as a liability). Under the amendment, subscription rights must be recognized as equity when certain conditions are met, irrespective of the currency in which the exercise price is expressed. Because sanofi-aventis has not issued any instruments of this type, this amendment does not apply to the consolidated financial statements.

Standards and amendments not applicable to the sanofi-aventis consolidated financial statements

The IASB issued the following amendments (not yet adopted by the European Union) in 2009 and early 2010:

Amendment to IFRS 2 (Share-Based Payment), relating to group cash-settled share-based payment transactions. This amendment, applicable from January 1, 2010, clarifies how the subsidiary of a group (within the meaning of IAS 27, Consolidated and Separate Financial Statements) should account for some group and treasury share-based payment transactions in its individual financial statements. These amendments relate solely to individual financial statements or to the financial statements of sub-groups reporting under IFRS, and hence have no impact on the consolidated financial statements of sanofi-aventis. The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 (Scope of IFRS 2) and IFRIC 11 (IFRS 2 Group and Treasury Share Transactions).

Amendments to IFRS 1 (First-Time Adoption of IFRS), one allowing additional exemptions for first-time adopters, the other relating to IFRS 7. These amendments are applicable from 2010, but relate solely to first-time adopters of IFRS and hence have no impact on the consolidated financial statements of sanofi-aventis.

New interpretations

The IASB has also issued the following interpretations, which are mandatorily applicable from 2010 onwards:

IFRIC 17 (Distributions of Non-cash Assets to Owners). This interpretation, which has been adopted by the European Union and is applicable to financial periods beginning on or after July 1, 2009, specifies that a distribution of non-cash assets as dividend must be recognized when it has been duly authorized by the competent body, and measured at the fair value of the assets distributed. At the end of each reporting period and at the date of settlement, the fair value of these assets is reviewed, and the amount of dividend payable is adjusted via equity. When the dividend is settled, any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable is recognized in profit or loss. Because sanofi-aventis does not distribute non-cash assets as dividend, this interpretation is not applicable to its consolidated financial statements.

IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments). This interpretation, which applies to financial periods beginning on or after July 1, 2010 and has not yet been adopted by the European Union, addresses the classification and measurement methods to be used by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. Given the absence of any transaction falling within the scope of this interpretation, IFRIC 19 does not apply to the consolidated financial statements of sanofi-aventis.

Amendment to IFRIC 14 (IAS19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction). This amendment, applicable to financial periods beginning on or after January 1, 2011 and not yet adopted by the European Union, is intended to clarify the scope and terms of IFRIC 14. It specifies the conditions for the application of IFRIC 14 to contributions intended to meet minimum funding requirements, and will be applicable from 2011 onwards. Sanofi-aventis does not expect this interpretation to have a material effect on its consolidated financial statements.

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C. ALLIANCES

C.1. Alliance arrangements with Bristol-Myers Squibb (BMS)

Two of the Group s leading products were jointly developed with BMS: the antihypertensive agent irbesartan (Aprovel®/Avapro®/Karvea®) and the anti-atherothrombosis treatment clopidogrel bisulfate (Plavix®/Iscover®).

As inventor of the two molecules, sanofi-aventis is paid a royalty on all sales generated by these products. This royalty is recorded in ***Other revenues***.

As co-developers of the products, sanofi-aventis and BMS each receive equal development royalties from their two licensees, which have been responsible, since 1997, for marketing the products using their local distribution networks, composed of subsidiaries of both groups. These licensees operate in two separate territories: (i) Europe, Africa and Asia, under the operational management of sanofi-aventis; and (ii) other countries (excluding Japan), under the operational management of BMS. In Japan, Aprovel® has since June 2008 been marketed jointly by Shionogi Pharmaceuticals and Dainippon Sumitomo Pharma Co. Ltd. The alliance with BMS does not cover the rights to Plavix® in Japan, where the product is marketed by sanofi-aventis.

The products are marketed in different ways in different countries.

Co-promotion consists of a pooling of sales resources under a single brand name, and is preferably achieved through contracts or through appropriate tax-transparent legal entities. Each partner records directly its share of taxable income.

Co-marketing consists of separate marketing of the products by each local affiliate using its own name and resources under different brand names for the product.

In certain countries of Eastern Europe, Africa, Asia, Latin America and the Middle East, the products are marketed on an exclusive basis, either by sanofi-aventis or by BMS.

In the territory managed by sanofi-aventis, operations are recognized by the Group as follows:

(i) In most countries of Western Europe and Asia (excluding Japan) for clopidogrel bisulfate (Plavix®/Iscover®) only, co-promotion is used for both products. The legal entities used are partnerships (*sociétés en participation*) or other tax-transparent entities, which are majority-owned by and under the operational management of the Group. Sanofi-aventis recognizes all the revenue associated with the sale of the drugs, as well as the corresponding expenses. The share of profits reverting to BMS subsidiaries is shown in ***Minority interests*** in the income statement, with no tax effect (because BMS receives a pre-tax share of profits).

The presentation of ***Minority interests*** in the consolidated statement of cash flows takes account of the specific terms of the alliance agreement.

(ii) In Germany, Spain and Greece, and in Italy for irbesartan (Aprovel®/Avapro®/ Karvea®) only, co-marketing is used for both products, and sanofi-aventis recognizes revenues and expenses generated by its own operations.

(iii) In those countries in Eastern Europe, Africa, the Middle East and Asia (excluding Japan) for Aprovel® only, where the products are marketed exclusively by sanofi-aventis, the Group recognizes revenues and expenses generated by its own operations. Since September 2006, sanofi-aventis has had the exclusive right to market Aprovel® in Scandinavia and in Ireland.

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In the territory managed by BMS, operations are recognized by the Group as follows:

(i) Co-promotion is used in the United States and Canada through entities that are majority-owned by and under the operational management of BMS. Sanofi-aventis does not recognize revenues; rather, it invoices the entity for its promotion expenses, records its royalty income in ***Other revenues***, and records its share of profits (net of tax) in ***Share of profit/loss of associates***.

(ii) In Brazil, Mexico, Argentina and Australia for clopidogrel bisulfate (Plavix®/Iscover®) and for irbesartan (Aprovel®/Avapro®/Karvea®) and in Colombia for clopidogrel bisulfate only, co-marketing is used, and sanofi-aventis recognizes revenues and expenses generated by its own operations.

(iii) In certain other Latin American countries, where the products are marketed exclusively by sanofi-aventis, the Group recognizes revenues and expenses generated by its own operations.

C.2. Alliance agreements with Warner Chilcott (previously with Procter & Gamble Pharmaceuticals) (the Alliance Partner)

Actonel® (risedronate sodium) is a new-generation biphosphonate indicated for the treatment and prevention of osteoporosis. Historically, Actonel® was developed and marketed in collaboration with Procter & Gamble Pharmaceuticals. Procter & Gamble sold its pharmaceuticals interests to Warner Chilcott on October 30, 2009. Consequently, Actonel® has since that date been marketed in collaboration with Warner Chilcott.

This alliance agreement covers the worldwide development and marketing of the product, except for Japan for which sanofi-aventis holds no rights.

Local marketing arrangements may take various forms:

Co-promotion, whereby sales resources are pooled but only one of the two parties to the alliance agreement (sanofi-aventis or the Alliance Partner) invoices product sales. Co-promotion is carried out under contractual agreements and is not based on any specific legal entity. The Alliance Partner sells the product and incurs all the related costs in the United States, Canada and France. This co-promotion scheme also included Germany, Belgium and Luxembourg until December 31, 2007, and the Netherlands until March 31, 2008. Sanofi-aventis recognizes its share of revenues under the agreement as a component of operating income on the ***Other operating income*** line. In the secondary co-promotion territories (the United Kingdom until December 31, 2008, Ireland, Sweden, Finland, Greece, Switzerland, Austria, Portugal and Australia) sanofi-aventis sells the product, and recognizes all the revenues from sales of the product along with the corresponding expenses. The share due to the Alliance Partner is recognized in ***Cost of sales***.

Co-marketing, which applies in Italy, whereby each party to the alliance agreement sells the product in the country under its own name, and recognizes all revenue and expenses from its own operations in its income statement. Each company also markets the product independently under its own brand name in Spain, although Spain is not included in the co-marketing territory.

The product has been marketed by the Alliance Partner independently in Germany, Belgium and Luxembourg since January 2008; in the Netherlands since April 1, 2008; and in the United Kingdom since January 1, 2009. Sanofi-aventis recognizes its share of revenues under the alliance agreement in ***Other operating income***.

In all other territories, sanofi-aventis has exclusive rights to sell the product and recognizes all revenue and expenses from its own operations in its income statement, but in return for these exclusive rights pays the Alliance Partner a royalty based on actual sales. This royalty is recognized in ***Cost of sales***.

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D. DETAILED NOTES TO THE FINANCIAL STATEMENTS

D.1. Significant acquisitions

Acquisitions are accounted for using the accounting policies described in Note B.3. Business combinations .

The principal acquisitions during 2009 were as follows:

- Merial

Further to the agreement signed July 29, 2009, sanofi-aventis completed on September 17, 2009 the acquisition of the interest held by Merck & Co., Inc. (Merck) in Merial Limited (Merial) for a consideration of $4 billion in cash. Founded in 1997, Merial was previously held jointly (50/50) by Merck and sanofi-aventis, and is now 100% held by sanofi-aventis. Merial is one of the world s leading animal health companies, with sales of $2.6 billion in 2009. With effect from September 17, 2009, sanofi-aventis has held 100% of the shares of Merial and has exercised exclusive control over the company. In accordance with IAS 27, Merial is accounted for by the full consolidation method in the consolidated financial statements of sanofi-aventis.

In connection with the agreement signed on July 29, 2009, sanofi-aventis also signed a call option agreement giving it the possibility, once the Merck/Schering-Plough merger is completed, of combining Intervet/Schering-Plough Animal Health and Merial in a joint venture held 50/50 by Merck and sanofi-aventis. The terms of the option contract set a value of $8 billion for Merial. The minimum total value received by Merck and its subsidiaries in consideration for the transfer of Intervet/Schering-Plough to the combined entity would be $9.25 billion, comprising a minimum value of $8.5 billion for Intervet/Schering-Plough (subject to potential upward revision after valuations performed by the two parties) and an additional consideration of $750 million. On completion of the valuation of Intervet/Schering-Plough and after taking account of certain adjustments customary in this type of transaction, a balancing payment would be made to establish 50/50 parity between Merck and sanofi-aventis in the combined entity.

Detailed information about the impact of Merial on the consolidated financial statements of sanofi-aventis at December 31, 2009 is provided in Note D.8. Assets held for sale or exchange .

The provisional purchase price allocation of Merial is shown below:

($ million)		Historical cost	Fair value remeasurement	Fair value
Intangible assets		147	4,670	4,817
Property, plant and equipment		740	130	870
Deferred taxes		53	(1,343)	(1,290)
Inventories		492	241	733
Other assets and liabilities		264	(46)	218
Net assets of Merial as of September 17, 2009	**a**	**1,696**	**3,652**	**5,348**
Share of net assets acquired as of September 17, 2009 (50%)	**b**			**2,674**
Goodwill (September 17, 2009 transaction)	**c**			**1,362**
Purchase price	**d = b+c**			**4,036** *(1)(2)*

(1) Includes acquisition-related costs of $36 million
(2) Equivalent to a net cash outflow of 2,829 million

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The value of Merial in the consolidated financial statements of sanofi-aventis breaks down as follows:

($ million)		
Purchase price	**d**	**4,036**
+ Carrying amount of the previously-held equity interest in Merial (equity method)		**1,765**
+ Remeasurement of the previously-held equity interest (50%), excluding goodwill	***See* D.15.7.**	**1,358**
Total value of Merial in the sanofi-aventis consolidated financial statements as of September 17, 2009		**7,159**
Comprising:		
- Net assets of Merial as of September 17, 2009	a	*5,348*
- Goodwill (September 17, 2009)	c	*1,362*
- Goodwill (August 20, 2004)		*449*

- Shantha Biotechnics

On August 31, 2009, sanofi-aventis acquired ShanH, a company that controls the vaccines company Shantha Biotechnics (Shantha), based in Hyderabad in India. As of December 31, 2009, the Group held approximately 95% of Shantha. Shantha generated net sales of approximately 50 million in 2009.

Shantha has generated net sales of 17 million since the acquisition date.

The provisional purchase price allocation is shown below:

(million)	**Historical cost**	**Fair value remeasurement**	**Fair value**
Intangible assets		374	374
Property, plant and equipment	26	96	122
Deferred taxes	(3)	(160)	(163)
Other assets and liabilities	1	(1)	
Net assets of Shantha as of August 31, 2009	**24**	**309**	**333**
Assets and liabilities attributable to minority interests			**12**
Share attributable to equity holders of the Company			**321**
Goodwill			**250**
Purchase price			**571**

- BiPar

On April 27, 2009, sanofi-aventis acquired 100% of BiPar Sciences (BiPar), an American biopharmaceutical company developing novel tumorselective approaches for the treatment of different types of cancers. BiPar is the leading company in the emerging field of DNA (DeoxyriboNucleic Acid) repair using Poly ADP-Ribose Polymerase (PARP) inhibitors. The pivotal Phase III trial for BSI-201, BiPar s lead product candidate in metastatic triple negative breast cancer, started in July 2009.

The purchase price is contingent on the achievement (regarded as probable) of milestones related to the development of BSI-201, and could reach $500 million. Details of commitments related to business combinations are provided in Note D.21.

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The provisional purchase price allocation of BiPar is shown below:

($ million)	Historical cost	Fair value remeasurement	Fair value
Intangible assets [1]		715	715
Deferred taxes	26	(257)	(231)
Other assets and liabilities	2		2
Net assets of BiPar as of April 27, 2009	**28**	**458**	**486**
Goodwill			
Purchase price			**486**

(1) Relates to BSI-201, a product currently in the development phase (see Note D.4.).

- Medley

On April 27, 2009, sanofi-aventis acquired 100% of the shares of Medley, Brazil s third largest pharmaceutical company and a leading generics company, with net sales of approximately 160 million in 2008. The purchase price, based on a 500 million enterprise value, was 348 million inclusive of acquisition-related costs.

Since the acquisition date, Medley has generated net sales of 163 million and business operating income (as defined in Note D.35. below) of 58 million. Medley s contribution to net income attributable to equity holders of the Company was 17 million; this figure takes account of expenses charged during the period in relation to the fair value remeasurement of assets at the acquisition date.

The provisional purchase price allocation of Medley is shown below:

(million)	Historical cost	Fair value remeasurement	Fair value
Intangible assets	2	168	170
Property, plant and equipment	35	10	45
Deferred taxes	26	(71)	(45)
Long-term and short-term debt	(118)		(118)
Other assets and liabilities	(89)	2	(87)
Net assets of Medley as of April 27, 2009	**(144)**	**109**	**(35)**
Goodwill			**383**
Purchase price			**348**

- Zentiva

On March 11, 2009, sanofi-aventis successfully closed its offer for Zentiva N.V. (Zentiva). As of December 31, 2009, sanofi-aventis held about 99.1% of Zentiva s share capital. The purchase price was 1,200 million, including acquisition-related costs. Prior to this acquisition, sanofi-aventis had owned 24.9% of Zentiva, which was accounted for as an associate using the equity method (see Note D.6.). The Zentiva group reported sales of CZK 18,378 million (735 million) in 2008.

Since the acquisition date, Zentiva has generated net sales of 457 million and business operating income (as defined in Note D.35. below) of 60 million. The contribution made by Zentiva entities to net income attributable to equity holders of the Company was a loss of 52 million; this figure takes account of expenses charged during the period in relation to the fair value remeasurement of assets at the acquisition date.

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The provisional purchase price allocation of Zentiva is shown below:

(*million)*		Historical cost	Fair value remeasurement	Fair value
Intangible assets		123	853	976
Property, plant and equipment		303	59	362
Deferred taxes		(1)	(176)	(177)
Inventories		100	17	117
Cash and cash equivalents		81		81
Long-term and short-term debt		(633)		(633)
Other assets and liabilities		74	25	99
Net assets of Zentiva as of March 31, 2009	**a**	**47**	**778**	**825**
Share attributable to minority interests in the Zentiva sub-group	**b**			**35**
Equity interest acquired March 31, 2009 (74.2%)	**c**			**586**
Goodwill (transaction of March 31, 2009)	**d**			**614**
Purchase price	**e=c+d**			**1,200**[(1)]

(1) Including acquisition-related costs of 10 million

The value of Zentiva in the consolidated financial statements of sanofi-aventis breaks down as follows:

Purchase price	**e**	**1,200**
+ Carrying amount of the previously-held equity interest in Zentiva (equity method)		**392**
+ Remeasurement of the previously-held equity interest (24.9%), excluding goodwill	***See* D.15.7.**	**80**
Total value of Zentiva in the sanofi-aventis consolidated financial statements as of March 31, 2009		**1,672**
Comprising:		
*- Net assets of Zentiva as of March 31, 2009 (**a** excluding direct and indirect minority interests)*		*783*
- Goodwill (March 31, 2009)	**d**	*614*
- Goodwill (March 31, 2006)		*275*

The other principal business combinations in the year ended December 31, 2009 were as follows:

Oenobiol (November 2009), one of France s leading players in health and beauty dietary supplements, which generated approximately 57 million of net sales in 2008/2009;

Laboratorios Kendrick (March 2009), one of Mexico s leading manufacturers of generics (2008 net sales: approximately 26 million);

Helvepharm (July 2009), a Swiss generics company (2008 net sales: approximately 16 million);

Fovea Pharmaceuticals (October 2009), an ophthalmology company, described in Note D.21.

The principal acquisitions during 2008 were as follows:

- Acambis

On September 25, 2008, sanofi-aventis completed the acquisition of Acambis plc for £285 million. Acambis plc became Sanofi Pasteur Holding Ltd, a wholly-owned subsidiary of Sanofi Pasteur Holding S.A. This company develops novel vaccines that address unmet medical needs or substantially improve current standards of care. Sanofi Pasteur and Acambis plc were already developing vaccines in a successful partnership of more than a decade: Acambis plc was conducting three of its major projects under exclusive collaboration agreements with sanofi pasteur, for vaccines against dengue fever, Japanese encephalitis and West Nile virus (see Note D.4.).

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- Symbion Consumer

On September 1, 2008, sanofi-aventis completed the acquisition of the Australian company Symbion CP Holdings Pty Ltd (Symbion Consumer) for AUD560 million. Symbion Consumer manufactures, markets and distributes nutraceuticals (vitamins and mineral supplements) and over the counter brands throughout Australia and New Zealand. Symbion Consumer has a portfolio of brands including Natures Own, Cenovis, Bio-organics, Golden Glow and Microgenics. In 2007, Symbion Consumer sales amounted to around AUD190 million. Symbion Consumer is the market leader in Australia, with an estimated 21% market share (see Note D.4.).

The principal acquisition during 2007 was as follows:

- Regeneron

In November 2007, sanofi-aventis acquired 12 million newly-issued shares in the biopharmaceutical company Regeneron Pharmaceuticals Inc. (Regeneron) for $312 million, raising its interest in Regeneron from approximately 4% to approximately 19%. These shares are classified as an available-for-sale financial asset, and are included in ***Financial assets non-current*** (see Note D.7.).

D.2. Divestments

No material divestments occurred during 2009, 2008 or 2007.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year ended December 31, 2009

D.3. Property, plant and equipment

Property, plant and equipment (including assets held under finance leases) comprise:

(million)	Land	Buildings	Plant & equipment	Fixtures, fittings & other	Property, plant and equipment in process	Total
Gross value at January 1, 2007	233	2,811	4,072	1,212	1,011	9,339
Changes in scope of consolidation	(3)		1	1		(1)
Acquisitions and other increases	3	34	90	86	1,122	1,335
Disposals and other decreases	(23)	(29)	(7)	(3)	(4)	(66)
Translation differences		(94)	(67)	(27)	(34)	(222)
Transfers	3	272	409	113	(804)	(7)
Gross value at December 31, 2007	213	2,994	4,498	1,382	1,291	10,378
Changes in scope of consolidation	5	13	9		12	39
Acquisitions and other increases		30	55	67	1,207	1,359
Disposals and other decreases	(4)	(6)	(4)	(58)	(1)	(73)
Translation differences	(7)	(46)	(80)	(22)	13	(142)
Transfers	8	315	501	176	(1,010)	(10)
Gross value at December 31, 2008	215	3,300	4,979	1,545	1,512	11,551
Changes in scope of consolidation	61	245	199	26	13	544
Acquisitions and other increases	1	32	87	63	1,170	1,353
Disposals and other decreases	(3)	(22)	(23)	(157)	(17)	(222)
Translation differences	6	26	24	5	4	65
Transfers	(5)	463	581	122	(1,348)	(187)
Gross value at December 31, 2009	**275**	**4,044**	**5,847**	**1,604**	**1,334**	**13,104**
Accumulated depreciation & impairment at January 1, 2007	(15)	(724)	(1,581)	(779)	(21)	(3,120)
Depreciation expense		(192)	(469)	(158)		(819)
Impairment losses		(10)			(12)	(22)
Disposals	11					11
Translation differences		45	41	16		102
Transfers	1	(7)	33	(19)		8
Accumulated depreciation & impairment at Dec. 31, 2007	(3)	(888)	(1,976)	(940)	(33)	(3,840)
Depreciation expense		(205)	(476)	(161)		(842)

Impairment losses	(1)	(17)	(14)	(5)	(4)	(41)
Disposals				50		50
Translation differences		11	46	13		70
Transfers		6	20	(13)		13
Accumulated depreciation & impairment at Dec. 31, 2008	(4)	(1,093)	(2,400)	(1,056)	(37)	(4,590)
Depreciation expense		(238)	(530)	(161)		(929)
Impairment losses	(4)	(73)	(22)	(4)	(5)	(108)
Disposals	2	12	24	148	2	188
Translation differences		(4)	(16)	(3)		(23)
Transfers	3	87	103	(5)		188
Accumulated depreciation & impairment at Dec. 31, 2009	**(3)**	**(1,309)**	**(2,841)**	**(1,081)**	**(40)**	**(5,274)**
Carrying amount: January 1, 2007	218	2,087	2,491	433	990	6,219
Carrying amount: December 31, 2007	210	2,106	2,522	442	1,258	6,538
Carrying amount: December 31, 2008	211	2,207	2,579	489	1,475	6,961
Carrying amount: December 31, 2009	**272**	**2,735**	**3,006**	**523**	**1,294**	**7,830**

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Year ended December 31, 2009

The Transfers line for the year ended December 31, 2009 mainly comprises reclassifications of assets to ***Assets held for sale or exchange.***

Property, plant and equipment pledged as security for liabilities amounted to 15 million as of December 31, 2009 (10 million as of December 31, 2008 and 13 million as of December 31, 2007).

Following impairment tests conducted on property, plant and equipment using the method described in Note B.6., an impairment loss of 107 million was recognized in the year ended December 31, 2009 in respect of sites designated as held for sale (principally, Alnwick in the United Kingdom and Porcheville in France), see Note D.8.2. In the year ended December 31, 2008, an impairment loss of 41 million was recognized, primarily on industrial sites in France and the United States. In the year ended December 31, 2007, an impairment loss of 22 million was recognized, principally on industrial sites in Europe.

Acquisitions made in the Pharmaceuticals segment related primarily to investments in industrial facilities (496 million in 2009, versus 501 million in 2008 and 536 million in 2007) and in facilities and equipment of research sites (325 million in 2009, versus 376 million in 2008 and 374 million in 2007). Acquisitions made in the Vaccines segment totaled 446 million in 2009 (versus 382 million in 2008 and 335 million in 2007). Capitalized borrowing costs amounting to 30 million were included in acquisitions of property, plant and equipment in 2009, versus 24 million in 2008 and 21 million in 2007. Firm orders for property, plant and equipment amounted to 351 million at December 31, 2009, compared with 450 million at December 31, 2008 and 379 million at December 31, 2007.

The table below shows amounts for items of property, plant and equipment held under finance leases:

(*million)*	December 31, 2009	December 31, 2008	December 31, 2007
Land	7	7	7
Buildings	99	99	97
Other property, plant and equipment	6	7	6
Total gross value	**112**	**113**	**110**
Accumulated depreciation and impairment	(81)	(83)	(77)
Carrying amount	**31**	**30**	**33**

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Year ended December 31, 2009

D.4. Intangible assets and goodwill

Intangible assets and goodwill break down as follows:

(million)	Acquired Aventis R&D	Other Acquired R&D	Rights to marketed Aventis products	Trademarks, patents, licenses and other rights	Software	Total intangible assets
Gross value at January 1, 2007	3,054	187	30,371	1,491	587	35,690
Changes in scope of consolidation				25		25
Acquisitions and other increases		176		136	42	354
Disposals and other decreases		(9)		(2)	(16)	(27)
Translation differences	(175)	(17)	(1,595)	(97)	(20)	(1,904)
Transfers	(235)	(1)	235	1	(6)	(6)
Gross value at December 31, 2007	2,644	336	29,011	1,554	587	34,132
Changes in scope of consolidation		198		139	2	339
Acquisitions and other increases		85		18	47	150
Disposals and other decreases		(74)		(2)	(53)	(129)
Translation differences	109	15	1,008	66	1	1,199
Transfers	(300)	(2)	300	(15)	1	(16)
Gross value at December 31, 2008	2,453	558	30,319	1,760	585	35,675
Changes in scope of consolidation		789		1,405	12	2,206
Acquisitions and other increases		275		62	56	393
Disposals and other decreases		(70)		(1)	(2)	(73)
Translation differences	(45)	(51)	(451)	47	2	(498)
Transfers	(87)	(9)	87	11	2	4
Gross value at December 31, 2009	**2,321**	**1,492**	**29,955**	**3,284**	**655**	**37,707**
Accumulated amortization & impairment at January 1, 2007	(299)	(14)	(10,490)	(710)	(439)	(11,952)
Amortization expense		(7)	(3,486)	(152)	(80)	(3,725)
Impairment losses, net of reversals	11		(69)			(58)
Disposals		1			15	16
Translation differences	21	1	679	51	15	767
Transfers			1		1	2
Accumulated amortization & impairment at Dec. 31, 2007	(267)	(19)	(13,365)	(811)	(488)	(14,950)

Amortization expense		(29)	(3,277)	(176)	(52)	(3,534)
Impairment losses, net of reversals	(1,233)	(69)	(253)	1		(1,554)
Disposals		71		2	53	126
Translation differences	(2)	(1)	(486)	(37)	1	(525)
Transfers	18		(18)	24	(2)	22
Accumulated amortization & impairment at Dec. 31, 2008	(1,484)	(47)	(17,399)	(997)	(488)	(20,415)
Amortization expense		(70)	(3,155)	(303)	(50)	(3,578)
Impairment losses, net of reversals		(28)	(344)			(372)
Disposals		69		2		71
Translation differences	28	2	288	19	(1)	336
Transfers		2		(4)		(2)
Accumulated amortization & impairment at Dec. 31, 2009	**(1,456)**	**(72)**	**(20,610)**	**(1,283)**	**(539)**	**(23,960)**
Carrying amount: January 1, 2007	2,755	173	19,881	781	148	23,738
Carrying amount: December 31, 2007	2,377	317	15,646	743	99	19,182
Carrying amount: December 31, 2008	969	511	12,920	763	97	15,260
Carrying amount: December 31, 2009	**865**	**1,420**	**9,345**	**2,001**	**116**	**13,747**

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Movements in goodwill for the last three financial periods are shown below:

(million)	Gross value	Impairment	Carrying amount
Balance at January 1, 2007	28,499	(27)	28,472
Changes in scope of consolidation	7		7
Disposals and other decreases [1]	(63)		(63)
Translation differences	(1,217)		(1,217)
Balance at December 31, 2007	27,226	(27)	27,199
Changes in scope of consolidation	403		403
Disposals and other decreases [1]	(6)		(6)
Translation differences	565	2	567
Balance at December 31, 2008	28,188	(25)	28,163
Changes in scope of consolidation	1,882		1,882
Disposals and other decreases [1]	(84)		(84)
Translation differences	(228)		(228)
Balance at December 31, 2009	**29,758**	**(25)**	**29,733**

[1] Including the effects of deferred taxes recognized subsequent to the acquisition date (see Note D.14.).

Aventis Acquisition

On August 20, 2004, sanofi-aventis acquired Aventis, a global pharmaceutical group created in 1999 by the merger between Rhône-Poulenc and Hoechst.

As part of the process of creating the new Group, the two former parent companies Sanofi-Synthélabo (renamed sanofi-aventis) and Aventis were merged on December 31, 2004.

The total purchase price as measured under IFRS 3 (Business Combinations) was 52,908 million, of which 15,894 million was settled in cash.

Goodwill arising from the acquisition of Aventis amounted to 27,221 million at December 31, 2009, versus 27,632 million at December 31, 2008 and 27,034 million at December 31, 2007.

Rights to marketed products and goodwill arising on the Aventis acquisition were allocated on the basis of the split of the Group s operations into business and geographical segments, and valued in the currency of the relevant geographical segment (mainly euros and U.S. dollars) with assistance from an independent valuer. The average period of amortization for marketed products was initially set at 8 years, based on cash flow forecasts which, among other factors, take account of the period of legal protection offered by the related patents.

Rights to marketed Aventis products represent a diversified portfolio of rights relating to many different products. As of December 31, 2009, 83.7% of the carrying amount of these rights related to the Pharmaceuticals segment, and 16.3% to the Vaccines segment. The five principal pharmaceutical products in this portfolio by carrying amount (Lantus®/Apidra®: 2,166 million, Lovenox®: 1,019 million; Taxotere®: 756 million; Actonel®: 564 million; Allegra®: 359 million) accounted for approximately 62.2% of the total carrying amount of product rights for the Pharmaceuticals business as of December 31, 2009.

During 2007, some of the acquired Aventis research and development (235 million) came into commercial use; it is being amortized from the date of marketing approval. The main items involved are the Lantus®-Apidra® pens, and new indications for Taxotere®.

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During 2008, some of the acquired Aventis research and development (300 million) came into commercial use; it is being amortized from the date of marketing approval. The main products involved are Pentacel® vaccine in the United States and the once-a-month dose of Actonel® in the United States.

During 2009, some of the acquired Aventis research and development (87 million) came into commercial use; it is being amortized from the date of marketing approval. The main product involved is Sculptra® in the United States.

Other acquisitions

Increases in intangible assets and goodwill during the year ended December 31, 2009 were mainly due to business combinations completed during the year. Details of the purchase price allocations for the principal acquisitions made during 2009 are provided in Note D.1. Significant acquisitions . The main effects on intangible assets at the acquisition dates are summarized below:

The Shantha purchase price allocation led to the recognition of intangible assets of 374 million and goodwill of 250 million.

The Medley purchase price allocation led to the recognition of intangible assets of 170 million and goodwill of 383 million.

The Zentiva purchase price allocation led to the recognition of intangible assets of 976 million, mainly comprising the value of marketed products and the Zentiva trademark. Goodwill of 894 million was recognized, including the effect of buyouts of minority interests during the period.

In the BiPar purchase price allocation, the principal product under development (BSI-201) was valued at 539 million.

Acquisitions of intangible assets during the year ended December 31, 2009 (other than software and assets recognized in business combinations) totaled 337 million and related primarily to license agreements, including the collaboration agreements signed with Exelixis and Merrimack (see Note D.21.).

The provisional purchase allocations for the principal acquisitions made in 2008 (see Note D.1.) were as follows:

The Symbion Consumer purchase price allocation led to the recognition of intangible assets of 116 million. Goodwill arising on this acquisition amounted to 206 million.

The Acambis purchase price allocation led to the recognition of intangible assets of 223 million (of which 198 million related to research projects). Goodwill arising on this acquisition amounted to 197 million.

There were no material adjustments to these purchase price allocations during the year ended December 31, 2009.

Acquisitions of intangible assets (other than software and assets recognized in business combinations) in 2008 were 103 million, and related mainly to license agreements, including the collaboration agreements signed with Dyax Corp. and Novozymes (see Note D.21.).

Acquisitions of intangible assets (other than software and assets recognized in business combinations) in 2007 were 312 million. This amount includes payments made under collaboration agreements, including those signed during the year with Oxford BioMedica (Trovax®) and Regeneron (see Note D.21.). It also includes the buyout of the Japanese rights for Panaldine® (Daiichi) and Myslee® (Astellas).

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Amortization of intangible assets is recognized in the income statement under ***Amortization of intangibles*** except for amortization of software, which is recognized on the relevant line of the income statement according to the purpose for which the software is used:

(million)	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Cost of sales	11	10	18
Research and development expenses	14	14	16
Selling and general expenses	24	28	45
Other operating expenses	1		1
Total	**50**	**52**	**80**

D.5. Impairment of property, plant and equipment, goodwill and intangibles

The allocation of goodwill is shown below:

	December 31, 2009			December 31, 2008			December 31, 2007		
(million)	Pharma-ceuticals	Vaccines	Total	Pharma-ceuticals	Vaccines	Total	Pharma-ceuticals	Vaccines	Total
Europe	13,528		13,528	12,414		12,414	12,428		12,428
North America	10,739	680	11,419	11,057	693	11,750	10,577	464	11,041
Other countries	4,368	418	4,786	3,830	169	3,999	3,561	169	3,730
Total carrying amount	**28,635**	**1,098**	**29,733**	**27,301**	**862**	**28,163**	**26,566**	**633**	**27,199**

In 2009, 2008 and 2007, the recoverable amount of the segmental CGUs was determined by reference to the value in use of each CGU, based on discounted estimates of the future cash flows from the CGU in accordance with the policies described in Note B.6.1.

The assumptions used in testing goodwill for impairment in 2009 were:

	Pharmaceuticals	Vaccines
Operating margin (as a percentage of net sales)	29% - 34%	30% - 36%
Perpetual growth rate	1%	1% - 3%

After-tax discount rate	9.5%	9.5%

These assumptions are reviewed annually.

The operating margin used is the range of values per the strategic plan for each operating segment.

The perpetual growth rate is an average rate by operating segment and geographical area.

The discount rate is the average for all geographical areas within a single operating segment.

Sanofi-aventis also applies assumptions on the probability of success of its current research and development projects, and more generally on its ability to refresh its product portfolio in the longer term.

No impairment losses have been recognized against goodwill in 2009, 2008 and 2007.

Goodwill for the Pharmaceuticals segment relates primarily to Europe and North America. The assumptions used to calculate the value in use of these two CGUs comprise an after-tax discount rate of 9.5% and a perpetual growth rate of 1%. No impairment would need to be recognized unless the discount rate used to calculate value in use were to exceed the 9.5% rate actually used by more than 2.6 percentage points. Similarly, a zero perpetual growth rate would not result in any impairment of the goodwill of these CGUs.

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The after-tax discount rates used in 2009 for other intangible assets are shown below:

	Pharmaceuticals	Vaccines
After-tax discount rate		
Acquired in-process R&D	11%	11%
Rights to marketed products	10%	10%

Certain intangible assets for which indications of potential impairment were identified in the years ended December 31, 2009, 2008 and 2007 were tested for impairment.

In 2009, impairment losses of 372 million were recognized based on the results of impairment tests. These losses related mainly to the marketed products Actonel® (177 million), Benzaclin® (89 million) and Nasacort® (70 million), and take account of changes in the competitive environment and the approval dates of generics.

In 2008, impairment losses were recognized to take account of:

- the discontinuation of research projects, principally larotaxel and cabazitaxel (new taxane derivatives intended as treatments for breast cancer, 1,175 million) and ilepatril (antihypertensive, 57 million), both of which were recognized as assets on the acquisition of Aventis, plus the oral anti-cancer agent S-1 following the termination of the agreement with Taiho Pharmaceutical on development and marketing of this product (51 million);

- settlements reached with Barr in the United States relating to the marketed product Nasacort® (114 million), and the impact of generics on some products (139 million).

In 2007, impairment losses totaling 69 million were recognized based on the results of impairment tests. These losses related to Amaryl® (46 million) and Ketek® (23 million). In addition, reversals of impairment losses totaling 11 million were recognized during the year.

Impairment losses taken against property, plant and equipment are disclosed in Note D.3.

D.6. Investments in associates

Associates consist of 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 break down as follows:

(*million)*	% interest	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Sanofi Pasteur MSD	50.0	407	427	467
Merial *(until September 17, 2009)*	50.0	(3)	1,203	1,151
InfraServ Höchst	31.2	95	96	97
Entities and companies managed by Bristol-Myers Squibb (1)	49.9	234	196	178
Zentiva *(until March 30, 2009)*	24.9	(4)	332(2)	346(2)
Financière des Laboratoires de Cosmétologie Yves Rocher	39.1	123	119	103
Other investments		96	86	151
Total		**955**	**2,459**	**2,493**

(1) Under the terms of the agreements with BMS (see Note C.1.), the Group s share of the net assets of entities and companies majority-owned by BMS is recorded in ***Investments in associates.***

(2) The carrying amount is net of an impairment loss of 102 million recognized in 2007.

(3) Merial has been accounted for by the full consolidation method since September 18, 2009; see Note D.8.

(4) Zentiva has been accounted for by the full consolidation method since March 31, 2009; see Note D.1.

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The financial statements include commercial transactions between the Group and certain of its associates:

(million)	2009	2008	2007
Sales	517	432	404
Royalties [1]	1,179	1,014	945
Accounts receivable [1]	419	370	355
Purchases	247	254	236
Accounts payable	32	30	29
Other liabilities [1]	297	242	365

(1) These items mainly relate to entities and companies managed by BMS.

Key financial indicators for associates, excluding the effects of purchase price allocations, are shown below:

(million)	Principal associates [1] 100% impact			Principal joint ventures [2] Share held by sanofi-aventis		
	2009	2008	2007	2009	2008	2007
Non-current assets	526	1,919	1,950	27	354	323
Current assets	1,278	2,717	2,788	224	688	687
Non-current liabilities	336	913	1,190	32	99	104
Current liabilities	792	1,798	1,552	178	404	418
Equity attributable to equity holders of the Company	391	1,622	1,712	41	536	486
Minority interests	285	303	284		2	2
Net sales	9,325	9,770	9,165	1,203	1,537	1,431
Cost of sales	2,397	2,555	2,371	359	433	394
Operating income	3,144	2,838	2,338	312	372	313
Net income	2,880	2,384	2,054	222	225	206

(1) The figures reported above are full-year figures, before allocation of partnership profits. The following associates are included in this table for 2008 and 2007: BMS/Sanofi Pharmaceuticals Holding Partnership, BMS/Sanofi Pharmaceuticals Partnership, BMS/Sanofi-Synthelabo Partnership, Yves Rocher, Merial, Sanofi Pasteur MSD, and Zentiva. For 2009, figures for Merial are not included in this table with effect from September 18, 2009 (the date since when Merial has been accounted for by the full consolidation method), and figures for Zentiva are not included in this table with effect from March 31, 2009 (the date since when Zentiva has been accounted for by the full consolidation method).

(2) The principal joint ventures are:

	Partner	Business
Merial (until September 17, 2009)	Merck & Co., Inc.	Animal Health
Sanofi Pasteur MSD	Merck & Co., Inc.	Vaccines

D.7. Financial assets non-current

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

(million)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Available-for-sale financial assets	588	491	676
Pre-funded pension obligations (see Note D.18.1.)	3	1	7
Long-term loans and advances	256	186	219
Assets recognized under the fair value option	100	72	85
Derivative financial instruments (see Note D.20.)	51	71	50
Total	**998**	**821**	**1,037**

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Equity investments classified as available-for-sale financial assets include:

An interest in the biopharmaceuticals company Regeneron, with which sanofi-aventis has research and development collaboration agreements (see Note D.21.). This investment had a carrying amount of 248 million at December 31, 2009 (195 million at December 31, 2008 and 243 million at December 31, 2007). In November 2007, sanofi-aventis raised its interest in Regeneron s common stock to approximately 19%. As part of this transaction, sanofi-aventis signed an Investor Agreement which limits its ability to exercise certain voting rights. Consequently, the acquisition of this additional interest did not give sanofi-aventis significant influence over Regeneron.

A 13% interest in ProStrakan, carried at an amount of 25 million as of December 31, 2009 (24 million at December 31, 2008 and 23 million at December 31, 2007).

Interests in research and development companies such as Proteome Science (2 million at December 31, 2009, 3 million at December 31, 2008 and 9 million at December 31, 2007) and Genfit (5 million at December 31, 2009, 4 million at December 31, 2008).

Financial assets held to match commitments (269 million at December 31, 2009, 223 million at December 31, 2008 and 306 million at December 31, 2007).

During 2008, the Group divested its equity interest in Millennium (carrying amount 46 million), generating a pre-tax gain of 38 million (see Note D.29.).

The cumulative unrealized net after-tax gain recognized directly in equity on available-for-sale financial assets at December 31, 2009 was 38 million. This compares with a cumulative unrealized net after-tax loss of 49 million at December 31, 2008, mainly on the investment in Regeneron (49 million), and a cumulative unrealized net after-tax gain of 48 million at December 31, 2007 (see Note D.15.7.).

The impact of a 10% fall in stock prices on quoted shares included in available-for-sale assets at December 31, 2009 would have been as follows:

(*million)*	**Sensitivity**
Income/(expense) recognized directly in equity, before tax	(40)
Income before tax	(2)
Total	**(42)**

A 10% fall in stock prices of other available-for-sale financial assets combined with a simultaneous 0.5% rise in the yield curve would have had the following impact at December 31, 2009:

(*million)*	Sensitivity
Income/(expense) recognized directly in equity, before tax	(16)
Income before tax	
Total [(1)]	**(16)**

(1) This impact would represent approximately 6% of the value of the underlying assets.

Available-for-sale financial assets also include equity investments not quoted in an active market. These investments had a carrying amount of 31 million at December 31, 2009, against 34 million at December 31, 2008 and 36 million at December 31, 2007.

Long-term loans and advances are measured at amortized cost, which at the balance sheet date was not materially different from their fair value. The increase in long-term loans and advances between December 31, 2008 and December 31, 2009 was mainly due to the indemnification asset in respect of the vendor s guarantee of liabilities recognized on the acquisition of Medley (see Note D.1.).

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Assets recognized under the fair value option represent a portfolio of financial investments held to fund a deferred compensation plan offered to certain employees.

D.8. Assets held for sale or exchange

A breakdown as of December 31, 2009 of assets held for sale or exchange, and of liabilities related to assets held for sale or exchange, is shown below:

(million)		December 31, 2009
Merial	D.8.1.	6,338
Other	D.8.2.	4
Total assets held for sale or exchange		**6,342**
Merial	D.8.1.	1,433
Total liabilities related to assets held for sale or exchange		**1,433**

D.8.1. Merial

On September 17, 2009, sanofi-aventis acquired, in addition to its initial 50% interest in Merial, the remaining 50% interest held by Merck. Simultaneously, a contract was signed whereby once the merger between Merck and Schering-Plough has been completed sanofi-aventis will be able to exercise an option to create a single group combining Merial and Intervet/Schering-Plough, to be held 50% by sanofi-aventis and 50% by Merck/Schering-Plough (see Note D.1.)

With effect from September 17, 2009, sanofi-aventis has had exclusive control over Merial by virtue of its 100% interest in the company, and has accounted for Merial by the full consolidation method. Due to the high probability that the option will be exercised, thereby diluting the interest held by sanofi-aventis in Merial and leading to the loss of exclusive control, the entire interest in Merial has to be accounted for in accordance with IFRS 5, the main principles of which are described in Note B.7.

Consequently, as of December 31, 2009 (in accordance with IFRS 5), the entire assets of Merial are reported on the line ***Assets held for sale or exchange***, and the entire liabilities of Merial are reported on the line ***Liabilities related to assets held for sale or exchange***. The net income of Merial is reported on the line ***Net income from the held-for-exchange Merial business***.

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Year ended December 31, 2009

The table below shows the assets and liabilities of Merial classified in **Assets held for sale or exchange** and **Liabilities related to assets held for sale or exchange** as of December 31, 2009, after elimination of intercompany balances between Merial and other Group companies.

(million)	December 31, 2009
Assets	
Property, plant and equipment and financial assets	684
Goodwill	1,258
Intangible assets	3,347
Deferred tax assets	60
Inventories	425
Accounts receivable	373
Other current assets	64
Cash and cash equivalents	127
Total assets held for sale or exchange	**6,338**
Liabilities	
Long-term debt	6
Long-term provisions	85
Deferred tax liabilities	966
Short-term debt	22
Accounts payable	124
Other current liabilities	230
Total liabilities related to assets held for sale or exchange	**1,433**

The components of ***Net income from the held-for-exchange Merial business*** are shown below:

(million)	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Net sales [2]	**479**		
Operating income [2]	69		
Net financial income/(expense) [2]	2		
Income tax expense [2]	(35)		
Share of profit/(loss) of associates [1]	139	120	151
Net income from the held-for-exchange Merial business	**175**	**120**	**151**

(1) until September 17, 2009.
(2) from September 18, 2009.

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Year ended December 31, 2009

The table below sets forth, as required by IFRS 5, disclosures of how net income attributable to equity holders of the Company, net income attributable to minority interests, basic earnings per share and diluted earnings per share are split between activities other than Merial and the held-for-exchange Merial business:

(million)	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Net income excluding the held-for-exchange Merial business	5,516	4,172	5,531
Net income from the held-for-exchange Merial business	175	120	151
Net income	**5,691**	**4,292**	**5,682**
- Net income attributable to minority interests:			
Net income excluding the held-for-exchange Merial business	426	441	419
Net income from the held-for-exchange Merial business			
Net income attributable to minority interests	**426**	**441**	**419**
- Net income attributable to equity holders of the Company:			
Net income excluding the held-for-exchange Merial business	5,090	3,731	5,112
Net income from the held-for-exchange Merial business	175	120	151
Net income attributable to equity holders of the Company	**5,265**	**3,851**	**5,263**
- Basic earnings per share:			
Excluding the held-for-exchange Merial business (in euros)	3.90	2.85	3.80
Held-for-exchange Merial business (in euros)	0.13	0.09	0.11
Basic earnings per share (in euros)	**4.03**	**2.94**	**3.91**
- Diluted earnings per share:			
Excluding the held-for-exchange Merial business (in euros)	3.90	2.85	3.78
Held-for-exchange Merial business (in euros)	0.13	0.09	0.11
Diluted earnings per share (in euros)	**4.03**	**2.94**	**3.89**

The table below sets forth the net sales of Merial s principal products, expressed in millions of U.S. dollars:

($ million)	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Frontline® and other fipronil products	996	1,053	1,033
Vaccines	794	790	675

Avermectin	475	512	478
Other	289	288	263
Total	**2,554**	**2,643**	**2,449**

The contractual obligations and other commitments of Merial as of December 31, 2009 are as follows:

(million)	**Total**	**Under 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**
Contractual obligations and other commercial commitments:					
outflows	**148**	94	29	16	9
inflows	**(37)**	(33)	(3)		(1)
Total contractual obligations and other commercial commitments	**111**	61	26	16	8

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D.8.2. Other assets held for sale

As of December 31, 2009, other assets held for sale relate to the ongoing divestment of the R&D facilities at Alnwick and Porcheville and of an industrial site. An impairment loss of 107 million was charged against these assets (and recognized under **Restructuring costs** in the income statement) prior to their reclassification as held for sale.

As of December 31, 2008, sanofi-aventis had assets held for sale relating to the ongoing divestment of a plant at Colomiers in the Haute-Garonne region of France. These assets were fully written down as of that date.

There were no assets held for sale as of December 31, 2007.

D.9. Inventories

Inventories break down as follows:

	December 31, 2009			December 31, 2008			December 31, 2007		
(million)	**Gross**	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
Raw materials	752	(96)	656	615	(91)	524	607	(83)	524
Work in process	2,456	(241)	2,215	2,028	(226)	1,802	2,073	(230)	1,843
Finished goods	1,709	(136)	1,573	1,449	(185)	1,264	1,534	(172)	1,362
Total	**4,917**	**(473)**	**4,444**	**4,092**	**(502)**	**3,590**	**4,214**	**(485)**	**3,729**

The impact of changes in provisions for impairment of inventories in 2009 was a net expense of 26 million, compared with a net expense of 30 million in 2008 and a net expense of 39 million in 2007.

Impairment taken against inventory at December 31, 2009 relates primarily to the product Ketek®.

Inventories pledged as security for liabilities amount to 10 million at December 31, 2009 (versus 10 million at December 31, 2008).

D.10. Accounts receivable

Accounts receivable break down as follows:

(million)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Gross value	6,111	5,391	5,034
Impairment	(96)	(88)	(130)
Net value	**6,015**	**5,303**	**4,904**

The impact of changes in provisions for impairment of accounts receivable in 2009 is a net expense of 5 million (against a net reversal of 7 million in 2008 and a net expense of 17 million in 2007).

The gross value of overdue receivables at December 31, 2009 is 884 million (versus 794 million at December 31, 2008 and 801 million at December 31, 2007).

(million)	**Overdue accounts Gross value**	**Overdue < 1 month**	**Overdue from 1 to 3 months**	**Overdue from 3 to 6 months**	**Overdue from 6 to 12 months**	**Overdue > 12 months**
December 31, 2009	**884**	288	172	132	110	182
December 31, 2008	**794**	267	146	121	95	165
December 31, 2007	**801**	218	166	130	115	172

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Year ended December 31, 2009

Amounts overdue by more than one month relate mainly to public-sector customers.

Group policy is to retain receivables until maturity, and hence not to use receivables securitization programs.

D.11. Other current assets

Other current assets break down as follows:

(million)	December 31, 2009	December 31, 2008	December 31, 2007
Taxes recoverable	1,019	927	1,185
Other receivables [1]	914	781	754
Prepaid expenses	171	173	187
Total	**2,104**	**1,881**	**2,126**

[1] This line mainly comprises amounts due from alliance partners, advance payments to suppliers, sales commission receivable, and amounts due from employees.

D.12. Financial assets current

Financial assets current break down as follows:

(million)	December 31, 2009	December 31, 2008	December 31, 2007
Interest rate derivatives measured at fair value (see Note D.20.)	18	33	
Currency derivatives measured at fair value (see Note D.20.)	251	348	67
Other current financial assets	8	22	16
Total	**277**	**403**	**83**

D.13. Cash and cash equivalents

(million)	December 31, 2009	December 31, 2008	December 31, 2007
Cash	689	502	831
Cash equivalents [1]	4,003	3,724	880
Cash and cash equivalents [2] [3]	**4,692**	**4,226**	**1,711**

(1) Cash equivalents at December 31, 2009 comprised 3,128 million invested in collective investment schemes classified as Euro Money-Market Funds by the *Autorité des Marchés Financiers* and 875 million of term deposits.

(2) Includes cash held by captive insurance and reinsurance companies in accordance with insurance regulations amounting to 430 million at December 31, 2009, 429 million at December 31, 2008, and 420 million at December 31, 2007.

(3) Includes 81 million held by the Venezuelan subsidiary, which is subject to foreign exchange controls.

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D.14. Net deferred tax position

The net deferred tax position breaks down as follows:

(million)	December 31, 2009	December 31, 2008	December 31, 2007
Deferred tax on:			
Consolidation adjustments (intragroup margin in inventory)	858	845	808
Provision for pensions and other employee benefits	1,097	1,070	915
Remeasurement of acquired intangible assets[1]	(4,144)	(4,805)	(6,123)
Recognition of Aventis property, plant and equipment at fair value	(99)	(65)	(77)
Tax cost of distributions made from reserves[2]	(643)	(769)	(693)
Stock options	21	6	48
Tax losses available for carry-forward (see below)	70	171	266
Other non-deductible provisions and other items	819	799	833
Net deferred tax liability	**(2,021)**	**(2,748)**	**(4,023)**

(1) Includes a deferred tax liability of 3,467 million as of December 31, 2009 relating to the remeasurement of Aventis intangible assets.

(2) In some countries, the Group is liable to withholding taxes and other tax charges when dividends are distributed. Consequently, the Group recognizes a deferred tax liability on those reserves (approximately 7 billion) which the Group regards as likely to be distributed in the foreseeable future (see Note D.30.).

The table below shows when the tax losses available for carry-forward are due to expire:

(million)	Tax loss carry-forwards at December 31, 2009 (*)	Tax loss carry-forwards at December 31, 2008 (*)	Tax loss carry-forwards at December 31, 2007 (*)
2008			63
2009		30	32
2010	8	50	33
2011	19	20	23
2012	21	74	31
2013 and later	594	671	888
Total	**642**	**845**	**1,070**

(*) Excluding tax loss carry-forwards on asset disposals. Tax loss carry-forwards on asset disposals amounted to 597 million at December 31, 2009; 776 million at December 31, 2008; and 653 million at December 31, 2007.

Use of these tax loss carry-forwards is limited to the entity in which they arose. In jurisdictions where tax consolidations are in place, tax losses can usually be netted against taxable income generated by the entities in the consolidated tax group.

Deferred tax assets not recognized because given the expected results of the entities in question, their future recovery was not considered probable, amount to 486 million at December 31, 2009 (including 99 million on asset disposals), compared with 374 million at December 31, 2008 (including 162 million on asset disposals) and 274 million at December 31, 2007 (including 131 million on asset disposals).

The recognition of deferred tax assets previously unrecognized when accounting for business combination, therefore requiring a corresponding adjustment to goodwill, amount to 88 million at December 31, 2009, 6 million at December 31, 2008, and 43 million at December 31, 2007.

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D.15. Consolidated shareholders equity

D.15.1. Share capital

The share capital of 2,636,958,104 comprises 1,318,479,052 shares with a par value of 2.

Treasury shares held by the Group are as follows:

Closing	Number of shares	%
December 31, 2009	9,422,716	0.71%
December 31, 2008	10,014,971	0.76%
December 31, 2007	37,725,706	2.76%
January 1, 2007	8,940,598	0.66%

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

Movements in the share capital of the sanofi-aventis parent company over the last three years are presented below:

			(million)	
Date	Transaction	Number of shares	Share capital	Additional paid-in capital
January 1, 2007		**1,359,434,683**	**2,719**	**9,138**
During 2007	Capital increase by exercise of stock subscription options	4,950,010	10	201
Shareholders meeting of May 31, 2007	Capital increase on merger of Rhône Cooper into sanofi-aventis	1,531,951	3	71
December 31, 2007		**1,365,916,644**	**2,732**	**9,410**
During 2008	Capital increase by exercise of stock subscription options	1,046,238	2	37
Board meeting of April 29, 2008	Capital reduction by cancellation of treasury shares	(51,437,419)	(103)	(2,843)

December 31, 2008		**1,315,525,463**	**2,631**	**6,604**
During 2009	Capital increase by exercise of stock subscription options	2,953,589	6	134
December 31, 2009		**1,318,479,052**	**2,637**	**6,738**

For disclosures about the management of capital as required under IFRS 7, refer to Note B.27.

D.15.2. Restricted share plan

The meeting of the sanofi-aventis Board of Directors on March 2, 2009 decided to award a restricted share plan. A total of 1,194,064 shares were awarded, 604,004 of which will vest after a four-year service period and 590,060 of which will vest after a two-year service period but will be subject to a further two-year lock-up period (including 65,000 shares which are also contingent upon performance conditions).

In accordance with IFRS 2 (Share-Based Payment), sanofi-aventis has estimated the fair value of this plan on the basis of the fair value of the equity instruments awarded, as representing the fair value of the employee services received during the period.

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Fair value was measured at the date of grant. The fair value of each share awarded corresponds to the quoted market price per share as of that date (41.10), adjusted for expected dividends during the vesting period.

The fair value of the restricted share plan was measured at 37 million. This amount is being recognized as an expense over the vesting period, with a corresponding increase in equity. The total expense recognized for this plan during 2009 was 11 million.

As of December 31, 2009, the total number of restricted shares outstanding was 1,181,049.

D.15.3. Capital increase for employee share ownership plan

There were no share issues reserved for employees in either 2009 or 2008.

At its meeting of October 30, 2007, the Board of Directors used the authorization granted by the Shareholders Annual General Meeting of May 31, 2007 to launch an employee share ownership plan by carrying out a share issue reserved for employees. The plan involved the issuance of a maximum of 6.8 million shares, ranking for dividend from January 1, 2007 and priced at 48.55 per share. The subscription period was from November 19, 2007 through November 30, 2007, and a total of 1,531,951 shares were subscribed. An expense of 21 million was recognized in respect of this share issue in the income statement for the year ended December 31, 2007.

D.15.4. Repurchase of sanofi-aventis shares

Sanofi-aventis did not repurchase any of its own shares during 2009.

The Shareholders Annual General Meeting of May 14, 2008 authorized a further share repurchase program. Under this new program, sanofi-aventis acquired 810,000 of its own shares during the period from June 6, 2008 through August 21, 2008 for a total of 36 million (including transaction costs).

The Shareholders Annual General Meeting of May 31, 2007 authorized a share repurchase program for a period of 18 months. Under this program, sanofi-aventis repurchased 23,052,169 of its own shares in the period from January 1, 2008 through May 14, 2008 for a total of 1,191 million (including transaction costs). Under the same program, sanofi-aventis had previously acquired 29,366,500 of its own shares during the second half of 2007 for a total of 1,806 million (including transaction costs).

D.15.5. Reduction in share capital

The Board of Directors meeting of April 29, 2008 decided to cancel 51,437,419 treasury shares (2,946 million), of which 51,407,169 had been repurchased through April 14, 2008 under the share repurchase program, representing 3.77% of the share capital as of that date (see Note D.15.4.).

These cancellations had no effect on consolidated shareholders equity.

D.15.6. Cumulative translation differences

Cumulative translation differences break down as follows:

(*million)*	December 31, 2009	December 31, 2008	December 31, 2007
Attributable to equity holders of the Company	(3,965)	(3,669)	(4,631)
Attributable to minority interests	(15)	(16)	(2)
Total	**(3,980)**	**(3,685)**	**(4,633)**

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The movement in cumulative translation differences during the period was mainly due to the effect of changes in the U.S. dollar exchange rate, primarily on goodwill, intangible assets and inventories.

In accordance with the accounting policy described in Note B.8.4., cumulative translation differences attributable to equity holders of the Company include the post-tax effect of currency hedges of net investments in foreign operations, totaling 86 million at December 31, 2009; compared with 98 million as of both December 31, 2008 and December 31, 2007.

D.15.7. Other items recognized directly in equity

Movements in other items recognized directly in equity break down as follows:

(million)	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Balance, beginning of period	**(4,436)**	**(4,659)**	**(2,061)**
Available-for-sale financial assets:			
Change in fair value	110[1]	(132)	(5)
Tax effects	(23)	33	(10)
Cash flow hedges:			
Change in fair value	(175)[2]	104	8
Tax effects	61	(37)	(3)
Zentiva fair value remeasurement [3]			
Change in fair value	108		
Tax effects	(28)		
Merial fair value remeasurement [3]			
Change in fair value	1,215		
Tax effects	(293)		
Actuarial gains and losses and impact of asset ceiling:			
Asset ceiling	2	2	(1)
Actuarial gains/(losses) excluding associates and joint ventures (see Note D.18.1.)	(169)	(824)	277
Actuarial gains/(losses) in associates and joint ventures	(2)	(7)	6
Tax effects	36	136	(106)
Change in cumulative translation differences			
Translation differences on foreign subsidiaries	(283)[4]	948	(2,764)
Hedges of net investments in foreign operations	(18)		
Tax effects	6		

Balance, end of period	**(3,889)**	**(4,436)**	**(4,659)**
Attributable to equity holders of the Company	*(3,873)*	*(4,419)*	*(4,658)*
Attributable to minority interests	*(16)*	*(17)*	*(1)*

(1) Includes reclassifications to profit or loss: (1) million in 2009, (11) million in 2008, and 11 million in 2007.
(2) Includes reclassifications to profit or loss: (123) million in 2009 and (9) million in 2008 in operating income; (35) million in 2009 and (17) million in 2008 in net financial expense.
(3) Fair value remeasurement of the previously-held equity interest (Zentiva 24.9%, Merial 50%) as of the date when control was acquired (see Note D.1.).
(4) Includes translation differences of 7 million arising on Merial since the acquisition date.

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D.15.8. Share-based payment

Stock option plans and share warrants

a) Assumption by sanofi-aventis of the obligations of Aventis

Stock subscription option plans

With effect from December 31, 2004, sanofi-aventis substituted for Aventis in all the rights and obligations of the issuer in respect of stock subscription options granted to employees and former corporate officers of Aventis and of related companies (as defined in article L.225-180 of the Commercial Code) and not exercised as of that date.

With effect from December 31, 2004, stock subscription options granted by Aventis and not yet exercised may be exercised in sanofi-aventis shares on the same terms, subject to the adjustments described below. The number and subscription price of the optioned shares have been adjusted to reflect the share exchange ratio applicable to Aventis shareholders, subject to possible further adjustment in the event of future capital transactions. The new terms for the exercise of options, subject to future financial adjustments, are as follows:

The number of sanofi-aventis shares for which each grantee may subscribe under a given stock option plan equals the number of Aventis shares to which the grantee may subscribe under that plan multiplied by the exchange ratio applicable to the shareholders (i.e. 27/23), rounded down to the nearest whole number.

The subscription price per sanofi-aventis share equals the subscription price per Aventis share divided by the exchange ratio applicable to the shareholders (i.e. 27/23), rounded down to the nearest euro cent.

Stock purchase option plans

In the case of stock option plans issued by Aventis Inc. and Hoechst AG entitling the grantees to purchase Aventis shares, the plan regulations have been amended in accordance with the principles described above so as to enable the grantees to purchase sanofi-aventis shares. The other terms of exercise are unchanged.

b) Description of stock option plans

2009 stock subscription option plan granted by sanofi-aventis

On March 2, 2009, the Board of Directors granted 7,736,480 stock subscription options at an exercise price of 45.09 per share.

The vesting period is four years, and the plan expires on March 2, 2019.

2007 stock subscription option plan granted by sanofi-aventis

On December 13, 2007, the Board of Directors granted 11,988,975 stock subscription options at an exercise price of 62.33 per share.

The vesting period is four years and the plan expires on December 13, 2017.

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The table shows all sanofi-aventis stock purchase option plans still outstanding or under which options were exercised in the year ended December 31, 2009.

Origin	Date of grant	Options granted	Start date of exercise period	Expiration date	Exercise price ( )	Options outstanding at December 31, 2009
Synthélabo	12/15/1993	364,000	12/15/1998	12/15/2013	6.36	8,000
Synthélabo	10/18/1994	330,200	10/18/1999	10/18/2014	6.01	16,600
Synthélabo	01/12/1996	208,000	01/12/2001	01/12/2016	8.56	19,270
Synthélabo	04/05/1996	228,800	04/05/2001	04/05/2016	10.85	36,970
Synthélabo	10/14/1997	262,080	10/14/2002	10/14/2017	19.73	30,974
Synthélabo	06/25/1998	296,400	06/26/2003	06/25/2018	28.38	11,870
Synthélabo	03/30/1999	716,040	03/31/2004	03/30/2019	38.08	327,755
Aventis (Hoechst AG)	09/07/1999	2,930,799	09/08/2002	09/07/2009	41.25	
Sanofi-Synthélabo	05/24/2000	4,292,000	05/25/2004	05/24/2010	43.25	1,476,014
Sanofi-Synthélabo	05/10/2001	2,936,500	05/11/2005	05/10/2011	64.50	2,551,739
Sanofi-Synthélabo	05/22/2002	3,111,850	05/23/2006	05/22/2012	69.94	2,901,250
Total						**7,380,442**

Under IFRS, sanofi-aventis shares acquired to cover stock purchase options are deducted from shareholders equity. The exercise of all outstanding stock purchase options would increase shareholders equity by 440 million.

Stock subscription option plans

Details of the terms of exercise of stock subscription options granted under the various plans are presented below in sanofi-aventis share equivalents. These options have been granted to certain corporate officers and employees of Group companies.

The table shows all sanofi-aventis stock subscription option plans still outstanding or under which options were exercised in the year ended December 31, 2009.

Origin	Date of grant	Options granted	Start date of exercise period	Expiration date	Exercise price ( )	Options outstanding at December 31, 2009
Aventis	12/15/1999	5,910,658	01/06/2003	12/15/2009	50.04	
Aventis	05/11/2000	877,766	05/11/2003	05/11/2010	49.65	223,372

Aventis	11/14/2000	13,966,871	11/15/2003	11/14/2010	67.93	10,339,911
Aventis	03/29/2001	612,196	03/30/2004	03/29/2011	68.94	546,756
Aventis	11/07/2001	13,374,051	11/08/2004	11/07/2011	71.39	9,650,791
Aventis	03/06/2002	1,173,913	03/07/2005	03/06/2012	69.82	1,173,906
Aventis	11/12/2002	11,775,414	11/13/2005	11/12/2012	51.34	5,330,982
Aventis	12/02/2003	12,012,414	12/03/2006	12/02/2013	40.48	5,704,986
Sanofi-Synthélabo	12/10/2003	4,217,700	12/11/2007	12/10/2013	55.74	3,835,070
Sanofi-aventis	05/31/2005	15,228,505	06/01/2009	05/31/2015	70.38	13,531,100
Sanofi-aventis	12/14/2006	11,772,050	12/15/2010	12/14/2016	66.91	11,031,620
Sanofi-aventis	12/13/2007	11,988,975	12/14/2011	12/13/2017	62.33	11,475,985
Sanofi-aventis	03/02/2009	7,736,480	03/03/2013	03/02/2019	45.09	7,645,420
Total						**80,489,899**

The exercise of all outstanding stock subscription options would increase shareholders equity by approximately 4,991 million. The exercise of each option results in the issuance of one share.

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Summary of stock option plans

A summary of stock options outstanding at each balance sheet date, and of changes during the relevant periods, is presented below:

	Number of options	Exercise price Weighted average per share ( )	Total (million)
Options outstanding at January 1, 2007	82,599,660	61.00	5,039
Of which exercisable	*50,920,604*	*58.02*	*2,954*
Options granted	11,988,975	62.33	747
Options exercised	(5,530,880)	42.07	(233)
Options cancelled [1]	(712,658)	68.05	(48)
Options forfeited	(69,402)	29.14	(2)
Options outstanding at December 31, 2007	88,275,695	62.34	5,503
Of which exercisable	*50,643,150*	*59.05*	*2,991*
Options exercised	(1,141,554)	36.82	(42)
Options cancelled [1]	(1,682,800)	65.51	(110)
Options forfeited	(146,391)	34.14	(5)
Options outstanding at December 31, 2008	85,304,950	62.66	5,345
Of which exercisable	*48,713,680*	*59.59*	*2,903*
Options granted	7,736,480	45.09	349
Options exercised	(3,545,344)	46.69	(165)
Options cancelled [1]	(1,000,535)	61.72	(62)
Options forfeited	(625,210)	48.89	(31)
Options outstanding at December 31, 2009	87,870,341	61.87	5,436
Of which exercisable	*57,717,316*	*63.04*	*3,638*

(1) Cancellations mainly due to the departure of the grantees.

The table below provides summary information about options outstanding and exercisable as of December 31, 2009:

	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	43,870	5.19	7.19	43,870	7.19
From 10.00 to 20.00 per share	67,944	6.96	14.90	67,944	14.90
From 20.00 to 30.00 per share	11,870	8.49	28.38	11,870	28.38
From 30.00 to 40.00 per share	327,755	9.25	38.08	327,755	38.08
From 40.00 to 50.00 per share	15,049,792	6.19	43.23	7,404,372	41.31
From 50.00 to 60.00 per share	9,166,052	3.32	53.18	9,166,052	53.18
From 60.00 to 70.00 per share	40,021,167	4.77	66.04	17,513,562	67.92
From 70.00 to 80.00 per share	23,181,891	3.93	70.80	23,181,891	70.80
Total	**87,870,341**			**57,717,316**	

Measurement of stock option plans

The fair value of the plan awarded in 2009 is 34 million, and the fair value of the plan awarded in 2007 is 143 million.

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Year ended December 31, 2009

The following assumptions were used in determining the fair value of these plans:

Dividend yield: 5.72% (2009 plan) and 3.08% (2007 plan).

Volatility of sanofi-aventis shares, computed on a historical basis: 27.06% (2009 plan) and 19.36% (2007 plan).

Risk-free interest rate: 2.84% (2009 plan), 4.21% (2007 plan).

Plan maturity: 6 years (2009 and 2007 plans). The plan maturity is the average expected remaining life of the options, based on observations of past employee behavior.

The fair value of the options granted in 2009 and 2007 is 4.95 and 11.92 per option, respectively.

The expense recognized for stock option plans, and the matching entry taken to shareholders equity, amounted to 102 million in the year ended December 31, 2009 (including 12 million for the Vaccines segment); 125 million in the year ended December 31, 2008 (including 13 million for the Vaccines segment); and 115 million in the year ended December 31, 2007 (including 10 million for the Vaccines segment).

As of December 31, 2009, the total cost related to non-vested share-based compensation arrangements was 127 million, to be recognized over a weighted average period of 1.93 years. The current tax benefit related to share-based compensation arrangements in 2009 amounted to 2 million (2008: 2 million; 2007: 19 million).

D.15.9. 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 millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Average number of shares outstanding	1,305.9	1,309.3	1,346.9
Adjustment for options with potentially dilutive effect	1.1	1.6	7.0
Adjustment for restricted shares with potentially dilutive effect	0.4		
Average number of shares used to compute diluted earnings per share	**1,307.4**	**1,310.9**	**1,353.9**

In 2009, a total of 80.3 million stock options were not taken into account in the calculation because they did not have a potentially dilutive effect, compared with 76.2 million in 2008 and 65.4 million in 2007.

D.16. Minority interests

Minority interests in consolidated companies break down as follows:

(million)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Minority interests of ordinary shareholders:			
BMS[1]	104	111	80
Zentiva	32		
Aventis Pharma Ltd India	73	60	64
Maphar	7	6	6
Sanofi-aventis Pakistan	5	5	6
Shantha Biotechnics	12		
Other	25	23	21
Total	**258**	**205**	**177**

(1) Under the terms of the agreements with BMS (see Note C.1.), the BMS share of the net assets of entities majority-owned by sanofi-aventis is recognized in ***Minority interests*** (refer to the statement of changes in equity).

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D.17. Debt, cash and cash equivalents

The table below shows changes in the Group s financial position over the last three years:

(*million)*	December 31, 2009	December 31, 2008	December 31, 2007
Long-term debt, at amortized cost	5,961	4,173	3,734
Short-term debt and current portion of long-term debt	2,866	1,833	2,207
Total debt	**8,827**	**6,006**	**5,941**
Cash and cash equivalents	(4,692)	(4,226)	(1,711)
Debt, net of cash and cash equivalents	**4,135**	**1,780**	**4,230**

Debt, net of cash and cash equivalents is a non-GAAP financial indicator used by management and investors to measure the company s overall net indebtedness.

Trends in the gearing ratio are shown below:

(*million)*	December 31, 2009	December 31, 2008	December 31, 2007
Debt, net of cash and cash equivalents	4,135	1,780	4,230
Total equity	48,446	45,071	44,719
Gearing ratio	**8.5%**	**3.9%**	**9.5%**

A reconciliation of carrying amount to value on redemption is shown below:

(*million)*	Carrying amount: Dec. 31, 2009	Amortized cost	Adjustment to debt measured at fair value	Value on redemption Dec. 31, 2009	Value on redemption Dec. 31, 2008	Value on redemption Dec. 31, 2007
Long-term debt	5,961	17	(35)	5,943	4,123	3,686
Short-term debt and current portion of long-term debt	2,866	2	(15)	2,853	1,815	2,187

Total debt	**8,827**	**19**	**(50)**	**8,796**	**5,938**	**5,873**
Cash and cash equivalents	(4,692)			(4,692)	(4,226)	(1,711)
Debt, net of cash and cash equivalents	**4,135**	**19**	**(50)**	**4,104**	**1,712**	**4,162**

a) Principal financing transactions during the year

The following financing transactions took place during 2009:

CHF250 million fixed-rate bond issue bearing annual interest of 3.25%, fungible with the CHF275 million bond issue maturing December 2012, which is thereby raised to CHF525 million (354 million);

1.5 billion fixed-rate bond issue bearing annual interest of 3.5%, maturing May 17, 2013, issued under the EMTN[1] program;

1.5 billion fixed-rate bond issue bearing annual interest of 4.5%, maturing May 18, 2016, issued under the EMTN[1] program;

700 million fixed-rate bond issue bearing annual interest of 3.125%, maturing October 10, 2014, issued under the EMTN[1] program;

800 million fixed-rate bond issue bearing annual interest of 4.125%, maturing October 11, 2019, issued under the EMTN[1] program.

[1] Euro Medium Term Notes

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Three bond issues were repaid on maturity:

July 2007 bond issue with a nominal value of ¥19.15 billion (144 million), which matured July 10, 2009;

July 2007 bond issue with a nominal value of 200 million, which matured July 13, 2009;

December 2006 bond issue with a nominal value of 100 million, which matured December 21, 2009.

A 1 billion syndicated bank loan was repaid in July 2009.

In addition, a 461 million syndicated bank loan, fully drawn down by Zentiva N.V., a company acquired in March 2009 (see Note D.1.), was repaid on July 10, 2009.

b) Debt, net of cash and cash equivalents by type, at value on redemption

(million)	December 31, 2009			December 31, 2008			December 31, 2007		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Bond issues	5,236	1,982	**7,218**	2,418	488	**2,906**	2,390	1,390	**3,780**
Credit facility drawdowns				1,000	34	**1,034**	1,000	1	**1,001**
Other bank borrowings	678	529	**1,207**	670	262	**932**	257	266	**523**
Commercial paper					717	**717**		102	**102**
Finance lease obligations	15	9	**24**	21	4	**25**	25	4	**29**
Other borrowings	14	16	**30**	14	11	**25**	14	1	**15**
Bank credit balances		317	**317**		299	**299**		423	**423**
Total debt	**5,943**	**2,853**	**8,796**	**4,123**	**1,815**	**5,938**	**3,686**	**2,187**	**5,873**
Cash and cash equivalents		(4,692)	**(4,692)**		(4,226)	**(4,226)**		(1,711)	**(1,711)**
Debt, net of cash and cash equivalents	**5,943**	**(1,839)**	**4,104**	**4,123**	**(2,411)**	**1,712**	**3,686**	**476**	**4,162**

Bond issues made under the EMTN (Euro Medium Term Notes) program comprise:

September 2003 issue [ISIN: XS0176128675] with a nominal value of 1,500 million, maturing September 2010, bearing annual interest at 4.25%;

January 2007 issue [ISIN: XS0282647634] amounting to £200 million (225 million), maturing January 2010, bearing annual interest at 5.50% and swapped into euros at a floating rate indexed to 3-month Euribor;

June 2008 issue amounting to ¥15 billion (113 million), maturing June 2013, bearing interest at a floating rate indexed to 3-month JPY Libor, and swapped into euros at a floating rate indexed to 3-month Euribor;

May 2009 issue [ISIN: XS0428037666] amounting to 1,500 million, maturing May 2013, bearing annual interest at 3.5%;

May 2009 issue [ISIN: XS0428037740] amounting to 1,500 million, maturing May 2016, bearing annual interest at 4.5%;

October 2009 issue [ISIN: XS0456451938] amounting to 700 million, maturing October 2014, bearing annual interest at 3.125%;

October 2009 issue [ISIN: XS0456451771] amounting to 800 million, maturing October 2019, bearing annual interest at 4.125%.

Bond issues made outside the EMTN (Euro Medium Term Notes) program comprise:

December 2007 issue [ISIN: CH0035703021] amounting to CHF200 million (135 million), maturing January 2010, bearing annual interest of 2.75%, and swapped into euros at a floating rate indexed to 6-month Euribor;

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December 2007 and February 2008 issues [ISIN: CH0035703070] amounting to CHF400 million (270 million), maturing December 2015, bearing annual interest of 3.375%, and swapped into euros at a fixed rate of 4.867%;

December 2008 and January 2009 issues [ISIN: CH0048787532] amounting to CHF525 million (354 million), maturing December 2012, bearing annual interest of 3.25%, and swapped into euros as follows: CHF275 million at a fixed rate of 4.894%, and CHF250 million at a floating rate indexed to 3-month Euribor.

Sanofi-aventis has put in place the following arrangements to manage its liquidity needs:

A syndicated bank facility of 8 billion, of which 0.3 billion expires in March 2011 and 7.7 billion in March 2012. There were no drawdowns under this facility as of December 31, 2009;

A syndicated 364-day bank facility, contracted in 2005 for an initial amount of 5 billion, initially with four 364-day extension options. The final extension option was exercised in early 2009, extending the expiry of the facility from January 2009 to January 2010. During 2009, the facility was renewed early, extending the expiry date from January 2010 to January 2011. With effect from January 2010, the amount of this facility will be 4.0 billion, versus 3.7 billion in 2009. There were no drawdowns under this facility as of December 31, 2009;

A bilateral 364-day bank facility of $0.6 billion (0.4 billion) expiring January 2010. This facility was renewed in January 2010, and now expires in January 2011;

A bilateral 364-day bank facility of $0.25 billion (0.2 billion) expiring February 2010.

These short-term bank facilities, which are confirmed but have not been drawn down, are used in particular to back two commercial paper programs, of 6 billion in France and $6 billion in the United States. In 2009, the average drawdown under these programs was 0.4 billion (maximum 0.8 billion). These programs were not mobilized as of December 31, 2009.

The financing in place at December 31, 2009 is not subject to covenants regarding financial ratios, and contains no clauses linking credit spreads or fees to the credit rating of sanofi-aventis.

The line Other borrowings mainly includes:

Participating shares issued between 1983 and 1987, of which 96,983 remain outstanding, valued at 14.8 million;

Series A participating shares issued in 1989, of which 3,271 remain outstanding, valued at 0.2 million.

c) Debt by maturity, at value on redemption

		December 31, 2009					
			Non-current				
(million)	**Total**	**Current 2010**	**2011**	**2012**	**2013**	**2014**	**2015 and later**
Bond issues	**7,218**	1,982		354	1,613	700	2,569
Other bank borrowings	**1,207**	529	11	225	433	7	2
Finance lease obligations	**24**	9	3	3	3	3	3
Other borrowings	**30**	16					14
Bank credit balances	**317**	317					
Total debt	**8,796**	**2,853**	**14**	**582**	**2,049**	**710**	**2,588**
Cash and cash equivalents	**(4,692)**	(4,692)					
Debt, net of cash and cash equivalents	**4,104**	**(1,839)**	**14**	**582**	**2,049**	**710**	**2,588**

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Year ended December 31, 2009

		December 31, 2008					
			Non-current				
(million)	Total	Current 2009	2010	2011	2012	2013	2014 and later
Bond issues	**2,906**	488	1,845		185	119	269
Credit facility drawdowns [1]	**1,034**	34			1,000		
Other bank borrowings	**932**	262	13	7	208	439	3
Commercial paper [2]	**717**	717					
Finance lease obligations	**25**	4	3	6	2	3	7
Other borrowings	**25**	11					14
Bank credit balances	**299**	299					
Total debt	**5,938**	**1,815**	**1,861**	**13**	**1,395**	**561**	**293**
Cash and cash equivalents	**(4,226)**	(4,226)					
Debt, net of cash and cash equivalents	**1,712**	**(2,411)**	**1,861**	**13**	**1,395**	**561**	**293**

(1) Maturities used for credit facility drawdowns are those of the facility, not the drawdown.
(2) Commercial paper had a maturity of no more than three months as of December 31, 2008.

		December 31, 2007					
			Non-current				
(million)	Total	Current 2008	2009	2010	2011	2012	2013 and later
Bond issues [1]	**3,780**	1,390	316	1,894			180
Credit facility drawdowns [2]	**1,001**	1				1,000	
Other bank borrowings	**523**	266	15	12	9	216	5
Commercial paper	**102**	102					
Finance lease obligations	**29**	4	4	3	6	6	6
Other borrowings	**15**	1					14
Bank credit balances	**423**	423					
Total debt	**5,873**	**2,187**	**335**	**1,909**	**15**	**1,222**	**205**
Cash and cash equivalents	**(1,711)**	(1,711)					
Debt, net of cash and cash equivalents	**4,162**	**476**	**335**	**1,909**	**15**	**1,222**	**205**

(1) The maturity used for the 100 million bond issue is the date of the bondholders first early redemption option (June 2008).
(2) Maturities used for credit facility drawdowns are those of the facility, not the drawdown.

The main undrawn confirmed credit facilities that were not allocated to outstanding commercial paper drawdowns at December 31, 2009 break down as follows:

Year of expiry	Undrawn confirmed credit facilities available *(million)*
2010	590
2011	4,027[1]
2012	7,673
Total	**12,290**

[1] An additional 300 million became available effective January 13, 2010.

Confirmed credit facilities mainly comprise:

a syndicated credit facility of 8 billion expiring in 2011 (0.3 billion) and in 2012 (7.7 billion).

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confirmed short-term bank facilities available for backing commercial paper programs, amounting to 3.7 billion at December 31, 2009 and not being used to back commercial paper programs as of that date (raised to 4.0 billion effective January 13, 2010).

As of December 31, 2009, no single counterparty represented more than 11% of undrawn confirmed credit facilities.

d) Debt by interest rate type, at value on redemption

The tables below split total debt, net of cash and cash equivalents between fixed and floating rate, and by maturity or contractual repricing date, at December 31, 2009. The figures shown are the value on redemption, before the effects of derivative instruments:

	December 31, 2009						
(million)	**Total**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015 and later**
Fixed-rate	7,441	1,860		554	1,758	700	2,569
% fixed-rate	***85%***						
Floating-rate (maturity based on contractual repricing date)	1,355	1,355					
% floating-rate	***15%***						
Debt	**8,796**	**3,215**		**554**	**1,758**	**700**	**2,569**
Cash and cash equivalents	(4,692)	(4,692)					
% floating-rate	***100%***						
Debt, net of cash and cash equivalents	**4,104**	**(1,477)**		**554**	**1,758**	**700**	**2,569**

Floating-rate interest on debt is usually indexed to the euro zone interbank offered rate (Euribor). Floating-rate interest on cash and cash equivalents is usually indexed to the Eonia rate.

In order to reduce the amount and volatility of the cost of debt, sanofi-aventis has contracted derivative instruments (swaps, and in some cases caps or combinations of purchases of caps and sales of floors). This has the effect of altering the fixed/floating split and the maturity based on contractual repricing dates:

	December 31, 2009						
(million)	**Total**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015 and later**
Fixed-rate	5,912	1,500		385	1,758		2,269
% fixed-rate	***67%***						

Floating-rate [1]	2,884	2,884			
% floating-rate	***33%***				
Debt	**8,796**	**4,384**	**385**	**1,758**	**2,269**
Cash and cash equivalents	(4,692)	(4,692)			
% floating-rate	***100%***				
Debt, net of cash and cash equivalents	**4,104**	**(308)**	**385**	**1,758**	**2,269**

[1] Floating-rate debt includes 1 billion of debt transformed into floating-rate for 2010 but reverting to fixed rate thereafter, comprising 0.7 billion maturing 2014 and 0.3 billion maturing 2019.

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The table below shows the fixed/floating rate split at redemption value after taking account of derivative instruments on December 31, 2008 and 2007:

(million)	**2008**	**%**	**2007**	**%**
Fixed-rate	3,412	57%	2,892	49%
Floating-rate	2,526	43%	2,981	51%
Debt	**5,938**	***100%***	**5,873**	***100%***
Cash and cash equivalents	(4,226)		(1,711)	
Debt, net of cash and cash equivalents	**1,712**		**4,162**	

The weighted average interest rate on debt at December 31, 2009 was 4.09% before derivative instruments and 3.93% after derivative instruments. All cash and cash equivalents were invested at an average rate of 0.87% at December 31, 2009.

Based on the Group s level of debt, and taking account of derivative instruments in place at December 31, 2009, sensitivity to movements in market interest rates over a full year in 2010 is as follows:

Change in 3-month Euribor interest rate assumptions	**Impact on pre-tax net income** *(million)*	**Impact on income/(expense) recognized directly in equity, before tax** *(million)*
+ 100 bp	18	18
+ 25 bp	4	5
- 25 bp	(4)	(5)
- 100 bp	*Not applicable*	*Not applicable*

e) Debt, net of cash and cash equivalents by currency, at value on redemption

The table below shows debt, net of cash and cash equivalents by currency at December 31, 2009, before and after taking account of derivative instruments contracted to convert third-party debt into the functional currency of the borrower entity:

	December 31, 2009	
(million)	**Before derivative instruments**	**After derivative instruments**
EUR	3,208	4,304
CHF	750	(8)
GBP	167	(58)

JPY	116	3
USD	(22)	(22)
Other currencies	(115)	(115)
Debt, net of cash and cash equivalents	**4,104**	**4,104**

The table below shows debt, net of cash and cash equivalents by currency at December 31, 2008 and 2007, after taking account of derivative instruments contracted to convert third-party debt into the functional currency of the borrower entity:

(million)	**2008**	**2007**
EUR	1,603	4,192
USD	(19)	78
GBP	(64)	(81)
Other currencies	192	(27)
Debt, net of cash and cash equivalents	**1,712**	**4,162**

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f) Market value of debt, net of cash and cash equivalents

The market value of debt, net of cash and cash equivalents (excluding derivative instruments) at December 31, 2009 was 4,341 million (December 31, 2008: 1,779 million; December 31, 2007: 4,162 million), versus a value on redemption of 4,104 million (December 31, 2008: 1,712 million; December 31, 2007: 4,162 million).

Derivative instruments contracted for debt management purposes had a positive fair value of 7 million at December 31, 2009, compared with a positive fair value of 18 million at December 31, 2008 and 29 million at December 31, 2007 (see Note D.20.).

g) Future contractual cash flows relating to debt and debt hedging instruments

The table below shows the amount of future contractual undiscounted cash flows (principal and interest) relating to debt and to derivative instruments designated as hedges of debt as at December 31, 2009:

	December 31, 2009 Contractual cash flows by maturity						
(million)	**Total**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015 and later**
Debt	**10,118**	**3,049**	**231**	**797**	**2,254**	**844**	**2,943**
principal	8,681	2,737	6	570	2,052	709	2,607
interest[1]	1,437	312	225	227	202	135	336
Net cash flows related to derivative instruments	**(14)**	**51**	**8**	**(9)**	**(24)**	**2**	**(42)**
Total	**10,104**	**3,100**	**239**	**788**	**2,230**	**846**	**2,901**

(1) Interest cash flows are estimated on the basis of forward interest rates applicable as of December 31, 2009.

Future contractual cash flows are shown on the basis of the carrying amount in the balance sheet at the reporting date, without reference to any subsequent management decision that might materially alter the structure of the Group s debt or its hedging policy.

Maturities used for credit facility drawdowns are those of the facility, not the drawdown.

The table below shows the amount of future contractual undiscounted cash flows (principal and interest) relating to debt and to derivative instruments designated as hedges of debt as at December 31, 2008 and 2007:

	December 31, 2008						
	Contractual cash flows by maturity						
(million)	**Total**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014 and later**
Debt	**6,468**	**1,957**	**2,004**	**88**	**1,470**	**591**	**358**
principal	5,921	1,784	1,851	6	1,407	562	311
interest[1]	547	173	153	82	63	29	47
Net cash flows related to derivative instruments	**16**	**17**	**77**	**7**	**(9)**	**(35)**	**(41)**
Total	**6,484**	**1,974**	**2,081**	**95**	**1,461**	**556**	**317**

(1) Interest cash flows are estimated on the basis of forward interest rates applicable as of December 31, 2008.

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	December 31, 2007						
	Contractual cash flows by maturity						
(million)	**Total**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013 and later**
Debt	**6,509**	**2,376**	**488**	**2,056**	**80**	**1,252**	**257**
principal	5,831	2,145	335	1,909	15	1,222	205
interest[1]	678	231	153	147	65	30	52
Net cash flows related to derivative instruments	**(4)**	**(5)**	**(3)**	**5**	**(11)**	**(1)**	**11**
Total	**6,505**	**2,371**	**485**	**2,061**	**69**	**1,251**	**268**

(1) Interest cash flows are estimated on the basis of forward interest rates applicable as of December 31, 2007.

D.18. Provisions and other non-current liabilities

Provisions and other non-current liabilities break down as follows:

(million)	**Provisions for pensions and other long-term benefits (D.18.1.)**	**Restructuring provisions (D.18.2.)**	**Other provisions (D.18.3.)**	**Other non-current liabilities**	**Total**
January 1, 2007	**3,839**	**218**	**3,554**	**309**	**7,920**
Changes in scope of consolidation			1		1
Charged during the period	346	64	670		1,080
Provisions utilized [4]	(401)	(26)	(171)	(186)	(784)
Reversals of unutilized provisions	(14)	(12)	(614)[3]		(640)
Transfers [1]	(1)	(54)	(285)	35	(305)
Unwinding of discount			35	4	39
Unrealized gains and losses				(6)	(6)
Translation differences	(94)	(2)	(64)	(11)	(171)
Actuarial gains/losses on defined-benefit plans [6]	(277)				(277)
December 31, 2007	**3,398**	**188**	**3,126**	**145**	**6,857**
Changes in scope of consolidation			33		33
Charged during the period	334	290	828[2]		1,452
Provisions utilized	(365)	(33)	(223)	(3)	(624)
Reversals of unutilized provision	(65)		(531)[3]		(596)
Transfers [1]	1	(84)	(176)	51	(208)
Unwinding of discount		5	31	1	37
Unrealized gains and losses				14[5]	14
Translation differences	(59)		(4)	4	(59)
Actuarial gains/losses on defined-benefit plans [6]	824				824
December 31, 2008	**4,068**	**366**	**3,084**	**212**	**7,730**

Changes in scope of consolidation	13		228	9	250
Charged during the period	683	183	1,256[2]	66	2,188
Provisions utilized	(603)	(61)	(251)		(915)
Reversals of unutilized provisions	(130)	(1)	(753)[3]	(24)	(908)
Transfers [1]	133	(232)	(104)	(70)	(273)
Unwinding of discount		3	36	2	41
Unrealized gains and losses				(12)[5]	(12)
Translation differences	9	(1)	37	(4)	41
Actuarial gains/losses on defined-benefit plans [6]	169				169
December 31, 2009	**4,342**	**257**	**3,533**	**179**	**8,311**

(1) This line includes transfers between current and non-current provisions.

(2) Amounts charged during the period mainly comprise provisions to cover tax exposures in various countries and changes to estimates of future expenditure on environmental risks, including risks relating to sites formerly operated by sanofi-aventis or sold to third parties (see Note D.26.).

(3) Reversals of other provisions relate mainly to provisions for tax exposures, reversed either because (i) the risk exposure became time-barred during the reporting period or (ii) the tax dispute was settled during the period and the outcome proved more favorable than expected for sanofi-aventis.

(4) Provisions utilized:

In other non-current liabilities for 2007, this relates to settlement of the Carderm liability for 184 million. On June 28, 2001, a financial investor paid $250 million to acquire preferred shares in Carderm Capital LP (Carderm), which owned certain assets of Aventis Pharma U.S. Sanofi-aventis had an option to repurchase these preferred shares on or after March 10, 2007. In accordance with the terms of the agreement, the preferred shares were repurchased in June 2007 for $250 million.

(5) Remeasurement of interest rate derivatives recognized in equity.

(6) Amounts recognized directly in equity (see Note D.15.7.).

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D.18.1. Provisions for pensions and other benefits

The Group and its subsidiaries have a significant number of pension plans covering the majority of their employees. The specific features (benefit formulas, funding policies and types of assets held) of the plans vary depending on laws and regulations in the particular country in which the employees work. Several of these plans are defined benefit plans and cover employees as well as some members of the Board of Directors.

Actuarial valuations of the Group s benefit obligations were computed by management with assistance from external appraisers as of December 31, 2009, 2008 and 2007. The calculations incorporate the following:

Assumptions on staff turnover and life expectancy, specific to each country.

A retirement age of 60 to 65 for a total working life allowing for full rate retirement rights for employees of French companies, and retirement assumptions reflecting local economic and demographic factors specific to employees of foreign companies.

A salary inflation rate for the principal countries ranging from 3% to 5% at December 31, 2009, from 3% to 5% at December 31, 2008, and from 2.75% to 5% at December 31, 2007.

An annuity inflation rate for the principal countries ranging from 2% to 5% at December 31, 2009, from 2% to 3% at December 31, 2008, and from 2% to 4% at December 31, 2007.

A weighted average long-term healthcare cost inflation rate of 4.34% at December 31, 2009, 4.53% at December 31, 2008, and 4.49% at December 31, 2007, applied to post-employment benefits.

Inflation rate assumptions, as shown in the table below:

Inflation rate	2009	2008	2007
- Euro zone	2%	2%	2%
- United States	3%	3%	3%
- United Kingdom	3.1%	3.1%	2.75%

Discount rates used to determine the present value of defined benefit obligations at the balance sheet date, as shown in the table below:

Discount rate	Pensions and other long-term benefits Year ended December 31, 2009	2008	2007	Other post-employment benefits Year ended December 31, 2009	2008	2007
Weighted average for all regions:	5.34%	5.98%	5.42%	5.76%	6.01%	5.93%
- Euro zone	4.5% or 5.25%[1]	5.75% or 6%	5% or 5.25%	5.25%	6%	5.25%
- United States	5.75%	6%	6%	5.75%	6%	6%
- United Kingdom	5.75%	6.5%	5.75%	5.75%	6.5%	5.75%

(1) Depends on the term of the plan: 4.5% medium-term, 5.25% long-term.

The discount rates used are based on market rates for high quality corporate bonds (AA) the term of which approximates that of the expected benefit payments of the plans. The principal benchmark indices used are the Iboxx Corporate index for the euro zone, the Iboxx Corporate £ index for the United Kingdom, and the Citigroup Pension Liability Index for the United States.

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Sensitivity analysis of pension plans and other post-employment benefits in the principal countries shows that a 0.5% reduction in discount rates would increase the Group s obligation by approximately 500 million, of which approximately 150 million would relate to the United Kingdom, 150 million to Germany, 110 million to France and 90 million to the United States.

Assumptions about the expected long-term rates of return for plan assets. The majority of fund assets are invested in Germany, the United States and the United Kingdom. The expected long-term rates of return used are as follows:

	Pensions and other long-term benefits Year ended December 31,			Other post-employment benefits Year ended December 31,		
Expected long-term rate of return on plan assets	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
Range of rates of return on plan assets:	2% - 13.5%	2.5% - 13.5%	2.5% - 12%	8%	8%	8%
Weighted average for all regions	6.86%	6.97%	7.01%	8%	8%	8%
- Germany	6.75%	6.75%	7%			
- United States	8%	8%	8%	8%	8%	8%
- United Kingdom	6.5%	7%	6.75%			

The average long-term rate of return on plan assets was determined on the basis of actual long-term rates of return in the financial markets. These returns vary according to the asset category (equities, bonds, real estate, other). As a general rule, sanofi-aventis applies the risk premium concept in assessing the return on equities relative to bond yields.

An analysis of the sensitivity of the benefit cost to changes in the expected long-term rate of return on plan assets shows that a 0.5% reduction in the rate of return would increase the benefit cost by approximately 25 million.

The weighted average allocation of funds invested in Group pension plans is shown below:

	Funds invested		
Asset category (percentage)	**2009**	**2008**	**2007**
Equities	51%	46%	51%
Bonds	46%	49%	47%
Real estate	1%	2%	{
Cash	2%	3%	2%
Total	**100%**	**100%**	**100%**

The target allocation of funds invested as of December 31, 2009 is not materially different from the actual allocation as of December 31, 2008 and December 31, 2007.

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The table below reconciles the net obligation in respect of the Group s pension plans and other employee benefits with the amounts recognized in the consolidated financial statements:

(million)	Pensions and other long-term benefits			Other post-employment benefits (healthcare cover)		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**
Valuation of obligation:						
Beginning of period	7,742	8,481	9,187	368	339	321
Service cost	218	228	236	16	12	13
Contributions from plan members	4	4	6			
Interest cost	446	435	414	21	19	18
Actuarial (gain)/loss	759	(579)	(437)	1	5	(12)
Plan amendments	219[2]	71	(24)			45
Translation differences	64	(336)	(326)	(6)	8	(29)
Plan curtailments/settlements	(131)	(68)	(51)	(4)		
Changes in scope of consolidation, transfers	145[3]	34	(5)		2	
Benefits paid	(542)	(528)	(519)	(20)	(17)	(17)
Obligation at end of period	**8,924**	**7,742**	**8,481**	**376**	**368**	**339**
Fair value of plan assets:						
Beginning of period	3,957	5,362	5,575	41	51	56
Expected return on plan assets	278	362	366	3	4	4
Difference between actual and expected return on plan assets	547	(1,348)	(161)	6	(12)	1
Translation differences	49	(270)	(257)	(2)	2	(6)
Contributions from plan members	4	4	6			
Employer s contributions	405	175	146	1		
Plan settlements	(5)	(2)	(39)			
Changes in scope of consolidation, transfers		25				
Benefits paid	(359)	(351)	(274)	(5)	(4)	(4)
Fair value of plan assets at end of period	**4,876**	**3,957**	**5,362**	**44**	**41**	**51**
Net amount shown in the balance sheet:						
Net obligation	4,048	3,785	3,119	332	327	288
Unrecognized past service cost	(49)	(55)	(28)	6	6	6
Effect of asset ceiling	2	4	6			
Net amount shown in the balance sheet	**4,001**	**3,734**	**3,097**	**338**	**333**	**294**
Amounts recognized in the balance sheet:						
Pre-funded obligations (see Note D.7.)	(3)	(1)	(7)			
Obligations provided for [1]	4,004	3,735	3,104	338	333	294
Net amount recognized	**4,001**	**3,734**	**3,097**	**338**	**333**	**294**
Benefit cost for the period:						

Service cost	218	228	236	16	12	13
Interest cost	446	435	414	21	19	18
Expected return on plan assets	(278)	(362)	(366)	(3)	(4)	(4)
Amortization of past service cost	224[2]	42	9			34
Recognition of actuarial (gains)/losses	38	(38)	(8)			
Effect of plan settlements	(122)[4]	(38)	(9)	(4)		
Effect of plan curtailments	(3)	(27)	(3)			
Benefit cost for the period	**523**	**240**	**273**	**30**	**27**	**61**

(1) Long-term benefits awarded to employees prior to retirement (mainly discretionary bonuses, long service awards and deferred compensation plans) accounted for 371 million of these obligations at December 31, 2009, 346 million at December 31, 2008, and 367 million at December 31, 2007. The expense associated with these obligations totaled 84 million in 2009, 31 million in 2008, and 44 million in 2007.

(2) Includes 199 million of social security charges and Fillon levies due on early retirement plans in France (see Note D.18.2.).

(3) Includes 123 million relating to plan transfers in France (early retirement plans, previously recognized as restructuring provisions, see Note D.18.2.) and 13 million relating to the acquisition of Zentiva.

(4) Includes 106 million for France and 12 million for the United States.

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Actuarial gains and losses on pensions and other post-employment benefits break down as follows:

(million)	2009	2008	2007	2006
Actuarial gain/(loss) arising during the period [1]	(207)	(786)	289	359
Comprising:				
gain/(loss) on experience adjustments	531	(1,326)	(135)	126
gain/(loss) on changes in assumptions[2]	(738)	540	424	233
Breakdown of experience adjustments:				
gain/(loss) on plan assets[3]	553	(1,360)	(160)	191
gain/(loss) on obligations	(22)	34	25	(65)
Amount of obligations at the balance sheet date	9,300	8,110	8,820	9,508
Fair value of plan assets at the balance sheet date	4,920	3,998	5,413	5,631

(1) For 2009, comprises a loss of 169 million recognized in equity (see Note D.15.7.) and a loss of 38 million taken directly to the income statement; for 2008, comprises a loss of 824 million recognized in equity (see Note D.15.7.) and a gain of 38 million taken directly to the income statement.
(2) Changes in assumptions relate mainly to changes in discount rates.
(3) Experience adjustments are due to trends in the financial markets.

The net pre-tax actuarial loss recognized directly in equity (excluding associates and Merial) was 1,143 million as of December 31, 2009, versus 974 million as of December 31, 2008 and 150 million as of December 31, 2007.

As of December 31, 2009, the present value of obligations in respect of pensions and similar benefits under wholly or partially funded plans was 6,897 million, and the present value of unfunded obligations was 2,027 million (compared with, respectively, 5,924 million and 1,817 million at December 31, 2008, and 6,557 million and 1,924 million at December 31, 2007).

In Germany, sanofi-aventis is a member of a *Pensionskasse* multi-employer plan. This is a defined contribution plan which covers the current level of annuities. However, the obligation arising from future increases in annuity rates is recognized as part of the overall pension obligation; it amounted to 449 million at December 31, 2009, 393 million at December 31, 2008 and 428 million at December 31, 2007.

The table below shows the sensitivity of (i) the benefit cost recognized in the consolidated income statement, and (ii) the obligation in the consolidated balance sheet, to changes in healthcare costs associated with other post-employment benefits.

(million)	Sensitivity of assumptions 2009

1% increase in healthcare costs	
Impact on benefit cost for the period	3
Impact on obligation in the balance sheet	33
1% reduction in healthcare costs	
Impact on benefit cost for the period	(2)
Impact on obligation in the balance sheet	(17)

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The total cost of pensions and other benefits for 2009, amounting to 553 million, is split as follows:

Cost of sales	111 million
Research and development expenses	98 million
Selling and general expenses	195 million
Other operating expenses	59 million
Restructuring costs	77 million

The remaining 13 million relates to actuarial losses on deferred compensation plans funded by assets accounted for under the fair value option (see Note D.7.), and is offset by changes in the fair value of those assets.

The total cost of pensions and other benefits (excluding the effect of plan curtailments and settlements) for 2008 was 332 million, compared with 346 million in 2007, split as follows:

Cost of sales: 91 million in 2008, 87 million in 2007;

Research and development expenses: 61 million in 2008, 59 million in 2007;

Selling and general expenses: 180 million in 2008, 200 million in 2007.

The table below shows the expected cash outflows on pensions and other post-employment benefits over the next ten years:

(*million)*	**Pensions and similar benefits**
Estimated employer s contribution in 2010	**410**
Estimated benefit payments:	
2010	643
2011	631
2012	637
2013	648
2014	636
2015 through 2019	3,272

D.18.2. Restructuring provisions

The table below shows movements in restructuring provisions classified in ***Other non-current liabilities*** and ***Other current liabilities***:

(*million)*	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Balance, beginning of period	**678**	**395**	**496**
of which:			
Classified in Other non-current liabilities	366	188	218
Classified in Other current liabilities	312	207	278
Change in provisions recognized in profit or loss for the period	837	510	180
Provisions utilized	(388)	(228)	(273)
Transfers	(110)[1]	(3)	
Unwinding of discount	3	5	
Translation differences	(2)	(1)	(8)
Balance, end of period	**1,018**	**678**	**395**
of which:			
Classified in Other non-current liabilities	257	366	188
Classified in Other current liabilities	761	312	207

[1] Includes 123 million transferred to ***Provisions for pensions and other benefits*** (see Note D.18.1.).

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An analysis of restructuring costs by type is provided in Note D.27.

The current portion of these provisions mainly relates to gross payments to be incurred in the short term under early retirement plans in France. As of December 31, 2009, the balance reported for these provisions represents payments in lieu of notice and termination benefits payable under these and other plans in France and Europe. The related social security charges and Fillon levies are recognized under ***Provisions for pensions and other long-term employee benefits*** (see Note D.18.1.).

D.18.3. Other provisions

Other provisions include provisions for environmental, tax, commercial and product liability risks, and for litigation.

(million)	December 31, 2009	December 31, 2008	December 31, 2007
Tax exposures	2,009	1,770	1,645
Environmental risks and remediation	695	589	494
Product liability risks, litigation and other	829	725	987
Total	**3,533**	**3,084**	**3,126**

Provisions for tax exposures are recorded if the Group is exposed to a probable risk resulting from a tax position adopted by the Group or a subsidiary, and the risk has been quantified at the balance sheet date.

Provisions for Environmental risks and remediation mainly relate to contingencies arising from business divestments.

Identified environmental risks are covered by provisions estimated on the basis of the costs sanofi-aventis believes it will be obliged to meet over a period not exceeding (other than in exceptional cases) 30 years. Sanofi-aventis expects that 137 million of these provisions will be utilized in 2010 and 365 million over the period from 2011 through 2014.

Product liability risks, litigation and other mainly comprises provisions for risks relating to product liability (including IBNR provisions as described in Note B.12.), government investigations, regulatory or competition law claims or contingencies arising from business divestments (other than environmental risks).

The main pending legal and arbitral proceedings and government investigations are described in Note D.22.

A full risk and litigation assessment is performed with the assistance of the Group s legal advisers, and provisions are recorded as required by circumstances in accordance with the principles described in Note B.12.

D.19. Other current liabilities

Other current liabilities break down as follows:

(million)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Taxes payable	631	664	797
Employee-related liabilities	1,458	1,366	1,337
Restructuring provisions (see Note D.18.2.)	761	312	207
Interest rate derivatives (see Note D.20.)	62		
Currency derivatives (see Note D.20.)	119	249	187
Amounts payable for acquisitions of non-current assets	251	292	429
Liabilities relating to contingent consideration on buyouts of minority interests	76		
Other liabilities	2,087	1,838	1,756
Total	**5,445**	**4,721**	**4,713**

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This item includes the current portion of provisions for litigation, product returns and other risks; amounts due to associates (see Note D.6.); and amounts due to governmental agencies and the healthcare authorities (see Note D.23.).

D.20. Derivative financial instruments and market risks

The table below shows the fair value of derivative instruments as of December 31, 2009:

(million)	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities	Fair value at Dec. 31, 2009 (net)	Fair value at Dec. 31, 2008 (net)	Fair value at Dec. 31, 2007 (net)
Currency derivatives		251	251		(119)	(119)	132	99	(120)
operational		*34*	*34*		*(80)*	*(80)*	*(46)*	*201*	*33*
financial		*217*	*217*		*(39)*	*(39)*	*178*	*(102)*	*(153)*
net investment hedges									
Interest rate derivatives	51	18	69		(62)	(62)	7	18	29
Total	**51**	**269**	**320**		**(181)**	**(181)**	**139**	**117**	**(91)**

Objectives of the use of derivative financial instruments

Sanofi-aventis uses derivative instruments primarily to manage operational exposure to movements in exchange rates, and financial exposure to movements in interest rates and exchange rates (where the debt is not contracted in the functional currency of the borrower or lender entity). Less frequently, sanofi-aventis uses equity derivatives in connection with the management of its portfolio of equity investments.

Sanofi-aventis performs periodic reviews of its transactions and contractual agreements in order to identify any embedded derivatives, which are accounted for separately from the host contract in accordance with IAS 39. As of December 31, 2009, sanofi-aventis had no material embedded derivatives.

Counterparty risk

As of December 31, 2009, all currency and interest rate hedges were contracted with leading banks, and no single counterparty accounted for more than 15% of the Group s overall currency or interest rate positions.

D.20.1. Currency and interest rate derivatives

a) Currency derivatives used to manage operational risk exposures

Sanofi-aventis operates a foreign exchange risk hedging policy to reduce the exposure of operating income to fluctuations in foreign currencies, in particular the U.S. dollar. This policy involves regular assessments of the Group s worldwide foreign currency exposure, based on budget estimates of foreign-currency transactions to be carried out by the parent company and its subsidiaries. These transactions mainly comprise sales, purchases, research costs, co-marketing and co-promotion expenses, and royalties. To reduce the exposure of these transactions to exchange rate movements, sanofi-aventis contracts economic hedges using liquid financial instruments such as forward purchases and sales of currency, call and put options, and combinations of currency options (collars).

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The table below shows operational currency hedging instruments in place as of December 31, 2009, with the notional amount translated into euros at the relevant closing exchange rate.

December 31, 2009			Of which derivatives designated as cash flow hedges			Of which 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	**2,800**	**(51)**	**583**	**(7)**	**(7)**	**2,217**	**(44)**
of which U.S. dollar	*1,757*	*(41)*	*367*	*(5)*	*(5)*	*1,390*	*(36)*
of which Japanese yen	*269*	*1*	*150*	*(1)*	*(1)*	*119*	*2*
of which Russian rouble	*132*	*(4)*				*132*	*(4)*
of which Pound sterling	*111*					*111*	
of which Hungarian forint	*104*	*(1)*				*104*	*(1)*
Forward currency purchases	**377**	**6**				**377**	**6**
of which Hungarian forint	*114*	*3*				*114*	*3*
of which U.S. dollar	*69*					*69*	
of which Pound sterling	*68*	*1*				*68*	*1*
of which Canadian dollar	*42*	*1*				*42*	*1*
of which Swiss franc	*20*					*20*	
Put options purchased	**448**	**14**	**20**	**1**		**428**	**13**
of which U.S. dollar	*278*	*8*				*278*	*8*
Call options written	**881**	**(17)**	**20**	**(1)**		**861**	**(16)**
of which U.S. dollar	*555*	*(10)*				*555*	*(10)*
Put options written	**278**	**(8)**				**278**	**(8)**
of which U.S. dollar	*278*	*(8)*				*278*	*(8)*
Call options purchased	**555**	**10**				**555**	**10**
of which U.S. dollar	*555*	*10*				*555*	*10*
Total	**5,339**	**(46)**	**623**	**(7)**	**(7)**	**4,716**	**(39)**

As of December 31, 2009, none of these instruments has an expiry date after December 31, 2010.

These positions hedge:

All material future foreign-currency cash flows arising after the balance sheet date in relation to transactions carried out during the year ended December 31, 2009 and recognized in the balance sheet at that date. Gains and losses on hedging instruments (forward contracts) have been and will continue to be calculated and recognized in parallel with the recognition of gains and losses on the

hedged items. Consequently, the commercial foreign exchange gain or loss to be recognized on these items (hedges and hedged instruments) in 2010 is not expected to be material.

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Forecast foreign-currency cash flows relating to commercial transactions to be carried out in 2010. These hedges (forward contracts and options) cover from 8% to 40% of the expected net cash flows for 2010 in currencies subject to budgetary hedging. The portfolio of derivatives contracted to cover 2010 U.S. dollar cash flows consists solely of forward contracts, and represents 8% of the forecast net cash flows for 2010. Given the designation of these forward sales as cash flow hedges, the estimated sensitivity of these positions in terms of foreign exchange gains/losses and equity impact for 2010 is as follows:

Assumes a constant /$ exchange rate over the year ending December 31, 2010	Foreign exchange gain/(loss) on U.S. dollar hedges (million)	Impact on equity at December 31, 2009 (million)
Depreciation of 10% in the U.S. dollar (1 = $1.5847)	28	33
Exchange rate maintained at the December 31, 2009 rate (1 = $1.4406)	(5)	
Appreciation of 10% in the U.S. dollar (1 = $1.2965)	(46)	(41)

The table below shows operational currency hedging instruments in place as of December 31, 2008, with the notional amount translated into euros at the relevant closing exchange rate.

December 31, 2008			Of which derivatives designated as cash flow hedges			Of which 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	**3,305**	**219**	**1,562**	**121**	**123**	**1,743**	**98**
of which U.S. dollar	*2,461*	*182*	*1,358*	*108*	*111*	*1,103*	*74*
of which Japanese yen	*191*	*(5)*	*95*	*3*	*2*	*96*	*(8)*
of which Russian rouble	*134*	*15*				*134*	*15*
of which Pound sterling	*104*	*6*				*104*	*6*
of which Saudi Arabian riyal	*58*	*5*	*4*			*54*	*5*
of which Polish zloty	*53*	*6*	*33*	*5*	*6*	*20*	*1*
Forward currency purchases	**601**	**(11)**				**601**	**(11)**
of which Hungarian forint	*175*	*(1)*				*175*	*(1)*
of which U.S. dollar	*140*	*3*				*140*	*3*
of which Pound sterling	*75*	*(6)*				*75*	*(6)*
of which Russian rouble	*72*	*(6)*				*72*	*(6)*
of which Canadian dollar	*51*	*(1)*				*51*	*(1)*
Put options purchased	**24**		**2**			**22**	
Call options written	**48**	**(7)**	**2**			**46**	**(7)**
Total	**3,978**	**201**	**1,566**	**121**	**123**	**2,412**	**80**

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The table below shows operational currency hedging instruments in place as of December 31, 2007:

December 31, 2007			Of which derivatives designated as cash flow hedges			Of which 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	**2,205**	**30**	**486**	**8**	**8**	**1,719**	**22**
of which U.S. dollar	*1,288*	*20*	*239*	*3*	*3*	*1,049*	*17*
of which Russian rouble	*224*					*224*	
of which Japanese yen	*132*	*4*	*77*	*4*	*3*	*55*	*1*
of which Pound sterling	*119*	*3*				*119*	*3*
of which Polish zloty	*62*	*(2)*	*33*	*(1)*	*(1)*	*29*	
of which Australian dollar	*45*	*2*	*36*	*2*	*2*	*9*	
of which Mexican peso	*43*	*1*	*19*			*24*	*1*
of which Turkish lira	*39*					*39*	
of which Korean won	*33*	*1*				*33*	*1*
of which Slovakian koruna	*33*		*10*			*23*	
Forward currency purchases	**464**					**464**	
of which Hungarian forint	*214*	*1*				*214*	*1*
of which Swiss franc	*54*					*54*	
of which U.S. dollar	*48*	*(1)*				*48*	*(1)*
of which Canadian dollar	*47*					*47*	
Put options purchased	**409**	**4**	**15**	**1**	**1**	**394**	**3**
of which U.S. dollar knock-out options[(1)]	*326*	*3*				*326*	*3*
Call options written	**741**	**(1)**	**15**			**726**	**(1)**
of which U.S. dollar knock-out options[(1)]	*652*	*(2)*				*652*	*(2)*
Put options written	**12**					**12**	
Total	**3,831**	**33**	**516**	**9**	**9**	**3,315**	**24**

(1) Knock-out options expire worthless once a specified level of gain is reached.

b) Currency and interest rate derivatives used to manage financial risk exposures

Cash pooling arrangements for foreign subsidiaries outside the euro zone, and some of the Group s financing activities, expose certain entities to financial foreign exchange risk. This is the risk of changes in the value of borrowings and loans denominated in a currency other than the functional currency of the borrower or lender. This risk mainly affects the sanofi-aventis parent company in respect of the U.S. dollar, and is hedged by firm financial instruments (currency swaps or forward contracts).

The table below shows instruments used to manage financial risk exposures as of December 31, 2009, with the notional amount translated into euros at the relevant closing exchange rate.

(million)	Notional amount	2009 Fair value	Expiry	Notional amount	2008 Fair value	Expiry	Notional amount	2007 Fair value	Expiry
Forward currency purchases	**6,760**	**185**		**9,210**	**(80)**		**8,261**	**(179)**	
of which U.S. dollar[1]	*5,634*	*180*	*2010*	*8,256*	*(66)*	*2009*	*7,348*	*(167)*	*2008*
of which Pound sterling	*433*	*2*	*2010*	*235*	*(4)*	*2009*	*442*	*(11)*	*2008*
of which Swiss franc	*152*	*1*	*2010*	*140*	*5*	*2009*	*173*	*1*	*2008*
Forward currency sales	**3,169**	**(7)**		**1,954**	**(22)**		**1,563**	**26**	
of which U.S. dollar	*1,634*	*(28)*	*2010*	*1,043*	*(23)*	*2009*	*936*	*20*	*2008*
of which Japanese yen	*837*	*18*	*2010*	*665*	*(7)*	*2009*	*206*	*3*	*2008*
of which Czech koruna	*394*	*7*	*2010*	*22*	*1*	*2009*	*28*		*2008*
Total	**9,929**	**178**		**11,164**	**(102)**		**9,824**	**(153)**	

(1) Corresponds to the hedging of U.S. dollar intra-group deposits placed with the sanofi-aventis parent company.

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These currency swaps generate a net financial foreign exchange gain or loss arising from the interest rate differential between the hedged currency and the euro, given that the foreign exchange gain or loss on the foreign-currency liabilities and receivables is offset by the change in the intrinsic value of the hedging instruments. As regards the main currency hedged (the U.S. dollar), the interest rate differential on forward purchase contracts had a negative effect of 24 million on the net financial foreign exchange result in 2009, compared with a negative effect of 51 million in 2008. In addition, the Group may hedge some future foreign-currency cash flows relating to investment or divestment transactions.

The Group s interest rate exposure arises from (i) fixed-rate debt (primarily bond issues), the fair value of which moves in line with fluctuations in market interest rates; and (ii) floating-rate or adjustable-rate debt and cash investments (credit facilities, commercial paper, floating rate notes, funds placed in collective investment schemes), on which interest outflows and inflows are exposed to fluctuations in benchmark rates (principally Eonia, U.S. Libor and Euribor). To reduce the cost and/or volatility of its short-term and medium-term debt, sanofi-aventis uses interest rate swaps, cross-currency swaps, and in some cases interest rate options (purchases of caps, or combined purchases of caps and sales of floors) that alter the fixed/floating structure of its debt.

The table below shows instruments of this type in place at December 31, 2009:

	Notional amounts by expiry date as of December 31, 2009						Of which derivatives designated as fair value hedges		Of which derivatives designated as cash flow hedges		
(million)	**2010**	**2012**	**2013**	**2015**	**Total**	**Fair value**	**Notional amount**	**Fair value**	**Notional amount**	**Fair value**	**Of which recognized in equity**
Interest rate swap, pay 1.27% / receive floating [1]	1,000				1,000	2	1,000	2			
Cross currency swaps											
- pay floating[2] / receive £ 5.50%	299				299	(62)	299	(62)			
- pay floating[2] / receive ¥ floating [3]			92		92	21					
- pay floating[4] / receive CHF 2.75%	122				122	16	122	16			
- pay 4.89% / receive CHF 3.26%		180			180	3			180	3	(2)
- pay 4.87% / receive CHF 3.38%				244	244	23			244	23	(2)
- pay floating[2] / receive CHF 3.26%		167			167	4	167	4			
Total	**1,421**	**347**	**92**	**244**	**2,104**	**7**	**1,588**	**(40)**	**424**	**26**	**(4)**

(1) Floating: benchmark rate 1-month Euribor
(2) Floating: benchmark rate 3-month Euribor
(3) Floating: benchmark rate 3-month Libor JPY
(4) Floating: benchmark rate 6-month Euribor

The table below shows instruments of this type in place at December 31, 2008:

	Notional amounts by expiry date as of December 31, 2008						Of which derivatives designated as fair value hedges			Of which derivatives designated as cash flow hedges		
(million)	**2009**	**2010**	**2012**	**2013**	**2015**	**Total**	**Fair value**	**Notional amount**	**Fair value**	**Notional amount**	**Fair value**	**Of which recognized in equity**
Interest rate swap, pay 3.69% / receive floating [1]		1,000				1,000	(12)			1,000	(12)	(14)
Cross currency swaps												
- pay floating[1] /receive £ 5.50%		299				299	(74)	299	(74)			
- pay floating[1] /receive ¥ 0.22%	116					116	33	116	33			
- pay floating[1] /receive ¥ floating [2]				92		92	27					
- pay floating[3] / receive CHF 2.75%		122				122	16	122	16			
- pay 4.89% / receive CHF 3.26%			180			180	5			180	5	
- pay 4.87% / receive CHF 3.38%					244	244	23			244	23	(1)
Total	**116**	**1,421**	**180**	**92**	**244**	**2,053**	**18**	**537**	**(25)**	**1,424**	**16**	**(15)**

(1) Floating: benchmark rate 3-month Euribor
(2) Floating: benchmark rate 3-month Libor JPY
(3) Floating: benchmark rate 6-month Euribor

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The table below shows the portfolio of interest rate derivative instruments at December 31, 2007:

	Notional amounts by expiry date as of December 31, 2007						Of which derivatives designated as fair value hedges			Of which derivatives designated as cash flow hedges		
(million)	2008	2009	2010	2012	2015	Total	Fair value	Notional amount	Fair value	Notional amount	Fair value	Of which recognized in equity
Interest rate swap, pay 3.11% / receive floating [1]				1,000		1,000	50			1,000	50	50
Interest rate swap, pay floating *( ) Eonia + 0.59%*	250					250						
Cross currency swaps												
- pay floating[1] / receive £ 5.50%			299			299	(14)	299	(14)			
- pay floating[1] / receive ¥ 0.22%		116				116	(2)	116	(2)			
- pay floating[2] / receive CHF 2.75%			122			122	(2)	122	(2)			
- pay 4.87% / receive CHF 3.38%					183	183	(3)			183	(3)	
Total	**250**	**116**	**421**	**1,000**	**183**	**1,970**	**29**	**537**	**(18)**	**1,183**	**47**	**50**

(1) Floating: benchmark rate 3-month Euribor
(2) Floating: benchmark rate 6-month Euribor

The change in the structure of the Group s debt arising from these financial instruments is described in Note D.17., which also includes an analysis of the Group s sensitivity to interest rates.

D.20.2. Equity derivatives

The Group did not hold any equity derivatives as of December 31, 2009, December 31, 2008 or December 31, 2007.

D.21. Contractual obligations and other commercial commitments

The Group s contractual obligations and other commercial commitments (excluding Merial, see Note D.8.1.) comprise:

December 31, 2009		**Payments due by period**
(million)	**Total**	

		Under 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years
Debt[1]:					
- principal	8,681	2,737	576	2,761	2,607
- interest	1,437	312	452	337	336
- net cash flows related to derivative instruments	(14)	51	(1)	(22)	(42)
Operating lease obligations	1,197	278	350	201	368
Irrevocable purchase commitments[2]:					
- given	2,628	1,484	550	197	397
- received	(297)	(203)	(33)	(13)	(48)
Commercial commitments	5,781	235	546	542	4,458
Commitments relating to business combinations	439	76	268	95	
Commitment related to the tender offer for Chattem	1,319	1,319			
Commitment related to the combination of Intervet/Schering-Plough Animal Health and Merial [3]	694	694			
Total contractual obligations and other commitments	**21,865**	**6,983**	**2,708**	**4,098**	**8,076**
Undrawn credit facilities [4]	**12,290**	**590**	**11,700**		

(1) A breakdown of debt is provided in Note D.17.g), and a breakdown of obligations under finance leases is provided below.
(2) These comprise irrevocable commitments to suppliers of (i) property, plant and equipment, net of down payments (see Note D.3) and (ii) goods and services.
(3) Estimated cash outflow related to the call option agreement described in Note D.1.
(4) For details of confirmed credit facilities, see Note D.17.c).

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Leases

Finance leases

Future minimum lease payments due under finance leases at December 31, 2009 are 27 million (31 million at December 31, 2008 and 35 million at December 31, 2007), including interest of 3 million (5 million at December 31, 2008 and 6 million at December 31, 2007). The payment schedule is as follows:

December 31, 2009		**Payments due by period**			
(million)	**Total**	**Under 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**
Finance lease obligations:					
- principal	24	9	6	6	3
- interest	3	1	1	1	
Total	**27**	**10**	**7**	**7**	**3**

Operating leases

Sanofi-aventis leases certain of its properties and equipment used in the ordinary course of business under operating leases. Future minimum lease payments due under non-cancelable operating leases at December 31, 2009 amounted to 1,197 million (1,192 million at December 31, 2008, 1,283 million at December 31, 2007).

Total rental expense recognized in the year ended December 31, 2009 was 273 million (282 million in the year ended December 31, 2008, 292 million in the year ended December 31, 2007).

Guarantees

Guarantees given and received (mainly surety bonds) are as follows:

(million)	**2009**	**2008**	**2007**

Guarantees given	2,358	1,524	1,895
Guarantees received	(171)	(218)	(195)

Commercial commitments

This includes commitments to third parties under collaboration agreements. In pursuance of its strategy, sanofi-aventis acquires technologies and rights to products. Such acquisitions may be made in various contractual forms: acquisitions of shares, loans, license agreements, joint development and co-marketing. These contracts usually involve upfront payments on signature of the agreement, and development milestone payments. Some of these complex agreements include undertakings to finance research programs in future years, and payments contingent upon completion of development milestones, or upon the granting of approvals or licenses, or upon the attainment of sales targets once a product is on the market.

The main collaboration agreements in the Pharmaceuticals segment are described below:

In December 2009, sanofi-aventis and the American biotechnology company Alopexx Pharmaceuticals LLC (Alopexx) signed a collaboration agreement and option for a license on a first-in-class human monoclonal antibody for the prevention and treatment of infections originating in the bacterium that causes plague and other serious infections. This new antibody is currently in preclinical development. Sanofi-aventis will finance part of the Phase I clinical trials, and has made an upfront payment to Alopexx. In addition, sanofi-aventis will make milestone payments which could reach $210 million, plus royalties on sales of commercialized products and additional milestone payments linked to sales performance.

In October 2009, sanofi-aventis and Micromet signed a global collaboration and license agreement to develop a BiTE® antibody against an antigen present at the surface of carcinoma cells. BiTE®

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antibodies are novel therapeutic antibodies that activate patients T-cells to seek out and destroy cancer cells. Micromet will receive milestone payments of up to 162 million, and royalties on worldwide product sales. Micromet will also receive additional milestone payments linked to sales performance.

In October 2009, sanofi-aventis and Wellstat Therapeutics Corporation (Wellstat) signed a worldwide license agreement for PN2034, a novel first-in-class oral insulin sensitizer for the treatment of Type II diabetes. As a sensitizer, PN2034 is expected to normalize and therefore enhance insulin action in the livers of diabetic patients. The compound is currently in Phase II clinical testing. Total milestone payments could reach $310 million. Wellstat will also receive royalties on worldwide product sales, and additional milestone payments linked to sales performance.

At end September 2009, sanofi-aventis and Merrimack Pharmaceuticals Inc. (Merrimack) signed an exclusive worldwide collaboration and licensing agreement for the MM-121 molecule for the management of solid malignancies. MM-121 is a first-in-class fully human monoclonal antibody designed to block signaling of the ErbB3 (also known as HER3) receptor. MM-121 is presently in Phase I of clinical development. Merrimack will receive milestone payments that could reach $410 million, plus royalties on the worldwide product sales and additional milestone payments linked to worldwide product sales. Merrimack will participate in the clinical development of MM-121.

In May 2009, sanofi-aventis signed a global license agreement with Exelixis, Inc. (Exelixis) for the XL147 and XL765 molecules, and an exclusive collaboration agreement for the discovery of inhibitors of phosphoinositide-3 kinase (PI3K) for the management of malignant tumors. Sanofi-aventis made an upfront cash payment to Exelixis, and could make milestone payments that could reach over $1 billion in aggregate. In addition, Exelixis will be entitled to receive royalties on sales of commercialized products, and milestone payments linked to the sales performance of those products.

In May 2009, sanofi-aventis and Kyowa Hakko Kirin Co., Ltd (Kyowa Hakko Kirin) signed a collaboration and licensing agreement under which sanofi-aventis obtained the worldwide rights to the anti-LIGHT fully human monoclonal antibody. This anti-LIGHT antibody is presently at preclinical development stage. It is expected to be first-in-class in the treatment of ulcerative colitis and Crohn s disease. Kyowa Hakko Kirin will receive milestone payments, the total amount of which could reach $305 million. Kyowa Hakko Kirin will also be entitled to receive royalties and milestone payments linked to sales performance.

In February 2008, sanofi-aventis and Dyax Corp. entered into agreements that granted sanofi-aventis an exclusive worldwide license for the development and commercialization of Dyax s fully human monoclonal antibody DX-2240, as well as a worldwide non-exclusive license to Dyax s proprietary Phage Display technology (phage expression and antibody banks). Under the terms of the two agreements, Dyax could receive up to $270 million in license fees and milestone payments. Dyax will also receive royalties on sales of antibody candidates.

In September 2003, sanofi-aventis signed a collaboration agreement with Regeneron in oncology to develop the Vascular Endothelial Growth Factor (VEGF) Trap program. Under the terms of the agreement, development milestone payments and royalties on VEGF Trap sales are payable to Regeneron. Total milestone payments could reach $350 million. Sanofi-aventis will pay 100% of the development costs of the VEGF Trap. Once a VEGF Trap product starts to be marketed, Regeneron will repay 50% of the development costs (originally paid by sanofi-aventis) in accordance with a formula based on Regeneron s share of the profits.

In November 2007, sanofi-aventis signed a further collaboration agreement with Regeneron to discover, develop and commercialize fully-human therapeutic antibodies. This agreement was broadened, and its term extended, on November 10, 2009. From 2010 through 2017, sanofi-aventis will increase its annual financial commitment to Regeneron s antibody research program to $160 million. Under

the terms of the development agreement, sanofi-aventis will fund 100% of the development costs. Once a product begins to be marketed, Regeneron will repay out of its profits (provided they are sufficient) half of the development costs borne by sanofi-aventis.

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Sanofi-aventis has signed other collaboration agreements with laboratories and universities, under which total contingent payments over the next five years could reach around 129 million.

The main collaboration agreements in the Vaccines segment are described below:

Sanofi Pasteur has entered into a number of collaboration agreements with partners including Crucell, Intercell, Vactech, Maxigen, SSI and Syntiron, under which sanofi pasteur may be required to make total contingent payments of around 99 million over the next five years.

In June 2009, sanofi-aventis announced its intention to donate to the World Health Organization (WHO) 10% of its output of A(H1N1) influenza vaccine up to a maximum of 100 million doses to help developing countries deal with the influenza pandemic. This donation was a response to the 2009 influenza pandemic caused by the emergence of the new A(H1N1) influenza strain, and replaced a previous commitment made in 2008 in the context of the H5N1 pandemic threat. However, the 100 million dose donation will be based on A(H1N1) or H5N1 strains, or any other strain that could potentially create an influenza epidemic.

Commitments relating to business combinations

Commitments relating to business combinations relate mainly to contingent consideration in the form of milestone payments linked to the development of projects conducted by the acquired entity. Contingent consideration is recognized as a financial liability if payment is regarded as possible and the amount involved can be measured reliably; refer to Note B.3.1. for a description of the accounting policy applied.

These commitments relate to:

BiPar Sciences

For a description of BiPar s activities and the purchase price allocation, see Note D.1.

The additional purchase consideration is contingent on future milestone payments, which could reach $157 million.

Fovea

On October 30, 2009, sanofi-aventis acquired Fovea Pharmaceuticals SA (Fovea), a privately-owned French biopharmaceutical company specializing in ophthalmology. Fovea has three products in clinical development: FOV 1101, currently in Phase II for persistent allergic conjunctivitis; FOV 2302, currently in Phase I, an intravitreal injection for the treatment of retinal vein occlusion induced macular edema; and FOV 2304, which entered Phase I at the end of 2009, for the treatment of diabetic macular edema. Milestone payments could reach 280 million.

Financial commitment relating to the tender offer for Chattem Inc

On December 21, 2009, sanofi-aventis announced that it had entered into a definitive agreement to acquire 100% of the outstanding shares of Chattem Inc (Chattem) in a cash tender offer for approximately $1.9 billion. Sanofi-aventis also announced its intention to convert its antihistamine brand Allegra® (fexofenadine) from a prescription medicine to an over-the-counter product in the United States. After the conversion, Chattem will assume responsibility for managing the Allegra® brand, and become the platform for sanofi-aventis over-the-counter and consumer health products in the United States. Under the terms of the agreement, sanofi-aventis launched on January 11, 2010 a tender offer for all the outstanding shares of Chattem for a cash price of $93.50 per share, representing a premium of 44% to the average closing price of Chattem shares during the six months preceding the announcement of the transaction. The offer was contingent on a majority of the outstanding ordinary shares of Chattem being tendered into the offer, clearance from the relevant regulatory authorities, and the other customary closing conditions. On February 9, 2010, sanofi-aventis acquired 89.8% of Chattem s shares on a fully diluted basis, by accepting all validly tendered shares.

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Financial commitment relating to Merial

This commitment relates to the option contract described in Note D.1.

D.22. Legal and Arbitral Proceedings

Sanofi-aventis and its affiliates are involved in litigation, arbitration and other legal proceedings. These proceedings typically are related to product liability claims, intellectual property rights (particularly claims against generic companies seeking to limit the patent protection of sanofi-aventis products), competition law and trade practices, commercial claims, employment and wrongful discharge claims, tax assessment claims, waste disposal and pollution claims, and claims under warranties or indemnification arrangements relating to business divestitures. Provisions related to legal and arbitral proceedings are recorded in accordance with the principles described in Note B.12.

Most of the issues raised by these claims are highly complex and subject to substantial uncertainties; therefore, the probability of loss and an estimation of damages are difficult to ascertain. Consequently, for a majority of these claims, we are unable to make a reasonable estimate of the expected financial effect that will result from ultimate resolution of the proceeding. In those cases, we have not accrued a reserve for the potential outcome, but disclose information with respect to the nature of the contingency.

In the cases that have been settled or adjudicated, or where quantifiable fines and penalties have been assessed, we have indicated our losses or the amount of provision accrued that is the estimate of the probable loss.

In a limited number of ongoing cases, while we are able to make a reasonable estimate of the expected loss or range of the possible loss and have accrued a provision for such loss, we believe that publication of this information on a case-by-case basis or by class would seriously prejudice the Company s position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in those cases, we have disclosed information with respect to the nature of the contingency but have not disclosed our estimate of the range of potential loss, in accordance with paragraph 92 of IAS 37.

These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. Our assessments are based on estimates and assumptions that have been deemed reasonable by management. We believe that the aggregate provisions recorded for the above matters are adequate based upon currently available information. However, given the inherent uncertainties related to these cases and involved in estimating contingent liabilities, we could in the future incur judgments that could have a material adverse effect on our net income in any particular period.

Long term provisions other than provisions for pensions and other long-term benefits and restructuring provisions are disclosed in Note D.18.3.

Provisions for product liability risks, litigation and other amount to 829 million in 2009. These provisions are mainly related to product liabilities, government investigations, competition law, regulatory claims, warranties in connection with certain contingent liabilities arising from business divestitures other than environmental matters and other claims.

Provisions for environmental risks and remediation amount to 695 million in 2009, the majority of which are related to contingencies that have arisen from business divestitures.

When a legal claim involves a challenge to the patent protection of a pharmaceutical product, the principal risk to sanofi-aventis is that the sales of the product might decline following the introduction of a competing generic product in the relevant market. In cases where the product rights have been capitalized as an asset on the balance sheet (*i.e.*, assets acquired through a separate acquisition or through a business combination see Note B.4.), such a decline in sales could negatively affect the value of the intangible asset. In those cases, the Company performs impairment tests in accordance with the principles disclosed in Note B.6.1., based upon the

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best available information and, where appropriate, records an impairment loss to reduce the carrying amount of the related intangible asset to its estimated fair value. The amounts of such impairments are disclosed in Note D.5.

The principal ongoing legal and arbitral proceedings are described below:

a) Products

Sanofi Pasteur Hepatitis B Vaccine Litigation

Since 1996, more than 180 lawsuits have been filed in various French civil courts against Sanofi Pasteur SA or Sanofi Pasteur MSD, two French subsidiaries of sanofi-aventis, in which the plaintiffs allege that they suffer from a variety of neurological disorders and autoimmune diseases, including multiple sclerosis syndrome or Guillain-Barré syndrome as a result of receiving the hepatitis B vaccine. Numerous judgments have rejected claims alleging such causal link. Nevertheless, it is difficult to provide an opinion on the evolution and final outcome of these cases. In its most recent decisions concerning sanofi-aventis, the Cour de Cassation (the French Supreme Court), on July 9, 2009, upheld a decision of the Court of Appeal of Lyon ordering Sanofi Pasteur MSD SNC to pay damages of 120,000 to a claimant whose multiple sclerosis syndrome appeared shortly after her vaccination against hepatitis B virus (HBV), but in September 2009, it upheld a decision of the Court of Appeal of Metz rejecting claims against Sanofi Pasteur MSD.

Since January 31, 2008, both the legal entity Sanofi Pasteur MSD and a corporate officer are under investigation in an ongoing criminal inquiry in France relating to alleged side effects caused by the hepatitis B vaccine.

Sanofi Pasteur Inc. Thimerosal Litigation

Since early 2001, Sanofi Pasteur Inc. has been a defendant in lawsuits filed in several federal and state courts in the United States alleging that serious personal injuries resulted from the presence of mercury in the preservative thimerosal, trace amounts of which are contained in vaccines manufactured by Sanofi Pasteur Inc.

Currently, there are 282 such cases pending. Several of the cases seek certification to proceed as class actions.

Sanofi Pasteur Inc. believes that under U.S. law, all of these claims must first be filed in the U.S. Court of Federal Claims to determine whether the claim qualifies for compensation by the National Vaccine Injury Compensation Program (VICP) before the claimants may bring direct

actions against the company. The U.S. Court of Federal Claims (Claims Court) has established a process designed to facilitate the handling of the almost 5000 thimerosal claims within the VICP. The process involves a committee of petitioners representatives and representatives of the U.S. Department of Justice, who represent the government in the VICP. As originally planned, the process called for petitioners representatives to designate three test cases in each of the three different theories of general causation advanced by the petitioners. Hearings on two of the theories were completed in 2007 and 2008 and the petitioners decided that there was no need to proceed with the last theory.

On February 12, 2009, the U.S. Court of Federal Claims announced decisions in the first three test cases which were the subject of hearings completed in 2007. In each decision it was held that the petitioners failed to establish that their claimed injuries were caused in any way by thimerosal-containing vaccines and the MMR vaccine, and no compensation was awarded to any of them under the VICP. The claimants asked for review of the decisions by the Claims Court which ultimately upheld the prior rulings. The petitioners may now seek appellate review in the U.S. Court of Appeals for the Federal Circuit. Decisions in the second set of test cases are expected in 2010.

Currently, all of the 282 cases are either in the preliminary response stage, in the discovery process, have been stayed pending adjudication by the Claims Court, or have pending plaintiffs requests for reconsideration of preliminary determinations to stay proceedings pending such adjudication by the Claims Court.

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Blood Products Litigation

On June 2, 2003 a purported worldwide class action was filed against current and former Group affiliates Armour Pharmaceutical Company, Aventis Behring, Aventis Inc. and against three other U.S. plasma fractionators, on behalf of a purported class of foreign and domestic plaintiffs alleging infection with HIV and/or hepatitis C from 1978-1990. A settlement is under negotiation and sanofi-aventis hopes the settlement may be concluded in 2010. Even if the settlement is concluded, some opt out litigation could still persist. The amount to be paid to the plaintiffs by the Group under the conditional settlement is fully covered by the existing reserves.

Agreal® Product Litigation

The Group faces civil, criminal or administrative claims chiefly in Spain from women alleging that the menopause treatment Agreal® (veralipride) has caused a range of neurological and psychological harm. In 2007 and 2008, decisions in suits involving several hundred claimants were handed down by civil tribunals in Spain. In the majority of cases to date, 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 has appealed each of these. On November 27, 2007 and February 20, 2008 the Appeal Court of Barcelona confirmed a decision holding that the product is defective due to insufficient information in the leaflet on side effect. Sanofi-aventis has appealed against these decisions before the Supreme Court. The first administrative Court decisions (approximately 40 resolutions) issued between October 2009 and January 2010 have dismissed all these administrative claims. All the criminal actions submitted have been dismissed to date. 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. In France approximately 60 claimants have filed a motion (*référé*) in order to appoint one or more expert(s) to conduct certain studies, in particular, concerning the alleged injury and causal link with the ingestion of the medication concerned.

Plavix® Product Litigation

Affiliates of the Group and Bristol-Myers Squibb are named in a number of individual actions seeking recovery under state law for personal injuries allegedly sustained in connection with the use of Plavix®. The actions are primarily venued in the U.S. District Court for the District of New Jersey, which had administratively stayed the proceedings pending a U.S. Supreme Court decision in the Levine case (which presented issues of federal preemption relevant to state law claims). Following the March 2009 decision rendered by the U.S. Supreme Court in this case, 23 of these cases were reactivated, while a tolling agreement (agreement which tolls or suspends the running of the statute of limitations) remains in effect for additional potential plaintiffs.

b) Patents

Plavix® Patent Litigation

United States. On March 21, 2002, sanofi-aventis, Sanofi-Synthélabo Inc. and Bristol-Myers Squibb Sanofi Pharmaceuticals Holding Partnership (or BMS Sanofi Holding , our partnership with Bristol-Myers Squibb) filed suit in the U.S. District Court for the Southern District of New York against Apotex Inc. and Apotex Corp. (hereinafter Apotex) for the infringement of U.S. patent rights relating to Plavix® as a result of an ANDA filed by Apotex including a Paragraph IV challenge to U.S. Patent No. 4,847,265 (the 265 patent), expiring in 2011, which discloses and claims *inter alia* the clopidogrel bisulfate compound, the active ingredient in Plavix®. Apotex asserted antitrust counterclaims.

On January 24, 2006, sanofi-aventis learned that the FDA had granted final approval to the Apotex ANDA.

On March 21, 2006, sanofi-aventis and BMS announced that they had reached an agreement subject to certain conditions with Apotex to settle the patent infringement lawsuit pending among the parties. That agreement was withdrawn and subsequently a new agreement was reached in May 2006.

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Ultimately the agreement failed to receive the required antitrust clearance. On August 8, 2006, Apotex announced the launch at risk of its generic product in the United States. On August 31, 2006, the District Court granted sanofi-aventis motion for a preliminary injunction ordering Apotex to halt its sales of a generic version of clopidogrel bisulfate product that competes with Plavix® until the pending patent infringement lawsuit was resolved.

On June 19, 2007, following a trial, the U.S. District Court issued a decision upholding the validity and enforceability of the principal Plavix® patent, and permanently enjoined Apotex from further sale of generic clopidogrel bisulfate. On December 12, 2008, the U.S. Court of Appeals for the Federal Circuit upheld this decision. In November 2009, the U.S. Supreme Court declined to hear the petition by Apotex in the Plavix patent litigation.

Sanofi-aventis and Bristol-Myers Squibb are seeking damages from Apotex, in reparation of harm caused by that company s marketing and sale of an infringing generic version of Plavix® in 2006. The proceeding is ongoing in this matter before the Federal District Court.

In August 2009, the USPTO granted Apotex s request for a reexamination of the Plavix enantiomer patent (265). In December 2009, in a non-final office action, which is an intermediary stage of the proceeding, the USPTO examiner rejected several claims covering Plavix that were previously upheld by the Federal District Court and Federal Circuit Court of Appeals after extensive litigation. Sanofi-aventis intends to respond to the office action in February 2010. In January 2010, Apotex filed a motion seeking a stay of the damages action pending the outcome of the reexamination of the Plavix patent. That motion, which sanofi-aventis and BMS oppose, remains pending.

The same plaintiffs filed suit against other ANDA filers, namely Dr. Reddy s Laboratories, Teva and Cobalt, in the U.S. District Court for the Southern District of New York for infringement of these same patent rights.

Dr Reddy s, Teva and Cobalt agreed to be bound by the injunction against Apotex, ending these litigations.

Certain more significant Plavix®-related patent suits outside of the United States are described below.

Korea. A number of companies have received marketing authorizations in Korea for generic forms of clopidogrel bisulfate and other salts of clopidogrel. Sanofi-aventis had asserted the Korean patent for Plavix® (Korean Patent No. 103094) in patent infringement actions against a number of companies. On June 28, 2006, in a nullity action filed by several companies against Korean Patent No. 103094, the Korean Intellectual Property Tribunal issued a decision holding that this patent s claims were not patentable under Korean law. This Intellectual Property Tribunal decision was upheld on appeal in 2008 and before the Supreme Court in October 2009. The case is now ended.

Australia. On August 17, 2007, GenRX, a subsidiary of Apotex obtained registration of a generic clopidogrel bisulfate product on the Australian Register of Therapeutic Goods and sent notice to sanofi-aventis that it had in parallel applied to the Federal Court of Australia for an order revoking the Australian enantiomer patent claiming clopidogrel salts. On September 21, 2007, sanofi-aventis obtained a preliminary injunction from the Federal Court preventing commercial launch of this generic clopidogrel bisulfate product until judgment on the substantive issues of patent validity and infringement. In February 2008, Spirit also introduced a nullity action against the enantiomer patent. The Spirit Proceeding was consolidated with the Apotex proceeding.

On August 12, 2008, the Federal Court confirmed that the claim directed to clopidogrel bisulfate was valid and infringed. Claims covering the hydrochloride, hydrobromide and taurocholate salts also were found valid. However claim 1 of the patent directed to clopidogrel and its pharmaceutical salts was found to be invalid. All parties appealed. In September 2009, the Full Federal Court of Australia held the Australian patent covering clopidogrel to be invalid. Sanofi-aventis filed an appeal with the Supreme Court in November 2009.

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Allegra® Patent Litigation

United States. Sanofi-aventis has been engaged in patent infringement actions concerning Allegra® since the first ANDA referring to this product was submitted to the FDA in 2001. In 2005, Barr Laboratories Inc. and Teva launched a generic version of Allegra® at risk, despite the patent infringement litigation pending against them and other ANDA filers. In November 2008, sanofi-aventis U.S. entered into agreements to settle the U.S. patent infringement suits related to Barr and Teva s generic version of Allegra® (fexofenadine hydrochloride), as well as the U.S. patent infringement suit related to Barr s proposed generic version of Allegra-D® 12 Hour (fexofenadine hydrochloride; pseudoephedrine hydrochloride). The respective settlements each took effect on January 2, 2009.

Under the settlement agreements, the U.S. patent suits, including any damage claims, against Barr and Teva relating to sanofi-aventis U.S. Allegra® patent and against Barr relating to its U.S. Allegra-D® 12 Hour patent, were dismissed without prejudice. The Barr/Teva generic version of Allegra® product remains on the market under a non-exclusive license and Barr has been granted a non-exclusive license starting in November 2009 for the commercialization of Allegra-D® 12 Hour in the United States, in each case with royalties paid to sanofi-aventis.

Sanofi-aventis U.S. continues to be involved in ongoing U.S. patent litigation against other parties in relation to the Allegra® single entity formulation (Mylan, Dr. Reddy s, Sandoz and Sun), Allegra-D® 12 Hour (Impax, Mylan, Dr. Reddy s, Sandoz and Sun) as well as Allegra-D® 24 Hour (Dr. Reddy s). These other suits were not settled by the agreements described above.

Actonel® Patent Litigation

Actonel® was originally marketed by the Alliance for Better Bone Health, an alliance between Procter & Gamble Company and P&G Pharmaceuticals (together P&G) and Aventis Pharmaceuticals Inc. (API). On October 30, 2009, P&G sold its pharmaceutical business to Warner Chilcott, succeeding to P&G s rights and obligations in the alliance. P&G had filed a patent infringement suit in 2004 against Teva Pharmaceuticals USA in the U.S. District Court for the District of Delaware in response to Teva s application to market a generic version of Actonel® (risedronate sodium) tablets in the United States. Sanofi-aventis is not a party to this action. On February 28, 2008, the U.S. District Court for the District of Delaware held P&G s U.S. Patent No. 5,538,122 (the 122 patent) claiming the active ingredient of Actonel® to be valid and enforceable.

P&G filed additional patent infringement actions against Teva in 2008 in response to Teva s applications to market a generic version of Actonel® 75mg tablets and Actonel® plus Calcium. In May 2008, the District Court judge entered an order of final judgment in favor of P&G, in both cases, and Teva appealed all three final judgments. The three appeals were consolidated by the Federal Circuit and a hearing was held December 2, 2008. In May 2009, the U.S. Court of Appeals ruled in favor of P&G and confirmed the validity of the 122 patent.

In September 2008, and in January and March 2009, P&G and Roche brought suit in the U.S. District Court of Delaware in response to respectively Teva s, Sun Pharma Global s, and Apotex s applications to market a generic version of the 150mg Actonel® tablets.

Lovenox® Patent Litigation (enoxaparin sodium)

United States. In June 2003, Aventis Pharmaceuticals Inc. (API) received notice that both Amphastar Pharmaceuticals and Teva Pharmaceuticals were seeking approval from the FDA for purportedly generic versions of Lovenox® (pre-filled syringes) and were challenging U.S. Patent No. 5,389,618 (the 618 patent) listed in the Orange Book for Lovenox®. API brought a patent infringement suit against both Amphastar and Teva in U.S. District Court for the Central District of California on the 618 patent.

On February 8, 2007, the U.S. District Court for the Central District of California issued a decision in sanofi-aventis Lovenox® patent infringement suit against Amphastar and Teva holding the 618 patent

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unenforceable. On May 14, 2008, the Federal Circuit Court of Appeals denied sanofi-aventis appeal of the District Court s decision and subsequently refused sanofi-aventis petition to rehear the appeal en banc. On April 27, 2009, the U.S. Supreme Court denied sanofi-aventis petition for a writ of certiorari. In the first semester 2009, the U.S. District Court for the Central District of California dismissed Amphastar s antitrust counterclaims in the Lovenox® patent litigation.

Further to the Federal Circuit Amphastar decision of May 14, 2008, the U.S. District Court for the Central District of California entered judgment against sanofi-aventis in two patent infringement suits brought against Sandoz and Hospira as a result of these companies respective ANDAs relating to pre-filled syringe and multidose presentations of Lovenox®.

Italy. The company Opocrin has filed suit in Italy before the Tribunale di Milano (civil section) seeking a declaratory judgment of invalidity and of non-infringement with respect to the Italian patent covering Clexane® (enoxaparin sodium) which is the Italian counterpart to the U.S. Patent No. 5,389,618. The suit remains pending. Biofer and Chemi had also filed a similar suit in 2001. A judgment against these companies upholding the validity of the patent, within certain limitations, is under appeal.

Germany. The companies Hexal, Ratiopharm, Chemi and Opocrin filed opposition proceedings with the German Federal Patent Court, requesting the revocation of the German patent DE 41 21 115 which claims the active ingredient of Clexane® (enoxaparin sodium) and is the German counterpart to the U.S. Patent No. 5,389,618. On April 2, 2009, the German Federal Patent Court revoked the German Patent (DE 41 21 115) on the active ingredient covering Clexane®. Sanofi-aventis is not aware of any enoxaparin biosimilars having been submitted for the German market.

Ramipril Canada Patent Litigation

Sanofi-aventis is involved in a number of legal proceedings involving companies which market generic Altace® (ramipril) in Canada. Notwithstanding proceedings initiated by sanofi-aventis, the following eight manufacturers: Apotex (in 2006), Novopharm, Sandoz and Cobalt (in 2007), Riva, Genpharm, Ranbaxy, and Pro Doc (in 2008), have now obtained marketing authorizations from the Canadian Minister of Health for generic versions of ramipril in Canada. Following the marketing of these products, sanofi-aventis filed patent infringement actions against all eight companies. In the patent infringement actions against Apotex and Novopharm, the Federal Court of Canada ruled on June 29, 2009 that the asserted patent was invalid. Each of Novopharm and Riva have initiated damages claims against sanofi-aventis, seeking compensation for their alleged inability to market a generic ramipril during the time taken to resolve the proceedings against the Canadian Ministry of Health. Sanofi-aventis has filed appeals of the Federal Court of Canada decisions on the patent invalidity before the Federal Court of Appeal. Neither appeal suspends the advancement of the existing damages claims.

Taxotere® Patent Litigation

United States. Sanofi-aventis received notifications from Hospira, Apotex and Sun in 2007 and 2008 who have filed 505 (b) (2) applications, and from Sandoz in 2009 who filed an ANDA with the U.S. Food and Drug Administration (FDA) seeking to market generic versions of Taxotere®. In response to these notifications, sanofi-aventis has filed patent infringement lawsuits against Hospira and Apotex (2007), Sun (2008), and Sandoz (2009). The lawsuits are pending in the U.S. District Court for the District of Delaware. None of the applications contested U.S. Patent No. 4,814,470 claiming the active ingredient, which expires in May 2010. The cases against Hospira and Apotex were consolidated for a trial held between October 26, 2009 and November 2, 2009 but the court has not issued a decision yet. Presently, no trial dates have been scheduled for the Sun and Sandoz actions.

Canada. In October 2007, sanofi-aventis learned that Hospira Healthcare Corporation had filed an application with Canadian authorities for a marketing authorization for a proposed docetaxel product which is the

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active ingredient of Taxotere®, alleging that Aventis Pharma SA s Canadian Patent Nos. 2,102,777 and 2,102,778 for docetaxel were invalid and not infringed. On November 29, 2007, sanofi-aventis Canadian subsidiary and Aventis Pharma SA commenced an application for judicial review in the Federal Court of Canada. In Canada, the compound patent relating to this product has expired.

Europe. In several European countries, in particular Germany and France, the generic manufacturers have requested the revocation of some formulation and combination patents either before the patent office or courts. The proceedings are ongoing. In Hungary, a preliminary injunction against Pharmacenter, based on a formulation patent, has been granted to Aventis Pharma SA. Pharmacenter appealed the decision. In Germany, a decision on one of the formulation patents is expected in June 2010.

Eloxatin® (oxaliplatin) Patent Litigation,

United States. Starting in February 2007, over a dozen ANDA certifications relating to Eloxatine® (oxaliplatin) solution and/or lyophilized products were filed contesting part or all of the Orange Book patents under Paragraph IV. Each of the generic manufacturers has been sued for infringement of one or more of the Orange-Book listed patents before the U.S. District Court for the District of New Jersey. U.S. regulatory data exclusivity expired in February 2008.

In June 2009, the U.S. District Court for the District of New Jersey granted a summary judgment motion in favor of certain generic manufacturers. The District Court held that the generic oxaliplatin products that would be introduced by these generic challengers would not infringe the 874 patent. While sanofi-aventis obtained appellate reversal of the District Court s judgment, a number of generic oxaliplatin products were launched at risk in the United States over the second half of 2009. Presently, sanofi-aventis has been unsuccessful in obtaining injunctive relief. On December 2, 2009, the court asked all the parties to consider settlement.

Ambien® CR Patent Litigation

Starting in 2007, sanofi-aventis filed suits for infringement of U.S. Patent No. 6,514,531 (the 531 patent) in the U.S. District Court for the District of New Jersey based on ANDAs for a generic version of Ambien® CR filed by Watson, Barr, Mutual and Sandoz. Watson subsequently converted to a Paragraph III certification, and Barr and Mutual have withdrawn their ANDAs, leaving suit in New Jersey ongoing only against Sandoz.

In 2007, sanofi-aventis also filed suit for infringement of the 531 patent in the U.S. District Court for the Middle District of North Carolina based on an ANDA for a generic version of Ambien® CR filed by Synthon. That case was transferred to the Eastern District of North Carolina, and subsequently was stayed pending a USPTO reexamination of the 531 patent. On December 22, 2009, Synthon provided sanofi-aventis with 120 days notice of its intention to launch its generic version of Ambien® CR.

Sanofi-aventis did not bring suit against Anchen, which was the first to notify sanofi-aventis of its Paragraph IV ANDA on the 12.5mg strength, or against Abrika (now Actavis), which was the first to notify sanofi-aventis on its Paragraph IV ANDA on the 6.25mg strength. Sanofi-aventis also did not bring suit against three other subsequent Paragraph IV filers: Lupin, Andrx and PTS Consulting. Marketing exclusivities in the United States for Ambien® CR expired in March 2009.

Nasacort® AQ Patent Litigation

In March 2006, sanofi-aventis was notified that Barr Laboratories had submitted an ANDA to the FDA containing a Paragraph IV patent certification relating to triamcinolone acetonide 55 microgram nasal spray (Nasacort® AQ). Further to this notification, sanofi-aventis filed a patent infringement lawsuit in the U.S. District Court of Delaware against Barr Laboratories, Inc. regarding two Nasacort® AQ patents (U.S. Patents Nos. 5,976,573 and 6,143,329). In November 2008, sanofi-aventis U.S. and Barr entered into an agreement to settle the U.S. patent infringement suits related to Barr s proposed generic version of Nasacort® (triamcinolone acetonide) AQ. This settlement took effect on January 2, 2009.

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Under the settlement agreement, the U.S. patent suit has been dismissed without prejudice and Barr has been granted a license authorizing production and marketing of a generic of this product for the United States market no earlier than June 2011 and at the latest December 2013; this date may be accelerated under certain conditions.

SoloSTAR® Patent Litigation

On July 10, 2007, Novo Nordisk filed complaints in the Courts of Düsseldorf and Mannheim in Germany, and in the U.S. District Court for the District of New Jersey, alleging the Group s new Lantus® SoloSTAR® disposable insulin pen infringes various Novo Nordisk patent and intellectual property rights. For the New Jersey action Novo Nordisk also served a motion for a preliminary injunction for the court to enjoin the selling of the SoloSTAR® device in the United States. On February 19, 2008, the U.S. District Court for the District of New Jersey denied Novo Nordisk s request for a preliminary injunction against sanofi-aventis. On July 30, 2008, this ruling was confirmed on appeal. In September 2008, Novo Nordisk filed a motion for summary judgment for alleged infringement of its patent rights.

On May 20, 2008, the Court of Mannheim dismissed Novo Nordisk s suit based on infringement of its German Utility Model by the Lantus® SoloSTAR® disposable insulin pen. On August 8, 2008, the Court of Düsseldorf dismissed Novo Nordisk s suit based on infringement of its German patent by the Lantus®SoloSTAR® insulin pen. Novo Nordisk has appealed in each case. On February 11, 2009, the German Patent and Trademark Office cancelled, at the request of sanofi-aventis, Novo Nordisk s German Utility Model DE 200 23 819.

On December 22, 2009, Sanofi-Aventis and Novo Nordisk concluded a settlement agreement ending all intellectual property disputes regarding SoloSTAR®, NovoPen® 4 and NovoFine® Autocover® in the USA, Germany and Denmark.

Xatral® Patent Litigation

Starting in August 2007, sanofi-aventis has received several ANDA certifications relating to Xatral® in the United States under Paragraph IV. Each of the generic manufacturers has been sued for infringement of one or both of the Orange Book listed patents before the U.S. District Court for the District of Delaware. Trial against Mylan (who is the only remaining defendant) has been scheduled for March 2010.

Xyzal® Tablets ANDA

Sanofi-aventis has a co-commercialization agreement with UCB Inc. with respect to Xyzal® in the United States. Sanofi-aventis is aware that UCB has received four Paragraph IV certifications since February 2008 from Synthon Pharma Inc., Sun Pharmaceuticals, Sandoz Inc., and Barr Laboratories. All the generic manufacturers have been sued by UCB for patent infringement in cases pending before the U.S. District Court of North Carolina.

Glossary of Patent Terminology

A number of technical terms used above in Note D.22.(b) are defined below for the convenience of the reader.

ANDA or Abbreviated New Drug Application (United States): An application by a drug manufacturer to receive authority from the U.S. FDA to market a generic version of another company s approved product, by demonstrating that the purportedly generic version has the same properties (bioequivalence) as the original approved product. As a result of data exclusivity, the ANDA may be filed only several years after the initial market authorization of the original product.

Paragraph III and Paragraph IV Certifications: ANDAs relating to approved products for which a patent has been listed in the FDA s list of Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book , must specify whether final FDA approval of the ANDA is sought only *after*

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expiration of the listed patent(s) (this is known as a Paragraph III certification under the Hatch-Waxman Act) or whether final FDA approval is sought *prior* to expiration of one or more listed patents (a Paragraph IV certification). ANDAs including a Paragraph IV certification may be subject to the 30-Month Stay defined below.

Section 505(b)(2) application: A section 505(b)(2) application may be used to seek FDA approval for, among other things, combination products, different salts of listed drugs, products that do not demonstrate bioequivalence to a listed drug and over-the-counter versions of prescription drugs.

Summary judgment: A judgment granted on a claim or defense about which there is no genuine issue of material fact and upon which the movant is entitled to prevail as a matter of law. This procedural device allows the speedy disposition of a controversy without the need for trial.

30-Month Stay (United States): If patent claims cover a product listed in the FDA s list of Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book , and are owned by or licensed to the manufacturer of the original version, the FDA is barred from granting a final approval to an ANDA during the 30 months following the patent challenge, unless, before the end of the 30 months, a court decision or settlement has determined either that the ANDA does not infringe the listed patent or that the listed patent is invalid and/or unenforceable. FDA approval of an ANDA after this 30-month period does not resolve outstanding patent disputes, which may continue to be litigated in the courts.

c) Government Investigations, Competition Law and Regulatory Claims

Government Investigations Pricing and Marketing Practices

Private Labels. In May 2009, sanofi-aventis U.S. entered into a civil settlement with the U.S. Department of Justice and the U.S. Attorney s Office for the District of Massachusetts to resolve a Medicaid best price investigation involving one of its predecessor companies, Aventis Pharmaceuticals Inc. (API). The settlement ended an investigation into whether sales by API of certain products to a managed care organization for resale under that organization s private label should have been included in the best price calculations used to compute Medicaid rebates for API products. The settlement called for payment of $95.5 million (plus interest) which includes payment of approximately $55.5 million to resolve all federal claims and the establishment of an opt-in fund of approximately $40 million for states desiring to resolve Medicaid rebate claims relating to the same conduct. The total amount of the settlement was fully covered by existing reserves.

Lovenox® Marketing. The U.S. Attorney s Office in Chicago, Illinois conducted a civil and criminal investigation with regard to Lovenox® sales and marketing practices for a period starting January 1, 1999. Without prejudice to its right to pursue any further investigation in the future, the U.S. government has declined to intervene in a Federal False Claims Act case related to the facts under investigation brought by two former employees, and the matter is proceeding against the Company as civil litigation in Illinois Federal Court.

Ambien® and Ambien® CR Marketing. On August 11, 2008, sanofi-aventis U.S. received a subpoena issued by the U.S. Department of Health & Human Services Office of Inspector General and the U.S. Attorney s Office in San Francisco, California. The subpoena requested information regarding Ambien® and Ambien® CR in connection with an investigation of possible false or otherwise improper claims for payment under Medicare and Medicaid. Sanofi-aventis U.S. has provided documents in response to this subpoena.

Civil Suits Pricing and Marketing Practices

Average Wholesale Prices (AWP). Class Actions. Aventis Pharmaceuticals Inc. (API) is a defendant in several U.S. lawsuits seeking damages on behalf of multiple putative classes of individuals and entities that allegedly overpaid for certain pharmaceuticals as a result of the AWP pricing which were used to set Medicare and Medicaid reimbursement levels. Aventis Behring and Sanofi-Synthelabo Inc. were also defendants in some of these cases. These suits allege violations of various statutes, including state unfair trade, unfair competition, consumer protection and false claim statutes.

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A group of eleven defendants, including sanofi-aventis defendants, reached a tentative global settlement of the claims of the insurers and consumers, for a total of $125 million. This settlement was granted preliminary approval by the U.S. District Court in Boston in early July 2008. Subject to the final approval hearing which is expected in 2010, all the class actions suits against API before the U.S District Court in Boston will be ended consistent with the settlement. Sanofi-aventis share of the global settlement is fully covered by existing reserves. One additional purported class action remains in New Jersey and is in discovery phase.

AWP Public Entity Suits. U.S. subsidiaries of the Group together with several dozen other pharmaceutical companies are defendants in lawsuits brought starting in 2002 notably by the states of Alabama, Alaska, Hawaii, Idaho, Iowa, Illinois, Kansas, Kentucky, Mississippi, Pennsylvania, Utah, and Wisconsin for AWP pricing issues described above. These suits alleged violations of state unfair trade, consumer protection and false claims statutes, breach of contract, and Medicaid fraud. The Iowa and Utah cases are pending before the Federal District Court in Boston. All of the other state suits are pending before other federal courts or in the state courts in which they were filed.

In May 2009, sanofi-aventis U.S. entered into a group settlement (with six other pharmaceutical companies) to resolve claims brought by the State of Alabama, against Aventis Pharmaceuticals Inc. and Sanofi-Synthelabo Inc., sanofi-aventis predecessor companies. The settlement covers all AWP-based claims against sanofi-aventis and all of its predecessors, subsidiaries and other corporate affiliates involving the State s Medicaid program. The settlement involves confidential contributions by the companies, including sanofi-aventis, to a group settlement totaling $89 million. Sanofi-aventis share of the settlement was fully covered by existing reserves.

§ 340B Suit. On August 18, 2005, the County of Santa Clara, California filed a suit against Aventis Pharmaceuticals Inc. and fourteen other pharmaceutical companies in the Superior Court of the State of California, County of Alameda, alleging that the defendants had overcharged Public Health Service entities for their pharmaceutical products in breach of pharmaceutical pricing agreements between the defendants and the Secretary of Health and Human Services. In May 2009, the Court denied the plaintiffs motion for class certification without prejudice. Discovery is ongoing.

Pharmaceutical Industry Antitrust Litigation

Approximately 135 cases remain pending of the numerous complaints that were filed in the mid-1990 s by retail pharmacies in both federal and state court. These complaints shared the same basic allegations: that the defendant pharmaceutical manufacturers and wholesalers, including sanofi-aventis predecessor companies, violated the Sherman Act, the Robinson Patman Act, and various state antitrust and unfair competition laws by conspiring to deny all pharmacies, including chains and buying groups, discounts off the list prices of brand-name drugs. Shortly before a November 2004 trial in the U.S. District Court for the Eastern District of New York, sanofi-aventis and the remaining manufacturer defendants settled the Sherman Act claims of the majority of the remaining plaintiffs. These settlements did not dispose of the remaining plaintiffs Robinson Patman Act claims.

European Commission Fines

Following the appeal filed by Hoechst GmbH regarding the MCAA market fine of 74 million assessed against it by the European Commission, the fine was reduced in September 2009 to 66.6 million (not including interests). As neither Hoechst nor the Commission has appealed, the fine is subject to payment early 2010.

European Commission Sector Inquiry

In January 2008, the European Commission s Directorate General for Competition opened a sector inquiry into the functioning of the market to investigate what it considered to be a low level of competition in the pharmaceuticals industry in the European Union. The inquiry commenced with unannounced information-gathering inspections at a number of companies including sanofi-aventis. According to the Commission, the sector inquiry ultimately involved information gathering from 43 originator companies and 27 generic companies. The final report was released on July 8, 2009. The Commission announced that the pharmaceutical industry remained under scrutiny and that it intends to intensify its investigations regarding anti-competitive conduct.

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European Commission generics investigation

On October 6, 2009, the European Commission conducted surprise inspections in the offices of several pharmaceutical companies, including sanofi-aventis, under suspicion of infringing antitrust rules of the European Union with respect to their activities concerning so-called generic products .

Cipro® Antitrust Litigation

Since August 2000, Aventis Pharmaceuticals Inc. (API) has been a defendant in several related cases in U.S. state and federal courts alleging that API and certain other pharmaceutical manufacturers violated U.S. antitrust laws and various state laws by settling a patent dispute regarding the brand-name prescription drug Cipro® in a manner which allegedly delayed the arrival of generic competition. In March 2005, the U.S. District Court for the Eastern District of New York granted sanofi-aventis summary judgment motions, and issued a judgment in favor of API and the other defendants in this litigation. By order entered October 15, 2008, the U.S. Court of Appeals for the Federal Circuit affirmed the District Court s ruling in the appeal by indirect purchaser plaintiffs; the direct purchaser plaintiffs appeal was heard by the U.S. Court of Appeals for the Second Circuit in April 2009. No opinion has yet been issued.

DDAVP® Antitrust Litigation

Subsequent to the decision of the U.S. District Court for the Southern District of New York in February 2005 holding the patent rights at issue in the DDAVP® tablet litigation to be unenforceable as a result of inequitable conduct, eight putative class actions have been filed claiming injury as a result of Ferring B.V. and Aventis Pharmaceuticals Inc. s alleged scheme to monopolize the market for DDAVP® tablets in violation of the Sherman Act and the antitrust and deceptive trade practices statutes of several states. On November 6, 2006, the District Court dismissed these claims. Oral argument on plaintiffs appeal of the decision to dismiss was heard by the U.S. Court of Appeals for the Second circuit in 2008. By order dated October 16, 2009, the appellate court reversed and remanded the case back to the District Court. Petitions for rehearing and rehearing en banc were denied.

Plavix® Antitrust Claim

On March 23, 2006, the U.S. retailer The Kroger Co. filed an antitrust complaint in the District Court for the Southern District of Ohio against sanofi-aventis, Bristol-Myers Squibb Co. and Apotex Corp. alleging antitrust violations by the defendants in relation to their tentative agreement to settle the U.S. Plavix® patent litigation (see *Plavix® Patent Litigation United States*, above, for a description of the transaction). 17 other complaints have since been filed by direct and indirect purchasers of Plavix® on the same or similar grounds. Plaintiffs seek relief including injunctive relief and monetary damages. Defendants have moved to dismiss the consolidated direct and indirect purchasers complaints. Oral argument on this motion was heard in September 2008; no decision has yet been issued.

Arava® Antitrust Litigation

Sanofi-aventis and certain U.S. subsidiaries of the Group were defendants in a lawsuit brought in the U.S District Court for the Southern District of New York in August 2007 by Louisiana Wholesale Drug Co. on behalf of itself and a proposed class of all direct purchasers of Arava®. Under the federal antitrust laws plaintiffs alleged that the Group had misused the Citizen Petition process in an attempt to delay approval of generic leflunomide by the U.S Food and Drug Administration, thereby injuring the class. On November 20, 2008, a jury rejected plaintiffs allegations that sanofi-aventis had inappropriately filed the Citizen Petition. The plaintiffs requested the judge to reconsider the jury s verdict. The plaintiff s motion requesting the Court to reconsider the jury s verdict and grant a new trial was denied on August 28, 2009. Following this decision the parties agreed that plaintiff would forego its appeal in return for sanofi-aventis withdrawing its motion for costs. The matter is now concluded.

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Lovenox® Antitrust Litigation

In August 2008, Eisai Inc. (Eisai) brought suit against sanofi-aventis U.S. LLC and sanofi-aventis U.S. Inc. in the U.S. District Court for the District of New Jersey alleging that certain contracting practices for Lovenox® violate federal and state antitrust laws. In October 2008, the defendants filed a motion to dismiss Eisai s complaint, which was denied in June 2009. In November 2009, the defendants filed a second motion to dismiss, which remains pending.

d) Other litigation and arbitration

Hoechst Shareholder Litigation

On December 21, 2004, the extraordinary general meeting of sanofi-aventis German subsidiary Hoechst AG (now Hoechst GmbH) approved a resolution transferring the shares held by minority shareholders to sanofi-aventis for compensation of 56.50 per share. Certain minority shareholders filed claims contesting the validity of the resolution, preventing its registration with the commercial register of Frankfurt and its entry into effect.

On July 12, 2005, this litigation was settled. As a consequence, the squeeze out has been registered in the commercial register making sanofi-aventis the sole shareholder of Hoechst AG.

According to the settlement agreement the cash compensation has been increased to 63.80 per share. The cash compensation was further increased by another 1.20 per share for those outstanding shareholders who *inter alia* waived in advance any increase of the cash compensation obtained through a judicial appraisal proceeding *(Spruchverfahren)* brought by former minority shareholders. Subsequently, a number of former minority shareholders of Hoechst initiated a judicial appraisal proceeding with the local Frankfurt court, *Landgericht Frankfurt am Main*, contesting the amount of the cash compensation paid in the squeeze out. The amount sought has not been specified. The proceedings are ongoing.

Apotex Settlement Claim

On November 13, 2008, Apotex filed a complaint before a state court in New Jersey against sanofi-aventis and BMS claiming the payment of a $60 million break-up fee, pursuant to the terms of the initial settlement agreement of March 2006 relating to the U.S. Plavix® patent litigation (see Patents Plavix® Patent Litigation United States). The proceedings are ongoing.

Zimulti®/Acomplia® (rimonabant) Class Action

In November 2007, a purported class action was filed in the U.S. District Court for the Southern District of New York on behalf of purchasers of sanofi-aventis shares. The complaint charged sanofi-aventis and certain of its current and former officers and directors with violations of the Securities Exchange Act of 1934. The complaint alleged that defendants statements regarding rimonabant were materially false and misleading when made because defendants allegedly concealed data concerning rimonabant s propensity to cause depression. In September 2009, the motion was dismissed with prejudice. The plaintiffs have filed a motion for reconsideration.

U.S. Gender Discrimination

Certain female U.S. pharmaceutical sales representatives of sanofi-aventis brought a putative class action lawsuit against sanofi-aventis U.S. LLC in the U.S. District Court for the Southern District of New York alleging gender discrimination. The parties have entered into a settlement in December 2009 which is fully covered by the existing reserves.

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Merial

On August 31, 2009, a purported class action lawsuit was filed against Merial, alleging that Merial engaged in false and misleading advertising of Heartgard® and Heartgard® Plus by claiming 100% efficacy in the prevention of heartworm disease, as well as the prevention of zoonotic diseases. Plaintiffs also request punitive damages and a permanent injunction with respect to the alleged advertising. The case is at an early stage and the class has not been certified yet.

e) Contingencies arising from certain Business Divestitures

Sanofi-aventis and its subsidiaries, Hoechst and Aventis Agriculture, divested a variety of mostly chemical, including agro-chemical, businesses as well as certain health product businesses in previous years. As a result of these divestitures, the Group is subject to a number of ongoing contractual and legal obligations regarding the state of the sold businesses, their assets, and their liabilities.

Aventis Behring

The divestment of Aventis Behring and related protein therapies assets became effective on March 31, 2004. The purchase agreement contained customary representations and warranties running from sanofi-aventis as seller to CSL Limited as purchaser. Sanofi-aventis has indemnification obligations that generally expired on March 31, 2006 (the second anniversary of the closing date). However, some indemnification obligations, having a longer duration, remain in effect, for example: indemnification obligations relating to the due organization, capital stock and ownership of Aventis Behring Companies runs through March 31, 2014, environmental indemnification through March 31, 2009, and product liability indemnification through March 31, 2019, subject to extension for claims related to types of product liability notified before such date. Furthermore, for tax-related issues, sanofi-aventis indemnification obligation covers all taxable periods that end on or before the closing date and expires thirty days after the expiration of the applicable statute of limitations. In addition, the indemnification obligations relating to certain specified liabilities, including HIV liability, survive indefinitely.

Under the indemnification agreement, sanofi-aventis is generally obligated to indemnify, only to the extent indemnifiable, losses exceeding $10 million and up to a maximum aggregate amount of $300 million. For environmental claims, the indemnification due by sanofi-aventis equals 90% of the indemnifiable losses. Product liability claims are generally treated separately, and the aggregate indemnification is capped at $500 million. Certain indemnification obligations, including those related to HIV liability, as well as tax claims, are not capped in amount.

Aventis CropScience

The sale by Aventis Agriculture and Hoechst (both predecessor companies of sanofi-aventis) of their aggregate 76% participation in Aventis CropScience Holding (ACS) to Bayer and Bayer CropScience AG (BCS), the wholly owned subsidiary of Bayer which holds the ACS shares, was effective on June 3, 2002. The stock purchase agreement dated October 2, 2001, contained customary representations and warranties with respect to the sold business as well as a number of indemnifications, in particular with respect to: environmental liabilities (the representations and warranties and the environmental indemnification are subject to a cap of 836 million, except for certain legal representations and warranties and specific environmental liabilities notably third-party site claims (i) such as the natural resources damages (NRD) claim filed by the state of New Jersey against BCS in 2007 in relation to the Factory Lane site and (ii) a remediation and NRD project underway in Portland, Oregon); taxes; certain legal proceedings; claims related to StarLink®corn; and certain pre-closing liabilities, in particular, product liability cases (which are subject to a cap of 418 million). There are various periods of limitation depending upon the nature or subject of the indemnification claim. Further, Bayer and Bayer CropScience are subject to a number of obligations regarding mitigation and cooperation.

Starting with a first settlement agreement signed in December 2005, Aventis Agriculture and Hoechst have resolved a substantial number of disputes with Bayer and Bayer CropScience AG, including the termination of arbitration proceedings initiated in August 2003 for an alleged breach of a financial statement-related

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representation contained in the stock purchase agreement, and numerous other warranty and indemnification claims asserted under the stock purchase agreement, including claims relating to certain environmental and product liabilities. A number of other outstanding claims remain unresolved.

LLRICE601 and LLRICE604 U.S. Litigation: Bayer CropScience has sent sanofi-aventis notice of potential claims for indemnification under various provisions of the stock purchase agreement. These potential claims relate to several class actions and individual complaints that have been filed since August 2006 by rice growers, millers, and distributors in U.S. state and federal courts against a number of current and former subsidiaries (collectively the CropScience Companies) which were part of the Aventis CropScience group prior to Bayer s acquisition of the ACS shares. Plaintiffs in these cases seek to recover damages in connection with the detection of trace amounts of the genetically modified rice called Liberty Link® Rice 601 (also known as LLRICE601) or Liberty® Link Rice 604 (also known as LLRICE604) in samples of commercial long-grain rice. LLRICE601 and LLRICE604, each a variety of long grain rice genetically altered to resist Liberty® Herbicide, were grown in field tests in the United States from the years 1998 to 2001. Plaintiffs assert a number of causes of action, alleging that the CropScience Companies failed to take adequate measures to prevent cross-pollination or commingling of LLRICE601 and/or LLRICE604 with conventional rice. In the first bellwether trial concluded on December 4, 2009, the jury rendered a verdict awarding compensatory damages, in the amount of $1,955,387 in favour of one plaintiff, and $53,336 in favour of another plaintiff.

Sanofi-aventis denies direct or indirect liability for these cases, and has so notified Bayer CropScience.

In a related development, the FDA has concluded that the presence of LLRICE601 in the food and feed supply poses no safety concerns and, on November 24, 2006, the United States Department of Agriculture (USDA) announced it would deregulate LLRICE601. With respect to LLRICE 604, the USDA announced, in March 2007, that the PAT protein contained in LLRICE604 has a long history of safe use and is present in many deregulated products. Further to an investigation regarding the causation chain that led to contamination, in October 2007, the USDA declined to pursue enforcement against Bayer CropScience.

Aventis Animal Nutrition

Aventis Animal Nutrition SA and Aventis (both predecessor companies of sanofi-aventis) signed an agreement for the sale to Drakkar Holdings SA of the Aventis Animal Nutrition business effective in April 2002. The sale agreement contained customary representations and warranties. Sanofi-aventis indemnification obligations ran through April 2004, except for environmental indemnification obligations (which run through April 2012), tax indemnification obligations (which run through the expiration of the applicable statutory limitation period), and antitrust indemnification obligations (which extend indefinitely). The indemnification undertakings are subject to an overall cap of 223 million, with a lower cap for certain environmental claims. Indemnification obligations for antitrust and tax claims are not capped.

Celanese AG

The demerger of the specialty chemicals business to Celanese AG became effective on October 22, 1999. Under the demerger agreement between Hoechst and Celanese, Hoechst expressly excluded any representations and warranties regarding the shares and assets demerged to Celanese. However, the following obligations of Hoechst are ongoing:

While all obligations of Hoechst (i) resulting from public law or (ii) pursuant to current or future environmental laws or (iii) vis-à-vis third parties pursuant to private or public law related to contamination (as defined) have been transferred to Celanese in full, Hoechst splits with Celanese any such cost incurred under these obligations applying a 2:1 ratio.

To the extent Hoechst is liable to purchasers of certain of its divested businesses (as listed in the demerger agreement), Celanese must indemnify Hoechst, as far as environmental damages are concerned, for aggregate

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liabilities up to 250 million, liabilities exceeding such amount will be borne by Hoechst alone up to 750 million, and amounts exceeding 750 million will be borne 2/3 by Hoechst and 1/3 by Celanese without any further caps.

Compensation paid to third parties by Celanese under the aforementioned clause, through December 31, 2009, was significantly below the first threshold of 250 million.

Rhodia

In connection with the initial public offering of Rhodia in 1998, Rhône-Poulenc (later named Aventis, to which sanofi-aventis is the legal successor in interest) entered into an environmental indemnification agreement with Rhodia on May 26, 1998 under which, subject to certain conditions, Rhodia was entitled to claim indemnification from Aventis with respect to direct losses resulting from third-party claims or public authority injunctions for environmental damages. Aventis and Rhodia entered into a settlement agreement on March 27, 2003 under the terms of which the parties settled all environmental claims in connection with the environmental indemnification agreement. Nothwithstanding this settlement agreement, Rhodia and certain of its subsidiaries unsuccessfully sought indemnification for environmental costs in the United States and Brazil. In both instances, the suits were decided in sanofi-aventis favor with the court holding that the settlement precluded the indemnification claims. The decision in Brazil is currently under appeal by Rhodia.

On April 13, 2005, Rhodia initiated an *ad hoc* arbitration procedure seeking indemnification from sanofi-aventis for the financial consequences of the environmental liabilities and pension obligations that were allocated to Rhodia through the various operations leading to the formation of Rhodia in 1997, amounting respectively to 125 million and 531 million. Rhodia additionally sought indemnification for future costs related to transferred environmental liabilities and coverage of all costs necessary to fully fund the transfer of pension liabilities out of Rhodia s accounts. The arbitral tribunal determined that it has no jurisdiction to rule on pension claims and that Rhodia s environmental claims are without merit. In May 2008, the Paris Court of Appeals rejected the action initiated by Rhodia to nullify the 2006 arbitral award in favor of sanofi-aventis.

On July 10, 2007, sanofi-aventis was served with a civil suit brought by Rhodia before the Commercial Court of Paris *(Tribunal de Commerce de Paris)* seeking indemnification on the same grounds as described above. The relief sought in the Commercial Court of Paris is identical to the relief claimed in Rhodia s arbitration demand. The procedure is still pending.

Rhodia Shareholder Litigation

In January 2004, two minority shareholders of Rhodia and their respective investment vehicles filed two claims before the Commercial Court of Paris (*Tribunal de Commerce de Paris*) against Aventis, to which sanofi-aventis is successor in interest, together with other defendants including former directors and statutory auditors of Rhodia from the time of the alleged events. The claimants seek a judgment holding the defendants collectively liable for alleged management errors and for alleged publication of misstatements between 1999 and 2002 and *inter alia* regarding Rhodia s acquisition of the companies Albright & Wilson and ChiRex. These shareholders seek a finding of joint and several liability for damages to be awarded to Rhodia in an amount of 925 million for alleged harm to the Company (a derivative action), as well as personal claims

of 4.3 million and 125.4 million for their own alleged individual losses. Sanofi-aventis contests both the substance and the admissibility of these claims.

Sanofi-aventis is also aware of three criminal complaints filed in France by the same plaintiffs and of a criminal investigation order issued by the Paris public prosecutor following the submission of the report issued by the *Autorité des marchés financiers* regarding Rhodia s financial communications. In 2006, the Commercial Court of Paris accepted sanofi-aventis and the other defendants motion to stay the civil litigation pending the conclusion of the criminal proceedings. The plaintiffs appeals against this decision, first before the Court of Appeals, and then before the *Cour de cassation* (the French Supreme Court), were both rejected.

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Clariant Specialty Chemicals Business

Hoechst conveyed its specialty chemicals business to Clariant AG pursuant to a 1997 agreement. While Clariant has undertaken to indemnify Hoechst for all costs incurred for environmental matters relating to purchased sites, certain ongoing indemnification obligations of Hoechst for environmental matters in favor of Clariant can be summarized as follows:

Costs for environmental matters at the sites taken over, directly or indirectly, by Clariant and not attributable to a specific activity of Hoechst or of a third party not related to the business transferred to Clariant are to be borne by Clariant to the extent the accumulated costs since the closing in any year do not exceed a threshold amount for the then-current year. The threshold increases annually from approximately 102 million in 1997/98 to approximately 816 million in the fifteenth year after the closing. Only the amount by which Clariant s accumulated costs exceed the then-current year s threshold must be compensated by Hoechst. No payments have yet become due under this rule.

Hoechst must indemnify Clariant indefinitely (i) for costs attributable to four defined waste deposit sites in Germany which are located outside the sites taken over by Clariant (to the extent exceeding an indexed amount of approximately 20.5 million), (ii) for costs from certain locally concentrated pollutions in the sites taken over by Clariant but not caused by specialty chemicals activities in the past, and (iii) for 75% of the costs relating to a specific waste deposit site in Frankfurt, Germany.

InfraServ Höchst

By the Asset Contribution Agreement dated December 19/20, 1996 as amended in 1997, Hoechst contributed all lands, buildings, and related assets of the Hoechst site at Frankfurt-Höchst to InfraServ Höchst GmbH & Co. KG. InfraServ Höchst undertook to indemnify Hoechst against environmental liabilities at the Höchst site and with respect to certain landfills. As consideration for the indemnification undertaking, Hoechst transferred to InfraServ approximately 57 million to fund reserves. In 1997, Hoechst also agreed it would reimburse current and future InfraServ Höchst environmental expenses up to 143 million. As a former owner of the land and as a former user of the landfills, Hoechst may ultimately be liable for costs of remedial action in excess of this amount.

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D.23. Provisions for discounts, rebates and sales returns

The adjustments between gross sales and net sales, as described in Note B.14., are recognized either as provisions or as reductions in accounts receivable, depending on their nature.

The table below shows movements in these items:

(million)	Government and State programs [1]	Managed Care and GPO programs [2]	Charge-back incentives	Rebates and discounts	Sales returns	Other deductions	Total
January 1, 2007	**318**	**136**	**61**	**144**	**190**	**47**	**896**
Current provision related to current period sales	453	329	692	1,195	201	174	3,044
Net change in provision related to prior period sales	(6)	5	(7)	12	5	3	12
Payments made	(502)	(319)	(679)	(906)	(182)	(153)	(2,741)
Translation differences	(21)	(15)	(7)	(8)	(18)	(2)	(71)
December 31, 2007	**242**	**136**	**60**	**437**	**196**	**69**	**1,140**
Current provision related to current period sales	466	366	751	1,516	173	135	3,407
Net change in provision related to prior period sales	10	(3)	(8)	5	4	(3)	5
Payments made	(442)	(324)	(725)	(1,678)	(193)	(146)	(3,508)
Translation differences	10	10	4	(19)	3	(3)	5
December 31, 2008	**286**	**185**	**82**	**261**	**183**	**52**	**1,049**
Current provision related to current period sales	566	433	904	2,036	204	128	4,271
Net change in provision related to prior period sales	19	7		12	(7)		31
Payments made	(477)	(431)	(903)	(1,893)	(175)	(136)	(4,015)
Translation differences	(8)	(7)	(3)	9	(3)	2	(10)
December 31, 2009	**386**	**187**	**80**	**425**	**202**	**46**	**1,326**

[1] Primarily the U.S. government s Medicare and Medicaid programs.
[2] Rebates and other price reductions, primarily granted to healthcare authorities in the United States.

D.24. Personnel costs

Total personnel costs break down as follows:

(million)	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Salaries	(5,019)	(4,774)	(4,891)
Social security charges (including defined-contribution pension plans)	(1,510)	(1,451)	(1,462)
Share-based payment	(114)	(125)	(115)
Employee share ownership plan			(21)
Defined-benefit pension plans	(404)	(305)	(346)
Other employee benefits	(233)	(259)	(197)
Total	**(7,280)**	**(6,914)**	**(7,032)**

The total number of employees at December 31, 2009 was 104,867, compared with 98,213 at December 31, 2008 and 99,495 at December 31, 2007 (these employee numbers are unaudited).

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Employee numbers by function (excluding Merial) as of December 31 are shown below (unaudited):

	December 31, 2009	December 31, 2008	December 31, 2007
Production	36,849	31,903	31,292
Research and development	19,132	18,976	19,310
Sales force	34,292	33,507	35,115
Marketing and support functions	14,594	13,827	13,778
Total	**104,867**	**98,213**	**99,495**

Merial had a total of 5,601 employees (unaudited) as of December 31, 2009.

D.25. Other operating income

Other operating income amounted to 866 million in 2009, compared with 556 million in 2008 and 522 million in 2007.

This line includes income arising under alliance agreements in the Pharmaceuticals segment (646 million in 2009, compared with 472 million in 2008 and 323 million in 2007), in particular the agreement on the worldwide development and marketing of Actonel® (see Note C.2.) and the Group s share of profits on Copaxone® from April 1, 2008, the date on which commercialization of this product in the United States and Canada reverted to Teva Pharmaceutical Industries.

It also includes operating foreign exchange gains and losses, representing a net gain of 40 million in 2009 versus a net loss of 94 million in 2008 and a net loss of 33 million in 2007, and proceeds from disposals related to ongoing operations, which amounted to 56 million in 2009, 24 million in 2008, and 60 million in 2007.

D.26. Other operating expenses

Other operating expenses amounted to 481 million in 2009, against 353 million in 2008 and 307 million in 2007. This item includes shares of profits due to alliance partners (other than BMS and the Alliance Partner under the Actonel® agreement) under product marketing agreements, primarily in Europe, Japan, the United States and Canada (186 million in 2009, versus 178 million in 2008 and 136 million in 2007).

In 2009, this item includes an expense of 69 million (versus 113 million in 2008) arising from changes to estimates of future expenditure on environmental risks at sites formerly operated by sanofi-aventis or sold to third parties (see note D.22. (e) Contingencies arising from certain Business Divestitures). Reversals of these provisions are classified in ***Other operating income*** (see Note D.25.).

This item also includes, for 2009, an expense of 59 million relating to pensions and other benefits for retirees.

In 2007, this item included an expense of 61 million, recognized following the signature of agreements on welfare and healthcare obligations in France for retirees and their beneficiaries.

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D.27. Restructuring costs

Restructuring costs recognized in 2009 amount to 1,080 million (585 million in 2008 and 137 million in 2007), and break down as follows:

(million)	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Employee-related expenses	869	498	137
Expenses related to property, plant and equipment	146		
Compensation for early termination of contracts (other than contracts of employment)	19		
Decontamination costs	30	50	
Other restructuring costs	16	37	
Total	**1,080**	**585**	**137**

In 2009, restructuring costs related primarily to measures announced by sanofi-aventis in June 2009 aimed at transforming its Research and Development operations in France in order to stimulate innovation and at adapting central support functions in order to streamline the organizational structure. These costs mainly comprise employee-related expenses, in the form of early retirement benefits and of termination benefits under voluntary redundancy plans. In France, these plans affected approximately 1,000 jobs in Research and Development and 450 jobs in central support functions.

Restructuring costs for the period also included amounts relating to transformation plans announced in other countries. The Research and Development transformation plan is a global project, which also affects the United States, the United Kingdom and Japan.

To a lesser extent, restructuring costs for the period reflect ongoing measures taken by sanofi-aventis to adapt its industrial facilities in Europe and adjust its sales forces.

In 2008, restructuring costs related primarily to adaptation of industrial facilities in France and to measures taken by sanofi-aventis to adjust its sales force to reflect changing pharmaceutical market conditions in various European countries mainly France, Italy, Spain and Portugal and in the United States.

In 2007, restructuring costs related to the cost of measures taken by sanofi-aventis in response to changes in the economic and regulatory environment in France and Germany.

D.28. Gains and losses on disposals, and litigation

Sanofi-aventis made no major divestments during the years ended December 31, 2009, 2008 or 2007.

In 2008, this item included 76 million of reversals of provisions in respect of litigation in the United States on pricing and market practices (see Note D.22.(c) Government Investigations, Competition Law and Regulatory Claims).

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D.29. Financial income and expenses

Financial income and expenses break down as follows:

(million)	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Cost of debt [1]	(310)	(315)	(297)
Interest income	88	132	88
Cost of debt, net of cash and cash equivalents	**(222)**	**(183)**	**(209)**
Foreign exchange gains (non-operating)	(67)	(74)	87
Fair value gains/(losses) on other derivatives			4
Unwinding of discounting of provisions [2]	(42)	(37)	(38)
Net gains/(losses) on disposals of financial assets [3]	1	41	7
Impairment losses on financial assets, net of reversals [4]	(2)	(8)	(14)
Other items	32	29	24
Net financial income/(expenses)	**(300)**	**(232)**	**(139)**
comprising: Financial expenses	*(324)*	*(335)*	*(329)*
Financial income	*24*	*103*	*190*

(1) Includes gains/losses on interest rate derivatives used to hedge debt: 25 million gain in 2009, 2 million loss in 2008, 13 million gain in 2007.
(2) Excluding provisions for pensions and similar obligations.
(3) Includes 38 million from the sale of the investment in Millennium in 2008 (see Note D.7.).
(4) Primarily available-for-sale financial assets.

The impact of the ineffective portion of hedging relationships was not material in 2009, 2008 or 2007.

D.30. Income tax expense

The Group has opted for tax consolidations in a number of countries, principally France, Germany, the United Kingdom and the United States.

The table below shows the split of income tax expense between current and deferred taxes:

(million)	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Current taxes	(2,531)	(2,140)	(2,162)
Deferred taxes	1,167	1,458	1,475
Total	**(1,364)**	**(682)**	**(687)**

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

(as a percentage)	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Standard tax rate applicable in France	34	34	34
Impact of reduced-rate income tax on royalties in France	(9)	(12)	(8)
Impact of change in net deferred tax liabilities as a result of changes in tax rates [(1)]	1		(9)
Impact of the ratification of the Franco-American treaty on net deferred tax liabilities relating to tax cost of distributions made from reserves	(2)		
Impact of tax borne by BMS for the territory managed by sanofi-aventis (see Note D.32.)	(3)	(4)	(3)
Other	1	(2)	(2)
Effective tax rate	**22**	**16**	**12**

(1) In 2009, mainly the reform of local business taxes in France; in 2007, primarily the reduction from 40% to 31.3% in Germany

Because the tax impact of royalties has remained relatively stable since 2007, the changes in the line Impact of reduced-rate income tax on royalties in France are mainly due to significant year-on-year fluctuations in pre-tax profits in 2009, 2008 and 2007.

A new protocol to the 1994 U.S.-France income tax treaty took effect on December 23, 2009. The new protocol eliminates source-country taxation of certain direct dividends (subject to conditions) and source-country taxation of cross-border royalty payments. The protocol applies retroactively to January 1, 2009 with respect to taxes that have been withheld at the former rate of 5% for both dividends and royalties. Consequently, the withholding taxes deducted at source in 2009 will be reimbursed and the deferred tax liability on tax cost of distributions made from reserves is reduced by 106 M .

The French Business Tax reform was enacted on December 31, 2009 and is applicable as from January 1, 2010. The Finance Bill repealed the Local Business Tax (*taxe professionnelle*). The new tax CET (*Contribution Economique Territoriale*) has two components, the CFE (*Cotisation Fonciere des Entreprises*), and the CVAE (Cotisation sur la Valeur Ajoutee des Entreprises). The second component is determined by applying a rate to the amount of value added generated by the business during the year.

Given that part of the CVAE component is calculated as the amount by which certain revenues exceed certain expenses, and given that this tax will be borne primarily by companies that own intellectual property rights, on income derived from those rights (royalties, and margin on sales to third parties and to other Group companies), sanofi-aventis regards the CVAE component as meeting the definition of income taxes specified in IAS 12, paragraph 2 (taxes which are based on taxable profits). Consequently, a deferred tax liability has been recognized, generating an expense of 59 million, relating primarily to depreciable assets in the balance sheet as of December 31, 2009 (the exemption allowed under IAS

12, paragraph 22c does not apply in this case). This deferred tax expense is reported on the ***Income taxes*** line in the income statement. With effect from the year ending December 31, 2010, the total current and deferred tax expense relating to the CVAE component will also be reported on this line in the income statement.

The Other line includes (i) the difference between the tax rate applicable in France and tax rates applicable in other countries, (ii) the impact of reassessing certain of the Group s tax exposures and (iii) the impact on the effective tax rate of amortization and impairment charged against intangibles.

D.31. Share of profit/loss of associates

This item mainly comprises the share of co-promotion profits attributable to sanofi-aventis for territories covered by entities majority-owned by BMS (see Note C.1.). The impact of the BMS alliance in 2009 was 1,229 million, before deducting the tax effect of 444 million (2008: 984 million, tax effect 361 million; 2007: 816 million, tax effect 290 million).

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It also includes the share of profits or losses from other associates (29 million profit in 2009, 69 million profit in 2008 and 80 million loss in 2007). These figures include the effect of the Aventis acquisition (workdown of acquired inventories, amortization and impairment of intangible assets). The 2007 figure included an impairment loss of 102 million on the equity-accounted investment in Zentiva (see Note D.6.).

In accordance with IFRS 5 the share of profits from Merial for 2008 and 2007 has been retrospectively reclassified to the line ***Net income from the held-for-exchange Merial business*** (see Note D.8.).

D.32. Net income attributable to minority interests

This line includes the share of co-promotion profits attributable to BMS for territories covered by entities majority-owned by sanofi-aventis (see Note C.1.). The amount involved was 405 million in 2009, 422 million in 2008 and 403 million in 2007. There is no tax effect, because BMS receives its share before tax.

It also includes the share of net income attributable to the other minority shareholders (21 million in 2009, 19 million in 2008 and 16 million in 2007).

D.33. Related party transactions

The principal related parties of sanofi-aventis are companies over which the Group has significant influence, joint ventures, key management personnel, and principal shareholders.

The Group has not entered into any transactions with any key management personnel. Financial relations with the Group s principal shareholders, in particular the Total group, fall within the ordinary course of business and were immaterial as of December 31, 2009, December 31, 2008 and December 31, 2007.

Details of transactions with related companies are disclosed in Note D.6.

Key management personnel include corporate officers (including three directors during 2009 and four directors during 2008 and 2007 covered by supplementary pension plans, see Item 6.B.) and the members of the Management Committee (23 members during 2009, 22 during 2008 and 21 during 2007).

The table below shows, by type, the compensation paid to key management personnel:

(*million)*	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Short-term benefits [1]	34	37	30
Post-employment benefits [2]	14	16	14
Share-based payment [3]	9	11	12
Total recognized in the income statement	**57**	**64**	**56**

(1) Compensation, employer s social security contributions, directors attendance fees, and any termination benefits.
(2) Estimated pension cost, calculated in accordance with IAS 19.
(3) Stock option expense computed using the Black-Scholes model, plus expense relating to the discount arising under the 2007 employee share ownership plan

The aggregate amount of supplementary pension obligations to corporate officers and key management personnel was 191 million at December 31, 2009, versus 183 million at December 31, 2008 and 163 million at December 31, 2007. The aggregate amount of lump-sum retirement benefits payable to corporate officers and key management personnel was 14 million at December 31, 2009, versus 10 million at December 31, 2008 and 12 million December 31, 2007.

D.34. Split of net sales

Credit risk is the risk that customers (wholesalers, distributors, pharmacies, hospitals, clinics or government agencies) may fail to pay their debts. The Group manages credit risk by pre-vetting customers in order to set

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credit limits and risk levels and asking for guarantees where necessary, performing controls, and monitoring qualitative and quantitative indicators of accounts receivable balances such as the period of credit taken and overdue payments.

Customer credit risk also arises as a result of the concentration of the Group s sales with its largest customers, in particular certain wholesalers in the United States. The Group s three largest customers accounted respectively for 8.1%, 7.5% and 6.8% of gross sales in 2009.

Net sales

Net sales of sanofi-aventis comprise net sales generated by the Pharmaceuticals segment and net sales generated by the Vaccines segment. The table below shows net sales of the flagship products and of the other major products of the Pharmaceuticals segment:

	Year ended December 31,		
(million)	**2009**	**2008**	**2007**
Lantus®	3,080	2,450	2,031
Lovenox®	3,043	2,738	2,612
Plavix®	2,623	2,609	2,424
Taxotere®	2,177	2,033	1,874
Aprovel®/CoAprovel®	1,236	1,202	1,080
Eloxatine®	957	1,345	1,521
Apidra®	137	98	
Multaq®	25		
Flagship products	**13,278**	**12,475**	**11,542**
Stilnox®/Ambien®/Myslee®	873	822	1,250
Allegra®	731	666	706
Copaxone®	467	622	1,177
Tritace®	429	491	741
Amaryl®	416	379	392
Depakine®	329	322	316
Xatral®	296	319	333
Actonel®	264	330	320
Nasacort®	220	240	294
Other Products	**6,078**	**6,484**	**8,203**
Consumer Health Care	**1,430**	**1,203**	
Generics	**1,012**	**354**	
Total Pharmaceuticals	**25,823**	**24,707**	**25,274**

Net sales of the principal product ranges of the Vaccines segment are shown below:

(million)	Year ended December 31, 2009	2008	2007
Influenza Vaccines [1]	1,062	736	766
Pediatric Combination and Poliomyelitis Vaccines	968	768	660
Meningitis/Pneumonia Vaccines	538	472	482
Adult and Adolescent Booster Vaccines	406	399	402
Travel and Endemic Vaccines	313	309	327
Other Vaccines	196	177	141
Total Vaccines	**3,483**	**2,861**	**2,778**

(1) Seasonal and pandemic influenza vaccines.

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D.35. Segment information

As indicated in Note B.26., sanofi-aventis has two operating segments: the Pharmaceuticals segment and the Human Vaccines (Vaccines) segment. All other activities are combined in a separate segment, Other.

The Pharmaceuticals segment covers research, development, production and marketing of medicines. The sanofi-aventis pharmaceuticals portfolio consists of flagship products, plus a broad range of prescription medicines, generic medicines, and consumer health care products. This segment also includes all associates whose activities are related to pharmaceuticals, in particular the entities majority owned by BMS.

The Human Vaccines segment is wholly dedicated to vaccines, including research, development, production and marketing. This segment includes the Sanofi Pasteur MSD joint venture.

The Other segment includes all segments that are not reportable segments within the meaning of IFRS 8. This segment includes the Group s interest in the Yves Rocher group, the Animal Health business (Merial), and the impact of retained commitments in respect of divested activities. Inter-segment transactions are not material.

Segment results

Sanofi-aventis reports segment results on the basis of Business operating income . This indicator, adopted in order to comply with IFRS 8, is used internally to measure operational performance and allocate resources.

Business operating income equates to Operating income before restructuring, impairment of property, plant and equipment and intangibles, gains and losses on disposals, and litigation , as defined in Note B.20. to the consolidated financial statements, adjusted as follows:

- amortization charged against intangible assets is eliminated;
- the share of profits/losses of associates is added, and the share of net income attributable to minority interests is deducted;
- other acquisition-related effects (primarily the workdown of acquired inventories remeasured at fair value at the acquisition date, and the impact of acquisitions on investments in associates) are eliminated.

Segment results are shown in the tables below:

(*million*)	Pharmaceuticals	2009 Vaccines	Other	Total
Net sales	**25,823**	**3,483**		**29,306**
Other revenues	1,412	31		1,443
Cost of sales	(6,527)	(1,326)		(7,853)
Research and development expenses	(4,091)	(491)	(1)	(4,583)
Selling and general expenses	(6,762)	(561)	(2)	(7,325)
Other operating income and expenses	387	(3)	1	385
Share of profit/(loss) of associates excluding Merial [(1)]	792	41	8	841
Share of profit/loss of Merial [(1)]			241	241
Net income attributable to minority interests	(426)	(1)		(427)
Business operating income	**10,608**	**1,173**	**247**	**12,028**
Financial income and expenses				(300)
Income tax expense				(3,099)
Business net income				**8,629**

(1) Net of taxes

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Year ended December 31, 2009

(million)	2008 Pharmaceuticals	Vaccines	Other	Total
Net sales	**24,707**	**2,861**		**27,568**
Other revenues	1,208	41		1,249
Cost of sales	(6,231)	(1,104)		(7,335)
Research and development expenses	(4,150)	(425)		(4,575)
Selling and general expenses	(6,662)	(520)	14	(7,168)
Other operating income and expenses	297	1	(95)	203
Share of profit/(loss) of associates excluding Merial [(1)]	671	28	21	720
Share of profit/loss of Merial [(1)]			170	170
Net income attributable to minority interests	(441)			(441)
Business operating income	**9,399**	**882**	**110**	**10,391**
Financial income and expenses				(270)
Income tax expense				(2,807)
Business net income				**7,314**

(1) Net of taxes

(million)	2007 Pharmaceuticals	Vaccines	Other	Total
Net sales	**25,274**	**2,778**		**28,052**
Other revenues	1,085	70		1,155
Cost of sales	(6,549)	(1,022)		(7,571)
Research and development expenses	(4,103)	(429)	(5)	(4,537)
Selling and general expenses	(7,059)	(522)	27	(7,554)
Other operating income and expenses	292	(7)	(9)	276
Share of profit/(loss) of associates excluding Merial [(1)]	563	1	15	579
Share of profit/loss of Merial [(1)]			181	181
Net income attributable to minority interests	(419)			(419)
Business operating income	**9,084**	**869**	**209**	**10,162**
Financial income and expenses				(139)
Income tax expense				(2,963)
Business net income				**7,060**

(1) Net of taxes

Business net income is determined by taking business operating income and adding financial income and deducting financial expenses, including the related income tax effects.

Business net income is defined as ***Net income attributable to equity holders of the Company***, determined under IFRS, excluding (i) amortization of intangible assets; (ii) impairment of intangible assets, (iii) other impacts associated with acquisitions (including impacts of acquisitions on associates); (iv) restructuring costs; gains and losses on disposals of non-current assets; costs or provisions associated with litigation; (v) the tax effect related to the items listed in (i) through (iv) as well as (vi) effects of major tax disputes, and (vii) the share of minority interests on (i) through (vi). Items listed in (iv) correspond to those reported in the line items ***Restructuring costs*** and ***Gains and losses on disposals, and litigation***, which are defined in Note B.20. to our consolidated financial statements.

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A reconciliation of Business net income to ***Net income attributable to equity holders of the Company*** is set forth below:

	(*million*)	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Business net income		**8,629**	**7,314**	**7,060**
(i)	amortization of intangible assets	(3,528)	(3,483)	(3,654)
(ii)	impairment of intangible assets	(372)	(1,554)	(58)
(iii)	expenses arising on the workdown of acquired inventories [1]	(27)	(2)	
(iv)	restructuring costs	(1,080)	(585)	(137)
(iii)/(iv)	other items [2]		114	(61)
(v)	tax effect on the items listed above	1,629	1,904	1,939
(iii)/(vi)	other tax items [3]	106	221	337
(vii)	share of minority interests on the items listed above	1		
(iii)	expenses arising from the impact of the Merial acquisition [4]	(66)	(50)	(30)
(iii)	expenses arising from the impact of acquisitions on associates [5]	(27)	(28)	(133)
Net income attributable to equity holders of the Company		**5,265**	**3,851**	**5,263**

(1) Expenses arising from the impact of acquisitions on inventories: workdown of inventories remeasured at fair value at the acquisition date.

(2) Other items comprise:

Harmonization of welfare and healthcare plans for retirees		(61)
Gain on sale of investment in Millennium	38	
Reversal of provisions for major litigation	76	

(3) Other tax items comprise:

Net charge to/(reversal of) provisions for tax exposures	221	337
Reversal of deferred taxes following ratification of the Franco-American Treaty (see Note D.30.)	106	

(4) This line comprises: until September 17, 2009, amortization and impairment charged against the intangible assets of Merial; and from September 18, 2009, (i) the impact of the discontinuation of depreciation of the property, plant and equipment of Merial in accordance with IFRS 5 (see Note B.7.) and (ii) the expense arising from the workdown of inventories remeasured at fair value at the acquisition date.

(5) Expenses arising from the impacts of acquisitions on associates: workdown of acquired inventories, amortization and impairment of intangible assets, and impairment of goodwill.

Other segment information

The tables below show the split by operating segment of (i) the carrying amount of investments in associates and joint ventures accounted for by the equity method, (ii) acquisitions of property, plant and equipment, and (iii) acquisitions of intangible assets.

The principal associates and joint ventures accounted for by the equity method are: for the Pharmaceuticals segment, the entities managed by BMS (see Note C.1. to the consolidated financial statements for the year ended December 31, 2009), Handok, Infraserv, and (for the year ended December 31, 2008) Zentiva; for the Vaccines segment, Sanofi Pasteur MSD; and for the Other segment, Merial and Yves Rocher in 2007 and 2008, and Yves Rocher in 2009.

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Acquisitions of intangible assets and property, plant and equipment correspond to acquisitions paid for during the period.

		2009		
(million)	**Pharmaceuticals**	**Vaccines**	**Other**	**Total**
Investments in associates and joint ventures accounted for by the equity method	420	412	123	**955**
Acquisitions of property, plant and equipment	940	465		**1,405**
Acquisitions of intangible assets	364	16		**380**

		2008		
(million)	**Pharmaceuticals**	**Vaccines**	**Other**	**Total**
Investments in associates and joint ventures accounted for by the equity method	706	431	1,322	**2,459**
Acquisitions of property, plant and equipment	967	375		**1,342**
Acquisitions of intangible assets	225	39		**264**

		2007		
(million)	**Pharmaceuticals**	**Vaccines**	**Other**	**Total**
Investments in associates and joint ventures accounted for by the equity method	768	471	1,254	**2,493**
Acquisitions of property, plant and equipment	977	359		**1,336**
Acquisitions of intangible assets	237	37		**274**

Information by geographical region:

The geographical information on net sales provided below is based on the geographical location of the customer.

In accordance with IFRS 8, the non-current assets reported below exclude financial instruments, deferred tax assets, and pre- funded pension obligations.

				2009		
(million)	**Total**	**Europe**	***Of which France***	**North America**	***Of which United States***	**Other countries**
Net sales	**29,306**	12,059	*3,206*	9,870	*9,426*	7,377
Non-current assets:						
property, plant and equipment	**7,830**	5,734	*3,436*	1,375	*1,018*	721
intangible assets	**13,747**	4,636		5,930		3,181
goodwill	**29,733**	13,528		11,419		4,786

(*million)*	**Total**	**Europe**	***Of which France***	**2008 North America**	***Of which United States***	**Other countries**
Net sales	**27,568**	12,096	*3,447*	9,042	*8,609*	6,430
Non-current assets:						
property, plant and equipment	**6,961**	5,174	*3,181*	1,320	*1,042*	467
intangible assets	**15,260**	4,573		7,429		3,258
goodwill	**28,163**	12,414		11,750		3,999

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				2007		
(million)	**Total**	**Europe**	***Of which France***	**North America**	***Of which United States***	**Other countries**
Net sales	**28,052**	12,184	*3,610*	9,989	*9,474*	5,879
Non-current assets:						
property, plant and equipment	**6,538**	4,958	*2,884*	1,157	*843*	423
intangible assets	**19,182**	6,327		9,081		3,774
goodwill	**27,199**	12,428		11,041		3,730

As described in Note D.5. to the consolidated financial statements, France is not a cash-generating unit. Consequently, information about goodwill is provided for Europe.

E. PRINCIPAL ACCOUNTANTS FEES AND SERVICES

PricewaterhouseCoopers Audit and Ernst & Young Audit served as independent auditors of sanofi-aventis, for the year ended December 31, 2009 and for all other reporting periods covered by this annual report on Form 20-F. The table below shows fees paid to these firms and member firms of their networks by sanofi-aventis and other consolidated companies in the years ended December 31, 2009 and 2008:

	Ernst & Young				**PricewaterhouseCoopers**			
	2009		**2008**		**2009**		**2008**	
(million)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Audit								
Audit opinion, review of statutory and consolidated financial statements [1]	**13.1**	**93%**	**11.7**	**94%**	**14.1**	**95%**	**12.2**	**99%**
- of which sanofi-aventis SA	*4.1*		*4.1*		*4.0*		*4.1*	
- of which consolidated subsidiaries	*9.0*		*7.6*		*10.1*[3]		*8.1*	
Other audit-related services [2]	**1.0**	**7%**	**0.7**	**6%**	**0.8**	**5%**	**0.1**	**1%**
- of which sanofi-aventis SA	*0.1*				*0.1*			
- of which consolidated subsidiaries	*0.9*		*0.7*		*0.7*		*0.1*	
Sub-total	**14.1**	**100%**	**12.4**	**100%**	**14.9**	**100%**	**12.3**	**100%**
Non-audit services								
Tax								
Other								
Sub-total								
TOTAL	**14.1**	**100%**	**12.4**	**100%**	**14.9**	**100%**	**12.3**	**100%**

(1) Professional services rendered for the audit and review of the consolidated financial statements of sanofi-aventis, statutory audits of the financial statements of sanofi-aventis and its subsidiaries, compliance with local regulations, and review of documents filed with the AMF and the SEC (including services

normally provided by independent experts of the audit firms in connection with the audit).

(2) Services that are normally performed by the independent accountants, ancillary to audit services.

(3) Of which Merial audit fees for an amount of 1,7 million (Audit review as of December 31, 2009, and agreed upon procedures at acquisition date).

Audit Committee Pre-approval and Procedures

The Group Audit Committee has adopted a policy and established certain procedures for the pre-approval of audit and other permitted audit-related services, and for the pre-approval of permitted non-audit services to be provided by the independent auditors. In 2009, the Audit Committee established a budget breaking down permitted audit-related services and non-audit services, and the related fees to be paid.

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F. LIST OF PRINCIPAL COMPANIES INCLUDED IN THE CONSOLIDATION FOR THE YEAR ENDED DECEMBER 31, 2009

F.1. Principal fully-consolidated companies

The principal companies in the Group s areas of operations and business segments are:

Europe		Financial interest %
Sanofi-Aventis Deutschland GmbH	Germany	100
Hoechst GmbH	Germany	100
Winthrop Arzneimittel GmbH	Germany	100
Sanofi-Aventis Gmbh / Bristol-Myers Squibb GesmbH OHG [(1)]	Austria	50.1
Sanofi-Aventis GmbH	Austria	100
Sanofi-Aventis Belgium	Belgium	100
Sanofi-Aventis s.r.o.	Czech Republic	100
Zentiva (from March 31, 2009)	Czech Republic	99.1
Sanofi-Aventis Denmark A/S	Denmark	100
Sanofi Winthrop BMS partnership (JV DK) [(1)]	Denmark	50.1
Sanofi-Aventis SA (Spain)	Spain	100
Sanofi Winthrop BMS AY [(1)]	Finland	50.1
Sanofi-Aventis OY	Finland	100
Sanofi-Aventis Europe S.A.S.	France	100
Sanofi-Aventis Participations S.A.S.	France	100
Sanofi-Aventis Amérique du Nord S.N.C.	France	100
Sanofi Pasteur Holding S.A.	France	100
Aventis Pharma S.A.	France	100
Sanofi Pasteur S.A.	France	100
Aventis Agriculture S.A.	France	100
Fovea Pharmaceuticals	France	100
Francopia S.A.R.L.	France	100
Laboratoire Oenobiol SAS	France	100
Winthrop Médicaments S.A.	France	100
Sanofi Chimie S.A.	France	100
Sanofi Participations S.A.S.	France	100
Sanofi Pharma Bristol-Myers Squibb S.N.C. [(1)]	France	50.1
Sanofi-Aventis S.A.	France	100
Sanofi-Aventis France S.A.	France	100
Sanofi-Aventis Groupe S.A.	France	100
Sanofi-Aventis Recherche et Développement S.A.	France	100
Sanofi Winthrop Industrie S.A.	France	100
Sanofi-Aventis A.E.B.E.	Greece	100
Chinoin Private Co. Ltd	Hungary	99.6
Sanofi-Aventis Private Co. Ltd	Hungary	99.6
Cahir Insurance Ltd	Ireland	100

Carraig Insurance Ltd	Ireland	100
Sanofi-Aventis Ireland Ltd	Ireland	100
Sanofi-Aventis Spa	Italy	100
Sanofi-Aventis Norge AS	Norway	100
Sanofi Winthrop BMS partnership ANS [1]	Norway	50.1
Sanofi-Aventis Netherland BV	Netherlands	100
Sanofi Winthrop BMS VOF [1]	Netherlands	50.1
Sanofi-Aventis Sp Zoo	Poland	100
Winthrop Farmaceutica Portugal Lda	Portugal	100
Sanofi-Aventis Produtos Farmaceuticos Lda	Portugal	100

[1] Partnership with Bristol-Myers Squibb (see Note C.1.).

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Europe		Financial interest %
Sanofi Winthrop BMS AEIE [1]	Portugal	51
Sanofi-Aventis Romania SRL	Romania	100
Aventis Pharma ZAO	Russia	100
Aventis Pharma Ltd	United Kingdom	100
Merial (from September 18, 2009)	United Kingdom	100
Sanofi Pasteur Holding Limited	United Kingdom	100
Sanofi-Synthélabo Ltd	United Kingdom	100
Sanofi-Synthélabo UK Ltd	United Kingdom	100
Winthrop Pharmaceuticals UK Ltd	United Kingdom	100
Fisons Limited	United Kingdom	100
May and Baker Limited	United Kingdom	100
Sanofi-aventis Pharma Slovakia s.r.o.	Slovakia	100
Sanofi-Aventis AB	Sweden	100
Sanofi SA-AG	Switzerland	100
Sanofi-Aventis (Suisse) SA	Switzerland	100
Sanofi-Synthélabo CIS & Eastern countries SA	Switzerland	100
Sanofi-Aventis Ilaclari Ltd Sirketi	Turkey	100
Winthrop Ilac Anonim Sirketi	Turkey	100
Sanofi-Synthélabo Ilac AS	Turkey	100
Sanofi-Synthélabo BMS ADI Ortakligi partnership [1]	Turkey	50.1
Sanofi-aventis Ukraine LLC	Ukraine	100

(1) Partnership with Bristol-Myers Squibb (see Note C.1.).

United States		Financial interest %
Armour Pharmaceuticals C.	United States	100
Aventis Inc.	United States	100
Aventisub Inc.	United States	100
Aventis Holdings Inc.	United States	100
Aventis Pharmaceuticals Inc.	United States	100
Bipar Sciences Inc	United States	100
Carderm Capital L.P.	United States	100
Sanofi-Aventis US Inc.	United States	100
Sanofi-Aventis US LLC.	United States	100
Sanofi Pasteur Biologics Co.	United States	100
Sanofi Pasteur Inc.	United States	100
Sanofi-Synthélabo Inc.	United States	100
Vaxserve Inc.	United States	100

Other Countries		Financial interest %
Sanofi-Aventis South Africa (Pty) Ltd	South Africa	100
Winthrop Pharmaceuticals (Pty) Ltd	South Africa	100

Winthrop Pharma Saïdal S.P.A.	Algeria	70
Sanofi-Aventis Algérie	Algeria	100
Sanofi-Aventis Argentina S.A.	Argentina	100
Quimica Medical S.A.	Argentina	100
Sanofi-Aventis Australia Pty Limited	Australia	100
Sanofi-aventis Healthcare Holdings Pty Ltd	Australia	100

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Other Countries		Financial interest %
Sanofi-aventis Healthcare Pty Ltd	Australia	100
Bullivant s Natural Health Products (International) Pty Ltd	Australia	100
Bullivant s Natural Health Products Pty Ltd	Australia	100
Cenovis Pty Ltd	Australia	100
MCP Direct Pty Ltd	Australia	100
Carlson Health Pty Ltd	Australia	100
Sanofi-Aventis Comercial e Logistica Ltda	Brazil	100
Sanofi-Aventis Farmaceutica Ltda	Brazil	100
Medley Comercial e Logistica Ltda	Brazil	100
Medley S.A. Industria Farmaceutica	Brazil	100
Sanofi Pasteur Ltd	Canada	100
Sanofi-Aventis Canada Inc.	Canada	100
Sanofi-Aventis Pharma Inc.	Canada	100
Sanofi-Aventis de Chili SA	Chile	100
Sanofi-aventis Pharma Beijing Co. Ltd	China	100
Sanofi-aventis (Hangzhou) Pharmaceuticals Co Ltd	China	100
Shenzhen Sanofi Pasteur Biological Products Co Ltd	China	100
Winthrop Pharmaceuticals de Colombie SA	Colombia	100
Sanofi-Aventis de Colombia SA	Colombia	100
Sanofi-Aventis Korea Co Ltd	Korea	91
Sanofi-aventis Gulf F.Z.E	United Arab Emirates	100
Sanofi-Aventis SAE Egypt	Egypt	100
Sanofi-Aventis del Ecuador SA	Ecuador	100
Sanofi-aventis de Guatemala S.A.	Guatemala	100
Sanofi-Aventis Hong Kong Limited	Hong Kong	100
Sanofi-Synthélabo (India) Ltd	India	100
Aventis Pharma Limited (India)	India	50.1
Shantha Biotechnics Ltd	India	95
PT Sanofi-Aventis Indonesia	Indonesia	100
PT Aventis Pharma (Indonesia)	Indonesia	75
Sanofi-Aventis K.K.	Japan	100
Sanofi-Aventis Meiji Pharmaceuticals Co Ltd	Japan	51
Winthrop Pharmaceutical Japan Co Ltd	Japan	100
Sanofi-Aventis Yamanouchi Pharma. K.K.	Japan	51
Winthrop Pharmaceuticals (Malaysia) SDN-BHD	Malaysia	100
Sanofi-Aventis (Malaysia) SDN-BHD	Malaysia	100
Maphar	Morocco	81
Sanofi-Aventis (Morocco)	Morocco	100
Sanofi-Aventis de Mexico SA de CV	Mexico	100
Sanofi-Aventis Winthrop SA de CV	Mexico	100
Winthrop Pharmaceuticals de Mexico SA de CV	Mexico	100
Laboratorios Kendrick S.A.	Mexico	100
Sanofi-Aventis Consumer Healthcare New Zealand Ltd	New Zealand	100
Sanofi-Aventis Pakistan-Ltd	Pakistan	53
Sanofi-Aventis de Panama S.A.	Panama	100
Sanofi-Aventis del Peru SA	Peru	100
Sanofi-Aventis Philippines Inc.	Philippines	100
Sanofi-Aventis de la Rep Dominicana	Dominican Republic	100
Aventis Pharma Manufacturing	Singapore	100

Sanofi-Aventis Singapore Pte Ltd	Singapore	100

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Other Countries		Financial interest %
Sanofi-Aventis Taiwan Co Ltd	Taiwan	100
Sanofi-Synthélabo (Thailand) Ltd	Thailand	100
Sanofi-Aventis Thailand Ltd	Thailand	100
Sanofi Aventis Pharma Tunisie	Tunisia	100
Winthrop Pharma Tunisie	Tunisia	100
Sanofi-Aventis de Venezuela SA	Venezuela	100
Sanofi-Synthélabo Vietnam	Vietnam	70
Sanofi-Aventis Vietnam	Vietnam	100

F.2. Principal associates

		Financial interest %
InfraServ Höchst	Germany	31.2
Bristol-Myers Squibb / Sanofi Canada Partnership	Canada	49.9
Bristol-Myers Squibb / Sanofi Pharmaceuticals Holding Partnership	United States	49.9
Bristol-Myers Squibb / Sanofi Pharmaceuticals Partnership	United States	49.9
Bristol-Myers Squibb / Sanofi Pharmaceuticals Partnership Puerto Rico	United States	49.9
Bristol-Myers Squibb / Sanofi-Synthélabo Partnership	United States	49.9
Bristol-Myers Squibb / Sanofi-Synthélabo Puerto Rico Partnership	United States	49.9
Sanofi Pasteur MSD SNC	France	50
Société Financière des Laboratoires de Cosmétologie Yves Rocher	France	39.1
Zentiva (Until March 30, 2009)	Czech Republic	24.9
Merial (Until September 17, 2009)	United Kingdom	50