SANOFI-AVENTIS
Form 20-F
April 03, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

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

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2006

OR

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

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

For the transition period from to

Commission File Number: 001-31368

Sanofi-Aventis

(Exact name of registrant as specified in its charter)

N/A

(Translation of registrant s name into English)

France

(Jurisdiction of incorporation or organization)

174, avenue de France, 75013 Paris, France

(Address of principal executive offices)

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

Title of each class:	**Name of each exchange**

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

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

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

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

common stock as of December 31, 2006 was:

ordinary shares: 1,359,434,683

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

of the Securities Act.

YES x NO ¨.

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

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

YES ¨ NO x.

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

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

Yes x No ¨

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 x

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

YES ¨ NO x.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The consolidated financial statements contained in this annual report on Form 20-F have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union as of December 31, 2006 and with IFRS issued by the International Accounting Standards Board (IASB) as of the same date. IFRS differ in certain significant respects from U.S. generally accepted accounting principles (U.S. GAAP). For a description of the principal differences between IFRS and U.S. GAAP, as they relate to us and to our consolidated subsidiaries, and for a reconciliation of our shareholders equity and net income to U.S. GAAP, see Note F to our consolidated financial statements included at Item 18, of this annual report.

Our results of operations and financial condition as of and for the year ended December 31, 2004 have been significantly affected by our August 2004 acquisition of Aventis and certain subsequent transactions (including the merger of Aventis with and into our Company in December 2004). The results of operations of Aventis for the period between August 20, 2004 and December 31, 2004 have been included in our consolidated income statement and cash flow statement. This resulted in a significant increase in revenues and significant changes in other financial statement items in 2004 compared to 2003. The assets and liabilities of Aventis are also included in our consolidated balance sheet at December 31, 2004. See Item 5. Operating and Financial Review and Prospects.

We have prepared unaudited pro forma income statements for 2004 that present our results of operations as if the acquisition had taken place on January 1, 2004, described under Item 5. Operating and Financial Review and Prospects. Because of the significance of the Aventis acquisition, we present certain 2004 financial information in this annual report, such as sales of particular pharmaceutical products, as a percentage of our unaudited pro forma sales, rather than as a percentage of our consolidated sales.

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

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

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

- trademarks used or that may be or have been used under license by sanofi-aventis and /or its affiliates, such as Actonel®, Optinate® and Acrel®, trademarks of Procter & Gamble Pharmaceuticals, Alvesco®, a trademark of ALTANA Pharma AG, Campto®, a trademark of Kabushiki Kaisha Yakult Honsha, Copaxone®, a trademark of Teva Pharmaceutical Industries, Exubera®, a trademark of Pfizer Products Inc., Tavanic®, a trademark of Daiichi Pharmaceutical Co. Ltd., TroVax®, a trademark of Oxford BioMedica, Mutagrip®, a trademark of Institut Pasteur, Gardasil® and Rotateq®, trademarks of Merck & Co., Inc., NanoCrystal®, a trademark of Elan Pharmaceuticals, Uvidem®, a trademark of IDM Pharma, Inc. (IDM), Xyzal®, a trademark of UCB;

- trademarks sold by sanofi-aventis and/or its affiliates, such as Altace®, a trademark of King Pharmaceuticals in the United States, Arixta® and Fraxiparine®, trademarks of GlaxoSmithKline, StarLink®, Liberty Link® and Liberty® trademarks of Bayer AG, Sabril®,

a trademark of Ovation Pharmaceuticals in the United States;

Cipro® in the United States and Aspirin®, trademarks of Bayer AG, Ivomec®, Eprinex®, Frontline® and Heartgard®, trademarks of Merial and Hexavac®, a trademark of Sanofi Pasteur MSD.

The data relative to market shares and ranking information presented in Item 4. Information on the Company B. Business Overview Markets Competition is based on sales data from IMS Health MIDAS (IMS) and GERS (for France), retail and hospital, for calendar year 2006, in constant euros (unless otherwise indicated).

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

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

(i) sales as published by IMS excluding sales generated by the vaccines business, equating to the scope of our pharmaceutical operations;

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(ii) adjustments to data for Germany, to reflect the significant impact of parallel imports;

(iii) IMS sales of products sold under alliance or license agreements which we recognize in our consolidated net sales but which are not attributed to us in the reports published by IMS;

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

statements of assumptions underlying such statements.

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

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

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

the success of our research and development programs;

our ability to protect our intellectual property rights;

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

trends in the exchange rate and interest rate environments.

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

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

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

N/A

Item 2. Offer Statistics and Expected Timetable

N/A

Item 3. Key Information

A. Selected Financial Data

SUMMARY SELECTED FINANCIAL DATA

The tables below set forth selected consolidated financial data for sanofi-aventis. These financial data are derived from the sanofi-aventis consolidated financial statements. Sanofi-aventis financial statements for the years ended December 31, 2006, 2005 and 2004 are included in Item 18 of this annual report.

The consolidated financial statements of sanofi-aventis for the years ended December 31, 2006 and 2005 have been prepared in compliance with IFRS adopted by the European Union and with the IFRS issued by the International Accounting Standards Board (IASB). The term IFRS refers collectively to International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), Standing Interpretations Committee (SIC) interpretations and International Financial Reporting Interpretations Committee (IFRIC) Interpretations issued by the IASB. The opening balance sheet as of the IFRS transition date (January 1, 2004) and the comparative financial statements for the year ended December 31, 2004 have been prepared in accordance with the same principles.

Sanofi-aventis reports its financial results in euro and in conformity with IFRS, with a reconciliation to U.S. GAAP. Sanofi-aventis also publishes condensed U.S. GAAP information. A description of the principal differences between IFRS and U.S. GAAP as they relate to the sanofi-aventis consolidated financial statements is set forth in Note F to the sanofi-aventis audited consolidated financial statements included in this annual report.

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SELECTED CONDENSED FINANCIAL INFORMATION

	As of and for the year ended December 31,				
(million, except per share data)	2006	2005	2004	2003	2002
IFRS Income statement data					
Net sales	28,373	27,311	14,871		
Gross profit	21,902	20,947	11,294		
Operating income	4,828	2,888	2,426		
Net income attributable to equity holders of the Company	4,006	2,258	1,986		
Earnings per share: basic ( ) (a)	2.97	1.69	2.18		
Earnings per share: diluted ( ) (b)	2.95	1.68	2.17		
IFRS Balance sheet data (c)					
Intangible assets and goodwill	52,210	60,463	61,567		
Total assets	77,763	86,945	85,557		
Outstanding share capital	2,701	2,686	2,668		
Equity attributable to equity holders of the Company	45,600	46,128	40,810		
Long term debt	4,499	4,750	8,654		
U.S. GAAP Data (d)					
Revenues from sale of products	28,373	27,311	14,871	8,048	7,448
Net income (loss) attributable to equity holders of the Company	4,034	2,202	(3,665)	1,865	1,640
Earnings (loss) per share: basic ( ) (e)	3.00	1.65	(4.03)	2.71	2.30
Earnings (loss) per share: diluted ( ) (f)	2.97	1.64	(4.03)	2.70	2.28
Intangible assets and goodwill	52,251	60,451	61,056	9,321	9,924
Total assets	77,536	86,241	82,846	17,424	17,362
Long-term debt	4,483	4,734	8,638	53	65
Equity attributable to equity holders of the Company	46,023	46,403	41,632	12,736	12,599
Cash dividend paid per share ( ) (g)	1.75 (h)	1.52	1.20	1.02	0.84
Cash dividend paid per share ($) (g)	2.31 (h)	1.80	1.62	1.28	0.88

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

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

(c) On January 1, 2006, sanofi-aventis adopted (with retrospective effect from January 1, 2004) the option offered by amendment to IAS 19 (Employee Benefits) to recognize all actuarial gains and losses under defined-benefit pension plans in the balance sheet, with the matching entry recorded as a component of shareholder s equity, net of deferred taxes. See Note A.4 of the consolidated financial statements in Item 18 of this annual report.

(d) Sanofi-aventis voluntarily adopted the fair value recognition provisions of Financial Accounting Standard 123, Accounting for Stock-Based Compensation, as of January 1, 2003.

Certain data as of and for the year ended December 31, 2004 have been reclassified to conform to the presentation adopted under IFRS with respect to joint ventures that are no longer accounted for under the proportionate consolidation method.

(e) Based on the weighted average number of shares outstanding in each period used to compute basic earnings (loss) per share, equal to 1,346.8 million shares in 2006, 1,336.5 million shares in 2005, 910.3 million shares in 2004, 689.0 million shares in 2003, and 714.3 million shares in 2002.

(f) Based on the weighted average number of shares outstanding in each period used to compute diluted earnings (loss) per share, equal to 1,357.6 million shares in 2006, 1,346.5 million shares in 2005, 914.9 million shares in 2004, 691.1 million shares in 2003, and 718.0 million shares in 2002.

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

(h) Dividends for 2006 will be proposed to the annual general meeting for approval.

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EXCHANGE RATE INFORMATION

Exchange Rates

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rates for the euro from 2002 through March 2007 expressed in U.S. dollar per euro. The information concerning the U.S. dollar exchange rate is based on the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate). We provide the exchange rates below solely for your convenience. We do not represent that euros were, could have been, or could be, converted into U.S. dollars at these rates or at any other rate. For information regarding the effect of currency fluctuations on our results of operations, see Item 5. Operating and Financial Review and Prospects.

Selected Exchange Rate Information

	Period-end Rate	Average Rate [1]	High	Low
	(U.S. dollar per euro)			
2002	1.05	0.95	1.05	0.86
2003	1.26	1.14	1.26	1.04
2004	1.35	1.25	1.36	1.18
2005	1.18	1.24	1.35	1.17
2006	1.32	1.27	1.33	1.19
Last 6 months				
2006				
October	1.28	1.26	1.28	1.25
November	1.33	1.29	1.33	1.27
December	1.32	1.32	1.33	1.31
2007				
January	1.30	1.30	1.33	1.29
February	1.32	1.31	1.32	1.29
March	1.34	1.32	1.34	1.31

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

On March 30, 2007 the Noon Buying Rate was 1.3374 per euro.

B. Capitalization and Indebtedness

N/A

C. Reasons for Offer and Use of Proceeds

N/A

D. Risk Factors

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

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Risks Relating to Our Company

We incurred substantial debt in connection with the acquisition of Aventis, which limits our business flexibility and requires us to devote cash resources to debt service payments.

In connection with our acquisition of Aventis, our consolidated debt increased substantially, because we incurred debt to finance the cash portion of the acquisition consideration, and because our consolidated debt includes the debt incurred by Aventis prior to the acquisition. As of December 31, 2006, our debt, net of cash and cash equivalents was 5.8 billion. We make significant debt service payments to our lenders and our current debt level could limit our ability to engage in additional transactions or incur additional indebtedness. For more information on our debt, see Item 5. Operating and Financial Review and Prospectus Liquidity and Capital Resources in this annual report.

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

We may not achieve our growth strategy if we do not maintain and continue to expand profitably our presence in the United States, the world s largest pharmaceuticals market. We have identified the United States, which accounted for approximately 35.1% of our net sales in 2006, as a potential major source of continued future growth and plan to capitalize on our direct presence in the United States in the coming years to build a strong position in this market. We face a number of challenges in maintaining profitable growth in the United States, including:

- the success of the management organization that we have established in the United States;
- the targeting of new products and customer markets;
- the fact that the United States market is dominated by major U.S. pharmaceutical companies;
- slower growth of the U.S. pharmaceutical market than in recent years;
- aggressive generic competition reinforced by legislative initiatives to further facilitate the introduction of generic drug or comparable biologic products through accelerated approval procedures;
- potential changes in health care reimbursement policies and possible cost control regulations in the United States, including possible unfavorable developments in coverage of prescription drugs by Medicare;
- increased FDA demands, leading to a potentially longer, more costly and more restrictive approval process for innovative products;
- heightened scrutiny of the pharmaceutical industry by the public and the media; and

exposure to the euro-dollar exchange rate.

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

We market some of our products in collaboration with other pharmaceutical companies. For example, we currently have major collaborative arrangements with Bristol-Myers Squibb (BMS) for the marketing of Plavix® and Aprovel® in the United States and several other countries, with Procter & Gamble Pharmaceuticals for the osteoporosis treatment Actonel®, with Teva for Copaxone®, and w