# Business report 2003

sanofi~synthelabo

Because health matters

Micro-sampling for the analysis
of neurotransmitters using capillary electrophoresis.

2nd

**pharmaceutical group in France**

7th

**in Europe among the top 20 worldwide**

## **Four areas** of expertise

Sanofi-Synthélabo's world-class R&D has helped achieve front-rank positions in four therapeutic areas where there are vital needs:

- **CARDIOVASCULAR DISEASE/THROMBOSIS**
- **DISORDERS OF THE CENTRAL NERVOUS SYSTEM**
- **ONCOLOGY**
- **INTERNAL MEDICINE**

## **A portfolio of compounds** which is innovative and well-balanced supporting sustained growth

**with 56 compounds in clinical development, 25 in advanced Phases II and III, and 31 in preclinical development and Phase I**

## Present in more than **100 countries**

the Group benefits from high-performance manufacturing facilities, a world-wide marketing sales force, plus cohesive, motivated teams sharing the same values of rigor, respect and team spirit.

# Recent **events**

## On **January 26, 2004,** Sanofi-Synthélabo launched a public offer for Aventis's shares. A major pharmaceutical project to create a global leader in the service of life.

**On January 26, 2004,** Sanofi-Synthélabo announced the launch of a public offer of shares and cash for the shares of the Aventis company*.

**This major project for our industry, unanimously approved by our Board of Directors, would make it possible to create a global leader in pharmaceuticals. It would give birth to a pharmaceutical company which would be N°1 in Europe and N°3 in the world.**

To generate strong, durable and profitable growth in the highly competitive world of pharmaceuticals, we must be able to count on not only a high-performance R&D pipeline, but also strong positions on the world's main pharmaceutical markets.

**The merger of the two companies would benefit from a remarkable portfolio of medicines,** ensuring it leading positions in therapeutic areas with strong growth, such as cardiovascular, thrombosis, cancer, diabetes, central nervous system, internal medicine, vaccines.

**This project would allow the new group to concentrate its resources in R&D** on the most promising projects and to offer patients a larger number of innovative medicines. With the third-largest R&D budget in the industry and 58 projects in advanced stages of clinical development, it would draw on greater human and financial resources to develop new compounds more rapidly and sustain its medium- and long-term growth.

**This new group would benefit from a strong presence in every region of the world,** and in particular an extensive sales structure in the United States and a significant direct presence in Japan.

**The integration of teams and business activities would make it possible to optimize resources** in marketing and sales to support existing products and carry out future launches.

**We have shown, during our recent merger, our capacity to carry this out successfully,** whilst respecting business cultures. We know how to respect our different heritages and enhance them to create a dynamic company, one that creates value, with exemplary successes in the field of R&D and business activity and profitability growth rates that are among the best in our industry.

**Because this operation is based on a strategic project which is focused on growth** of sales and earnings in the short-, medium- and long-term, it should create value for all the shareholders of both groups.

**In January 2004,** an agreement was concluded with Organon NV to acquire **all of Organon's interests relating to Arixtra® (fondaparinux sodium), idraparinux and other oligosaccharides.** This agreement is in line with Sanofi-Synthélabo's strategy to gain full control of the worldwide rights relating to innovative products in its R&D portfolio.

**On February 4, 2004,** Sanofi-Synthélabo announced that it had reached an agreement with Taisho Pharmaceutical Co. Ltd. whereby Sanofi-Synthélabo will **acquire all of Taisho's 49% interest in the joint venture company Sanofi-Synthelabo-Taisho Pharmaceutical Co., Ltd.,** the entity in charge of the commercial exploitation of the anti-arrhythmic preparation Ancaron® (amiodarone hydrochloride), with in-market sales of 33 million euros in 2003 in Japan. At the close of this acquisition in March 2006, the joint venture will become wholly owned by Sanofi-Synthélabo.

**On March 9, 2004,** Sanofi-Synthélabo presented at the American College of Cardiology congress two Phase III studies involving Acomplia™ (rimonabant) in a novel approach to **cardiovascular risk management in overweight people and smokers.**

** For a description of the offer, you should refer to the French offer prospectus ("note d'information") filed with the Autorité des Marchés Financiers on February 12, 2004 under the number 04-0090. In English, readers may also refer to the registration statement on Form F - 4 (File n° 333 - 112314) filed with the SEC.*

# Our History

## 1973
**The story begins**
Creation of Sanofi in 1973 by Elf Aquitaine, through the takeover of the Labaz pharmaceutical company.
L'Oréal takes over Synthélabo, created in 1970 by the merger of two French pharmaceutical companies, Dausse (founded in 1834) and Robert & Carrière (founded in 1899).

## 1978
**Sanofi launches its first major product on the market:** Ticlid®.

## 1988
**Synthélabo launches two major products on the French market:** Stilnox® and Xatral®.

## 1993
**Synthélabo launches Stilnox® in the United States** under the trade name Ambien®. As of 1994, Stilnox®/Ambien® becomes the leading medicine in the treatment of insomnia (IMS data).

## 1994
**Sanofi makes a significant entry into the U.S. market** through the acquisition of Sterling Winthrop, the pharmaceutical division of Eastman Kodak.

## 1997/1998
**Sanofi launches its first major product in the U.S. market,** Avapro® in 1997, followed by Plavix® in 1998.

## 1998
**Two leaders of the French pharmaceutical industry**
At that time, Sanofi was the 2nd pharmaceutical group in France, Synthélabo the 3rd. Sanofi was majority-held by Elf Aquitaine, currently a subsidiary of Total and Synthélabo was majority-held by L'Oréal.
The merger was decided at the end of 1998.

## 1999
**The year of the merger**
Following the merger, which took place on May 18, 1999, the new Group refocuses on its core business, pharmaceuticals.
Sanofi divests its non-strategic activities: Beauty, Veterinary and Diagnostics.
Total and L'Oréal are the primary shareholders of the new Group.

## 1999/2002
**Strength through unity**
Sanofi and Synthélabo combine their resources to expand the presence of the new Group worldwide, notably in the U.S., and to concentrate R&D efforts on high-potential products.
Over three years, the sales of the three flagship products, Stilnox®/Ambien®/Myslee®, Plavix®/Iscover® and Aprovel®/Avapro®/Karvea® grow strongly.
This strategy pays off, and today Sanofi-Synthélabo is the 2nd pharmaceutical group in France, 7th in Europe, and among the top 20 worldwide.

## 2001/2002
**"The American years"**
The expansion of the affiliate Sanofi-Synthelabo Inc., the doubling of the sales force, the contribution of the U.S. market to Group sales and earnings - all these factors justify the decision to list company shares on the New York Stock Exchange on July 1, 2002.
The U.S. health authorities grant six marketing approvals in 2002, confirming our strong presence in the world's leading pharmaceutical market.

## 2003
**Sanofi-Synthélabo celebrates its 30th anniversary**
Important results for leading Group products were communicated at major international medical congresses: Eloxatin® in the adjuvant treatment of colorectal cancer at the American Society of Clinical Oncology, Arixtra® in the prophylaxis of venous thromboembolic events in hospitalized patients and patients undergoing major abdominal surgery at the International Society of Thrombosis and Haemostasis.
Uroxatral® was licensed and launched in the United States.

# Contents

Observing the formation of crystals after purification, before evaporating the liquid in the parallel synthesis laboratory.

# **Chairman's** message

**Jean-François Dehecq**
*Chairman and Chief Executive Officer*

**"Another** very good year with **strong growth and profitability."**

→ **Once again, 2003 turned out to be a very good year, in spite of a generally unfavorable economic climate. Could we have your comments?**

Yes, we did have a very good year and that is precisely our real success in the year 2003. It confirms our ability to achieve our objectives and even to exceed them, even when the operating environment is unfavorable.

Despite the program cuts which have affected health expenditure in many countries, the rise of generic medicines, the appreciation of the euro and the decline of the dollar – both of which penalized European companies – we were able to achieve renewed growth momentum.
2003 was our fourth consecutive year of double-digit growth, accompanied by an increase on a comparable basis of 15.6% in consolidated sales and of 20.4% in developed sales.
We are doing twice as well as the average for our sector with one of the best performances in the industry.

**"Our growth** exceeded the market growth rate **in every region."**

In every region, our growth [1] surpassed the market sales growth.

In the United States, our sales growth was 40% [1], including sales of Avapro® and Plavix®. This was the best performance among the 20 leading pharmaceutical companies. With some 4 billion euros in developed sales, we have become a significant player in a market where we were almost non-existent in 1999.

In Europe, our sales growth in the market was 12% [1]. Here again, this was the strongest market growth of the top 10 pharmaceutical companies.

In other parts of the world, growth was 13.1% [2], with very strong progress in some areas such as Asia/Middle East, + 22% [2] and Central and Eastern Europe, + 26.2% [2]. Our sales increased by 16.5% [2] in Latin America, despite prevailing economic difficulties, and by more than 10% [2] in Africa.
We must also highlight our successful joint-venture with Fujisawa in Japan, which has succeeded in placing Myslee®, the local brand name for zolpidem, at the top of its class only three years after launch.

2003 was another very good year for our products.
Sales of our 10 leading products grew by 26.9% [2].
We now have four flagship products, Plavix®, Stilnox®/Ambien®/Myslee®, Aprovel®/Avapro® and Eloxatin®, sales of which have doubled since 2000. Furthermore, we have launched Uroxatral® in the United States. These products all have excellent potential, thanks to Life Cycle Management.

**"A strong portfolio** of flagship products."

At the same time, we again demonstrated our capacity to successfully support mature products, sales of which grew overall by 2.2% [3]. This is indeed a concrete example of one of our company's recurring themes: there are no small markets and no small products. We must go out in the field and defend every product, every day on every front.

### How does this growth translate into earnings?

This strong growth has, in turn, provided strong earnings, which owe nothing to exceptional items.
Operating profit rose by 17.6% and by 34.4% at 2002 exchange rates, with a balanced geographical distribution between Europe and the United States.

*[1] IMS/GERS Sources, December 2003.*
*[2] Consolidated sales, on a comparable basis.*
*[3] On a comparable basis, excluding Corotrope®/Primacor® (off-patent); excluding Ticlid®, replaced by Plavix®.*

"**Net earnings** per share **grew** by a factor **of 3.5** in four years."

Once more, we achieved very strong earnings per share* growth. This reached 21.5% without capital gain from divestments, with increased R&D expenditure, despite a difficult monetary environment. This is better than we forecast, and net earnings per share have multiplied by 3.5 in four years.

### → What are the latest R&D results?

The year was outstanding in terms of business activity and earnings, and was also exceptional in terms of R&D. 2004 started with very favorable results for five Phase III studies.

Acomplia™ (rimonabant), in smoking cessation and obesity, targets major public health issues. Its Phase III program will conclude at the end of 2004. If the results from the upcoming studies confirm those already obtained, this compound could become a very important product.

This would also be a further illustration of the creativity of our research and its truly innovative therapeutic approach. Acomplia™ (rimonabant) could well become a treatment of choice in the medical management of patients with cardiovascular risk factors.

Two Phase III studies are positive for dronedarone for the treatment of atrial fibrillation.

Ambien® CR (prolonged release formulation of zolpidem), which will be filed for marketing approval during the second quarter of 2004 as planned, has confirmed its qualities in terms of sleep induction, duration and maintenance.

"Highly productive **R&D**, supporting **sustained** growth."

We also have some very promising Phase IIb results for saredutant, which is used in the treatment of depression. Saredutant should be entering Phase III in 2004, which, along with SR 58611, will give us two Phase III compounds in the treatment of depression.
The aquaretic SR 121463 should also be entering Phase III in 2004.
Finally, the development of tirapazamine, which was halted in the treatment of lung cancer, is continuing in the treatment of head and neck cancers.
These results confirm the excellent productivity of our R&D, which is the key to sustainable growth. We have 56 compounds in development, with 25 in Phase II and Phase III.

Strong, productive R&D, providing steady, new impetus to our product mix; operational management that is efficient, motivated and close to the markets; a truly successful merger with a method of operating that respects teams and cultures: these have been the motors of our performance over the last four years.

** Before exceptional items and goodwill amortization.*

### → Could you give us an update on the Plavix® patent dispute in the United States?

The U.S. patent for Plavix® has come under attack by two manufacturers of generic products, as is now the case for many successful medicines in the United States.
We confirm our complete confidence in the strength of our patents, and are calmly awaiting the outcome of the present dispute.

### → What are your prospects for 2004?

Our growth prospects are excellent. Based on the current group structures* and barring any major adverse events, we should experience growth in consolidated sales on a comparable basis similar to that recorded in 2003. Under these conditions, whilst increasing our R&D expenditure, we also expect an increase in net earnings per share of around 15%, before exceptional items and goodwill amortization and at an exchange rate of one euro for 1.25 U.S. dollars.

### → And after 2004?

Our flagship products have remarkable growth potential.
Among our medium-term projects, we also intend to repeat in the Japanese market the success we have experienced in the United States.

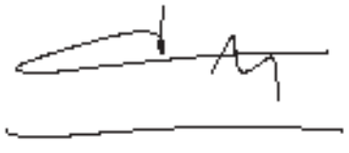
We have considerably strengthened our R&D base there. At the beginning of 2004, we signed an agreement for the upcoming take-over of Ancaron® (amiodarone) and now we have set up our own sales network, we have a direct presence on the Japanese market. The sales force will be strengthened as and when new compounds become available, starting with Plavix®, which was filed with the Japanese health authorities in February 2004.

### → Why launch a takeover bid for Aventis? What does this project mean?

This is an outstanding project for our industry, that fits perfectly into the strategy of the strong, sustainable and profitable growth that Sanofi-Synthélabo has been pursuing since it was founded. Over the past thirty years, we have achieved a development that encourages us to go even further.
To accomplish more, to do better and to go faster: that is the strategic and industrial basis of our project, one that would create a global leader in the pharmaceutical industry, with a strong base in Europe.

Our Board of Directors voted unanimously in favor of this undertaking, which is fully supported by our principal shareholders, Total and L'Oréal. I think that the joining together of Sanofi-Synthélabo and Aventis would be most positive for the shareholders and the employees of both companies. It is a unique opportunity for the two groups to do much better together, both in research and in bringing major innovative medicines to market.

**Jean-François Dehecq**
*Chairman and Chief Executive Officer*



** Including the agreement concluded with Organon on January 7, 2004, to acquire all of Organon interests relating to Arixtra®, idraparinux and other oligosaccharides.*

# Executive **Committee**

**Jean-François Dehecq**
Chairman and
Chief Executive Officer

**Gérard Le Fur**
Senior Executive Vice President
Executive Vice President
Scientific Affairs

**Hanspeter Spek**
Executive Vice President
Operations

**Pierre Lepienne**
Executive Vice President
Corporate Affairs

**Jean-Pierre Kerjouan**
Senior Vice President
Advisor to the Chairman *(as of January 2, 2004)*

**Laurent Cohen-Tanugi**
Senior Vice President
General Counsel
*(as of January 2, 2004)*

**Nicole Cranois**
Senior Vice President
Corporate Communications

*Jean-François Dehecq*

*Gérard Le Fur*

*Hanspeter Spek*

*Pierre Lepienne*

*Jean-Pierre Kerjouan*

*Laurent Cohen-Tanugi*

*Nicole Cranois*

**Jean-Claude Leroy**
Senior Vice President
Strategy

**Jean-Claude Armbruster**
Senior Vice President
Corporate Human Resources

**Marie-Hélène Laimay**
Senior Vice President
Chief Financial Officer

**Gilles Lhernould**
Senior Vice President
Industrial Affairs

**Christian Lajoux**
Senior Vice President
Europe

**Gordon Proctor**
Senior Vice President
Intercontinental

**Timothy Rothwell**
Senior Vice President
President North America
Chief Executive Officer, Sanofi-Synthelabo, Inc.


*Jean-Claude Leroy*


*Jean-Claude Armbruster*

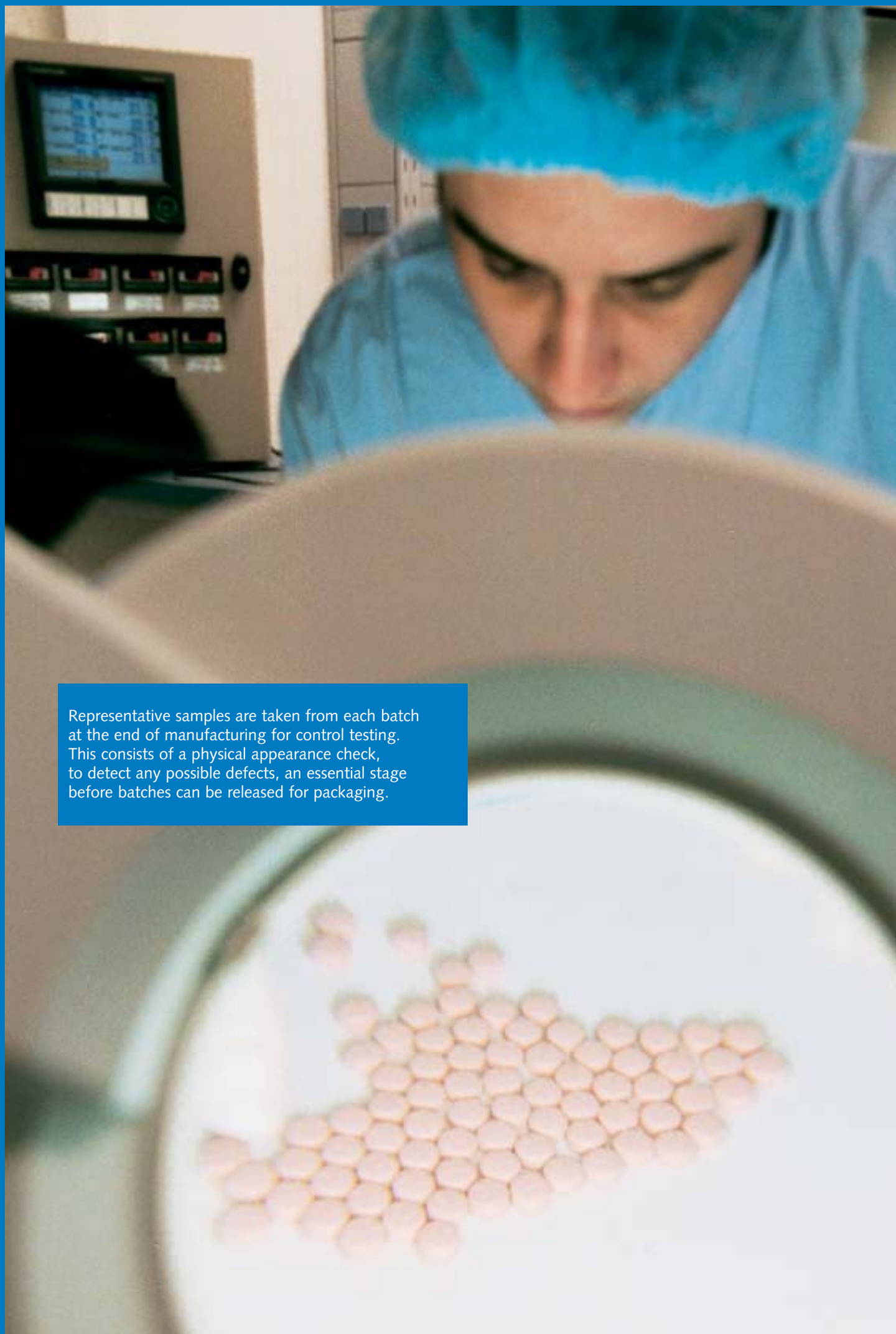

*Marie-Hélène Laimay*


*Gilles Lhernould*


*Christian Lajoux*


*Gordon Proctor*


*Timothy Rothwell*



Representative samples are taken from each batch at the end of manufacturing for control testing. This consists of a physical appearance check, to detect any possible defects, an essential stage before batches can be released for packaging.

# Sanofi-Synthélabo and its **shareholders**

sanofi~synthelabo

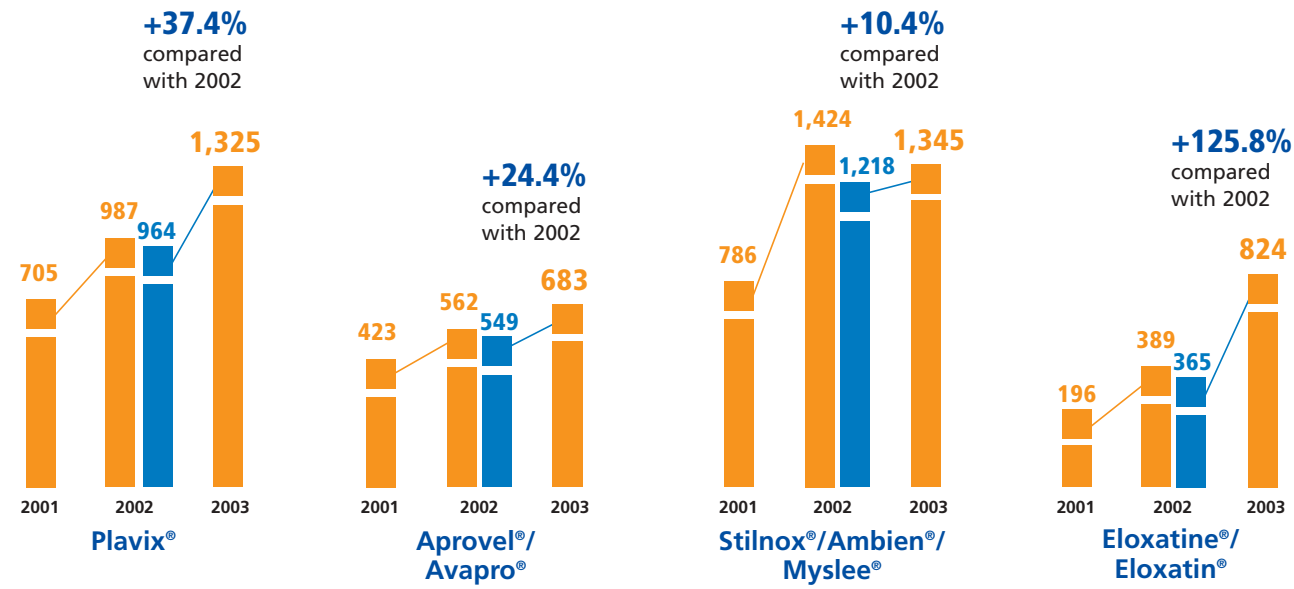
Because health matters

# **Key** figures 2003

## Another year of double-digit growth in sales and earnings

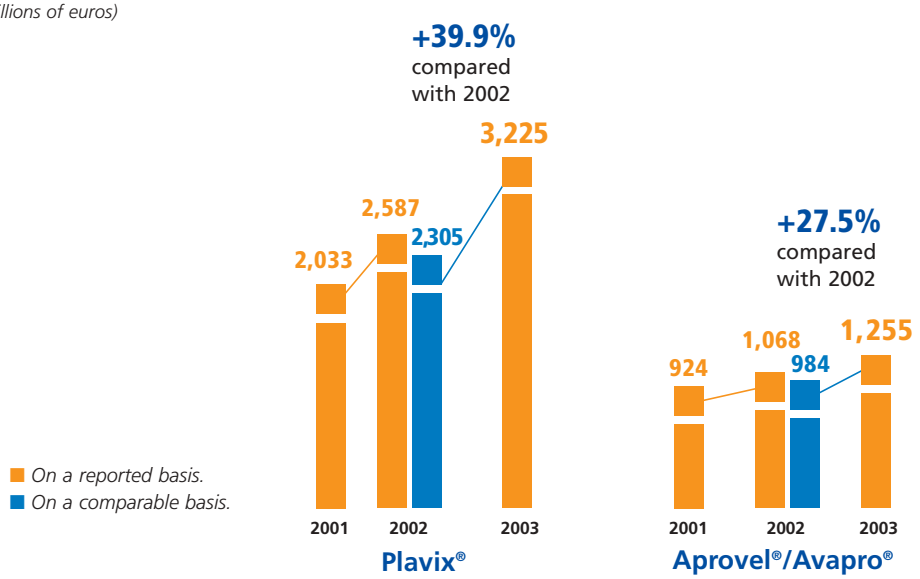
### Consolidated sales of flagship products

*(in millions of euros)*

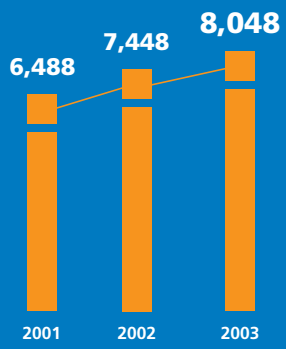



### Developed sales [2] of Plavix® and Aprovel®/Avapro®

*(in millions of euros)*



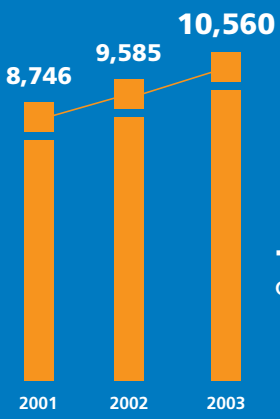
# Excellent performance once again for Sanofi-Synthélabo in 2003.




**+15.6%**
on a comparable basis [1]
**+8.1%**
on a reported basis.

## Consolidated sales [3]

*(in millions of euros)*



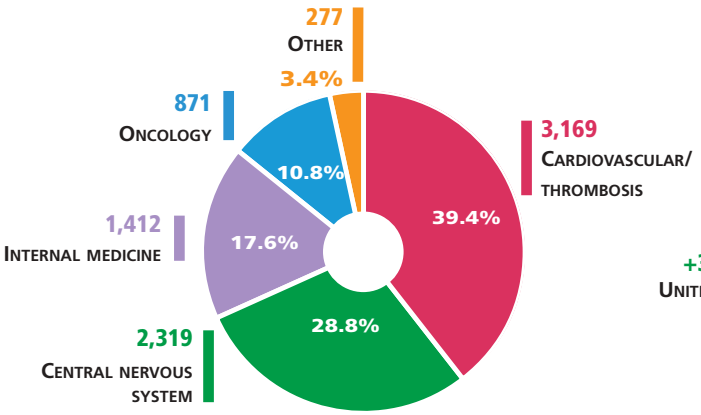

**+20.4%**
on a comparable basis [1]

## Developed sales [2] [3]

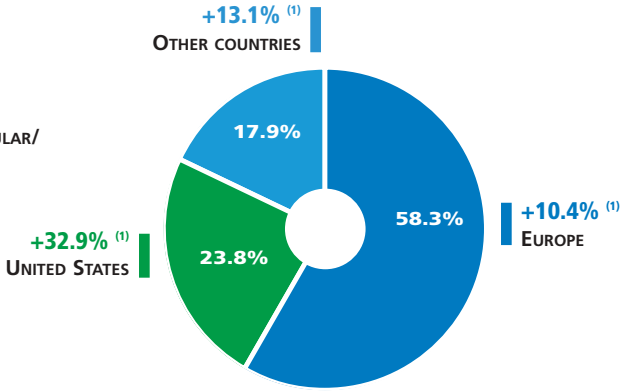
*(in millions of euros)*

## 2003 consolidated sales by therapeutic area

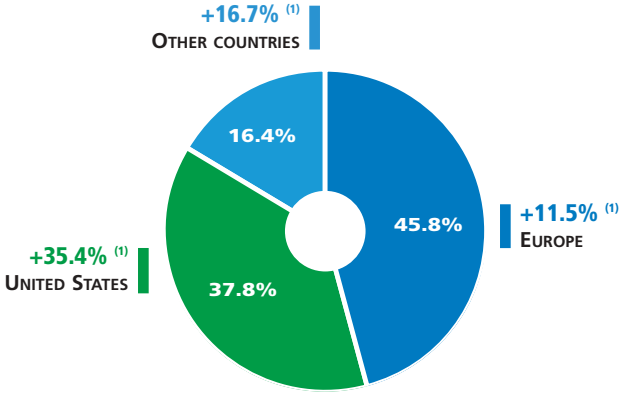
*(in millions of euros)*




## 2003 consolidated sales by geographic area




## 2003 developed sales [2] by geographic area




*(1) Growth at constant group structure and exchange rates.*

*(2) Developed sales include Sanofi-Synthélabo consolidated sales, excluding sales of products to our alliance partners, but including those that are made through our alliances and which are not included in our consolidated sales, with Bristol-Myers Squibb on Plavix®/Iscover® (clopidogrel) and Aprovel®/Avapro®/Karvea® (irbesartan), with Fujisawa on Stilnox®/Myslee® (zolpidem), with Pharmacia on Ambien® (zolpidem) for 2001 figures and with Organon on Arixtra® (fondaparinux). Our alliance partners provide us with information regarding their sales in order to allow us to calculate developed sales.*

*(3) On a reported basis.*

## **Key** figures

Operating profit ratio advanced by **3.1** percentage points to **38.2%** of sales, with the Group increasing its R&D and commercial expenses.

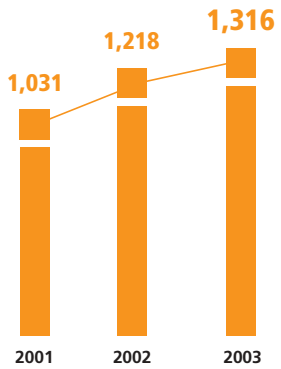
Earnings per share (EPS)* was **2.94** euros, an increase of **21.5%.**

** Before exceptional items and goodwill amortization.*

# Resources

### Research and Development expenses

*(in millions of euros)*



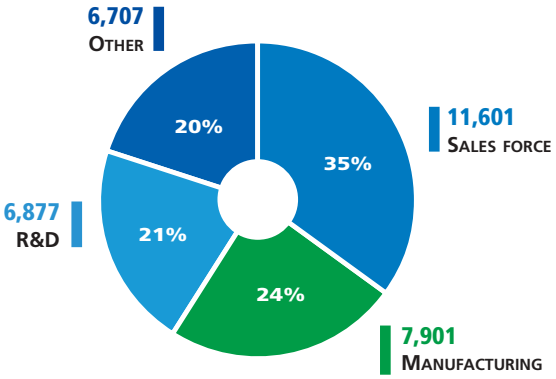

**16.4%** of sales

**+8%** compared with 2002
*(+14.7% at 2002 exchange rates)*

## **33,086** employees in 2003

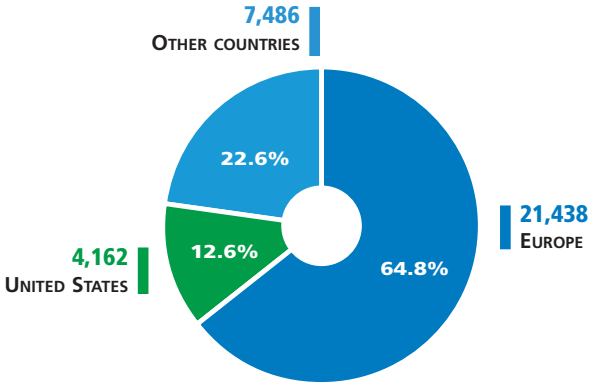
### Employees by activity

*(at December 31, 2003)*




### Employees by geographic area

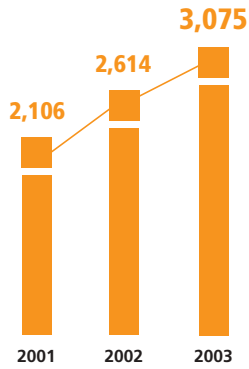
*(at December 31, 2003)*



# Earnings

## Operating profit

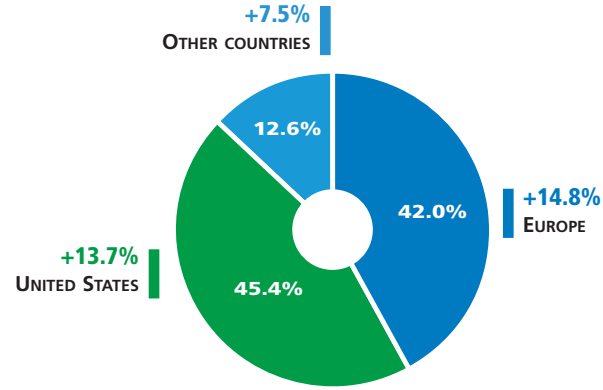
*(in millions of euros)*




**+17.6%**
compared
with 2002

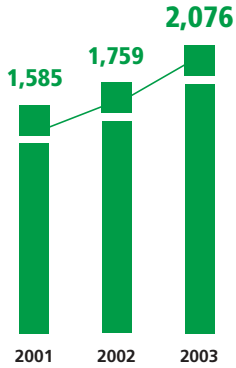
## 2003 operating profit by geographic area

*(excluding unallocated costs: 1,385 million euros)*




## Net income

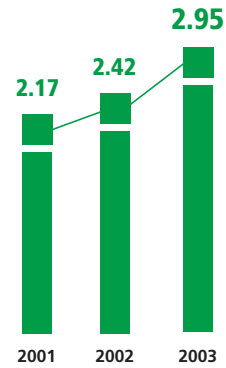
*(in millions of euros)*




**+18.0%**
compared
with 2002
*(+31.6% at 2002 exchange rates)*

## EPS

*(in euros)*

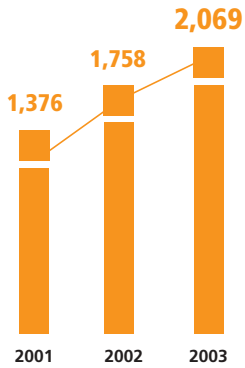



**+21.9%**
compared
with 2002
*(+36.0% at 2002 exchange rates)*

## Net income

before exceptional items and goodwill amortization

*(in millions of euros)*

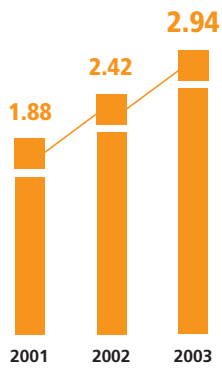



**+17.7%**
compared
with 2002

## EPS

before exceptional items and goodwill amortization

*(in euros)*




**+21.5%**
compared
with 2002
*(+35.5% at 2002 exchange rates)*

# Sanofi-Synthélabo
# **Stock Exchange Information**

## Highlights in 2003

- Despite strong volatility in the financial markets and an unfavorable environment for pharmaceutical companies, characterized by competition from generics and healthcare cost containment measures, the price of Sanofi-Synthélabo shares held firm in 2003.

- Since December 1, 2003, the CAC 40 index has been weighted by free float [3] rather than total capitalization. This change increased the weighting of Sanofi-Synthélabo in the index from 3.22% to 4.48%, attracting greater interest in the shares from managers of CAC 40 tracker funds.

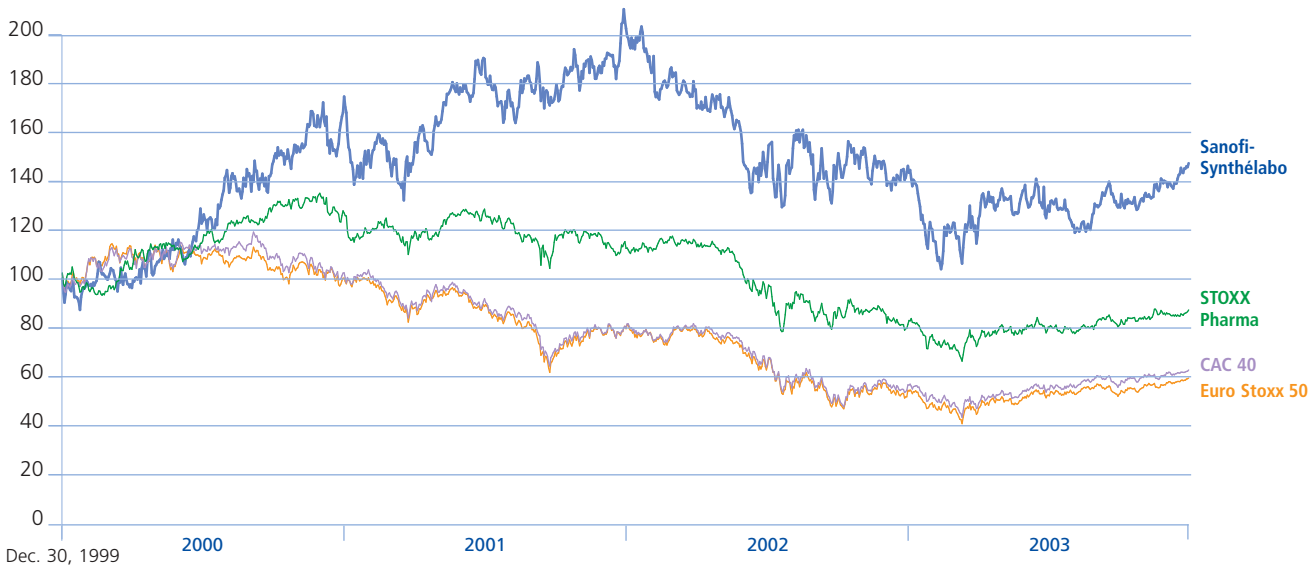
- On November 28, 2003, Total and L'Oréal announced that they would not renew the shareholders' agreement, originally signed for a six-year term on December 2, 1998 and due to expire on December 2, 2004.

*(1) Before exceptional items and goodwill amortization.*
*(2) Based on the dividend proposed to the General Meeting of May 24, 2004.*
*(3) Free float represents a company's issued capital less shares held directly or indirectly by companies in the same group, shares held directly by the founders and/or the State and controlling groups of shareholders, and shares linked by a shareholders' agreement.*

## Trend in share price

**Sanofi-Synthélabo on the Euronext Paris Premier Marché**
*Base 100 as of December 30, 1999*

*Despite underperforming the CAC 40 index in 2003, Sanofi-Synthélabo shares have advanced by 44% over the last four years, compared with a 40% decline in the CAC 40 over the same period.*



## Sanofi-Synthélabo rewards its shareholders through steady earnings growth.

- In 4 years, earnings per share [1] has risen 3.5 times, and the payout ratio has been maintained at around 35% [2].
- Over the same period, Sanofi-Synthélabo shares have risen by **44%**, compared with a 40% decline for the CAC 40 index.
- As a result, Sanofi-Synthélabo has advanced from 15th to 6th place in the CAC 40 by market capitalization.

### Indices

**Sanofi-Synthélabo shares are included in the following benchmark indices:**

- French pan-sector index **CAC 40**
- European pan-sector indices **Dow Jones Euro Stoxx 50, FTS Eurofirst 100, FTS Eurofirst 80**
- European pharmaceutical index **Dow Jones Stoxx Pharma**
- American pan-sector indices **NYSE International 100, NYSE World Leaders**
- Sustainable indices **FTSE 4 Good, ASPI Eurozone, ESI**

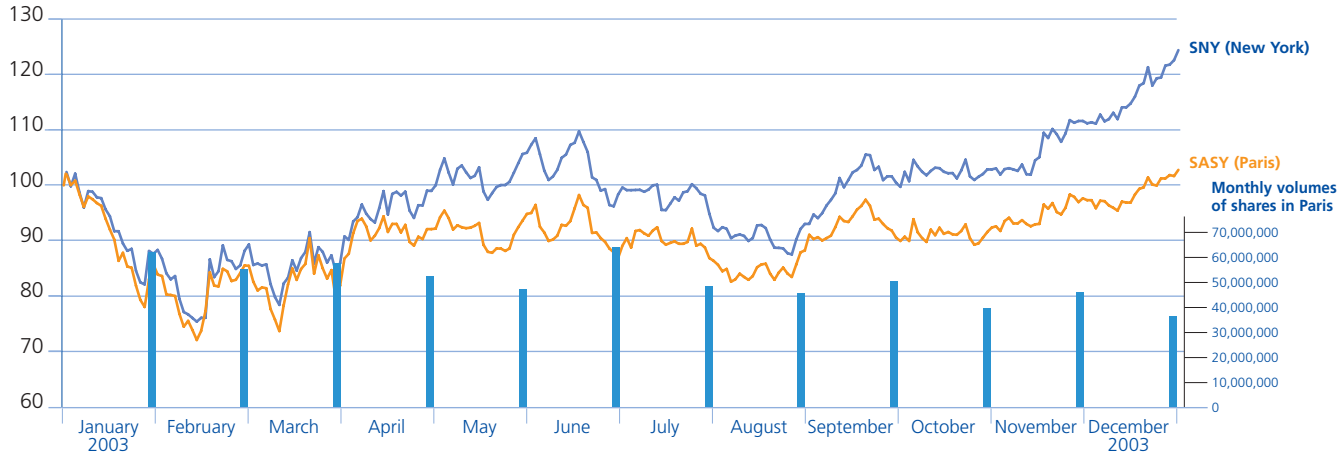
### Share Particulars

- Par value of share: **2 euros**
- Traded on **Euronext Paris Premier Marché (code SAN) New York Stock Exchange (Ticker SNY)**
- ISIN Code **FR0000120578**
- Trading **– continuous, eligible for the SRD deferred settlement service in Paris and for PEA share savings schemes; – continuous in New York**

### Sanofi-Synthélabo on the Euronext Paris Premier Marché and on the New York Stock Exchange in 2003

*Base 100, as of December 31, 2002*

*The price of ADRs on the NYSE was boosted in 2003 by the impact of movements in the dollar/euro exchange rate. This explains why the ADRs outperformed the shares listed in Paris.*



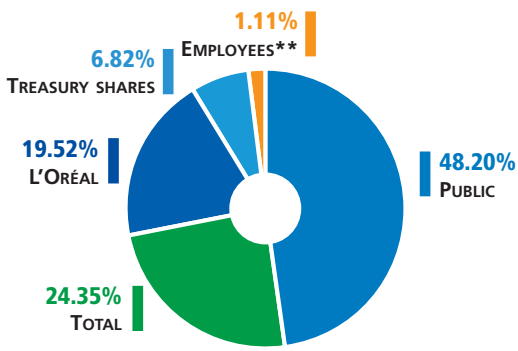
# Sanofi-Synthélabo **Stock Exchange Information**

## Share ownership

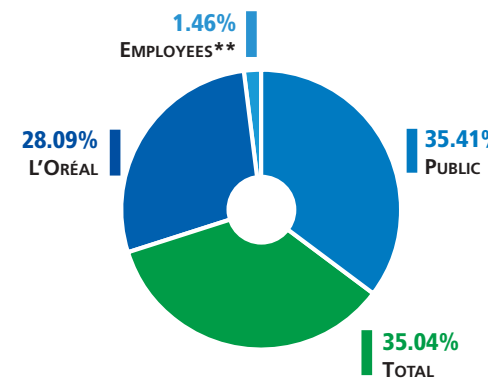
- As of December 31, 2003, Sanofi-Synthélabo's share capital amounted to **1,465,696,144 euros**, divided into **732,848,072** shares, with a par value of 2 euros.

- As of December 31, 2003, Sanofi-Synthélabo owned **50** million of its own shares, accounting for 6.82% of capital, 36.6 million of which (4.99% of capital) were acquired in the light of market conditions, in accordance with the authorizations granted at the Annual General Meetings held on May 22, 2002 and May 19, 2003, and 13.2 million of which (1.80% of capital) is intended for share buy-back programs.

### Sanofi-Synthélabo Share Ownership, as of December 31, 2003




**Shares** *(in %)*




**Voting rights*** *(in %)*

*On November 28, 2003, Total and L'Oréal announced that they would not renew the shareholders' agreement, originally signed for a six-year term on December 2, 1998 and due to expire on December 2, 2004.*

** Based on total number of voting rights at December 31, 2003, or 1,018,624,332 voting rights.*

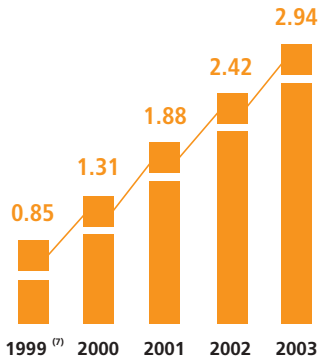
*** Shares held through Sanofi-Synthélabo's company share savings plan mutual fund.*

## Shareholder information at a glance

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|
| **Number of shares as of December 31*** | **731,143,218** | **731,441,746** | **732,005,084** | **732,367,507** | **732,848,072** |
| Share price in euros | | | | | |
| High | 46.35** | 71.00 | 86.50 | 84.30 | 60.00 |
| Low | 34.72** | 34.70 | 52.60 | 49.78 | 41.50 |
| Latest | 41.34 | 71.00 | 83.80 | 58.25 | 59.70 |
| **Market capitalization as of December 31** *(in millions of euros)* | **30,225** | **51,932** | **61,342** | **42,660** | **43,751** |
| Ranking in CAC 40 by market capitalization | 15 | 8 | 4 | 3 | 6 |

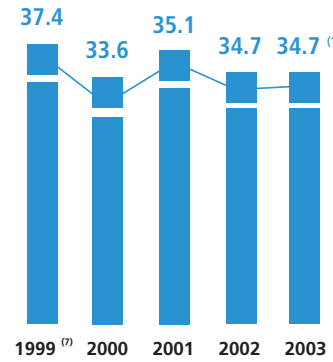
** On the basis of shares issued.*
*** From May 25, 1999.*

*As of December 31, 2003, there were 10.4 million ADRs outstanding (1 ADR represents 1/2 a Sanofi-Synthélabo share).*

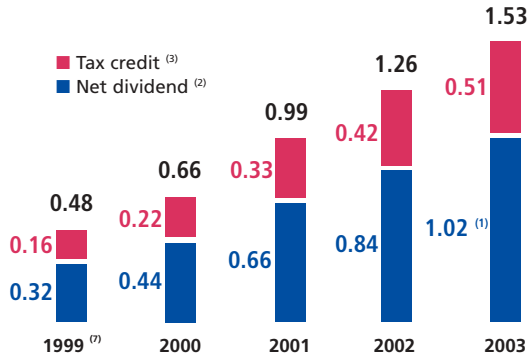



## Earnings per share [6]

*(in euros)*

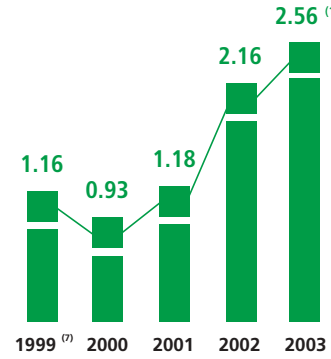



## Net income payout ratio [6] *(in %)*




## Net dividend per share [4]

*(in euros)*




## Total rate of return [5]

*(in %)*

*(1) Based on the dividend to be proposed at the Annual General Meeting on May 24, 2004. This dividend will be paid on June 3, 2004. However, if it appears unlikely that the offer for Aventis's shares will be closed before this date, the Board of Directors will arrange for an interim dividend of 0.97 euro per share to be paid, with the balance to be paid after the offer is closed.*

*(2) In accordance with ordinary law, coupons detached from the company's shares become time-barred five years from the date they fall due for payment. Dividends invalidated by the five-year rule are forfeited to the State.*

*(3) For individual shareholders, 50% of the net dividend. For corporate shareholders, the tax credit rate has been progressively reduced in the last four years. It amounted to 40% in 1999, 25% in 2000, 15% in 2001, 10% in 2002 and will be 10% in 2003.*

*(4) Representing the sum of the net dividend and the tax credit in the case of individual shareholders.*

*(5) Based on a tax credit of 50% and on the most recent share price (Euronext Paris).*

*(6) Before exceptional items and goodwill amortization.*

*(7) Pro-forma figures.*

# Outlook for 2004

When the Group's results for year 2003 were published, Chairman and Chief Executive Officer Jean-François Dehecq stated:

"Barring major adverse events and based on the current Group structure*, Sanofi-Synthélabo expects in 2004:

- a similar level of consolidated sales growth, on a comparable basis, to that achieved in 2003,
- at an exchange rate of 1 euro per 1.25 dollar, an increase in earnings per share of around 15%, before exceptional items and goodwill amortization, accompanied with an acceleration in R&D expenses". He also specified that the sensitivity of this growth rate is 1.2% for a 3 cents change in the euro/dollar exchange rate.

** Including the January 7th agreement with Organon to acquire all of Organon interests relating to Arixtra®, idraparinux and other oligosaccharides.*

Information on the company's prospects is based on estimates regarded as reasonable by the company as of the date of publication. The realisation of these estimates is subject to market risks and uncertainties, and may be significantly affected by a number of factors, described in the present reference document, registered with the French Autorité des marchés financiers (AMF - French Stock Market Authority) and in the Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission, which include: the success of research and development programs, the company's ability to defend its intellectual property rights, the intensity of competition, governmental restrictions or the occurrence of litigation. Sanofi-Synthélabo does not undertake any obligation to publish updates or adjustments to its forecasts.
Investors and holders of securities issued by the company may obtain free copies of documents filed by Sanofi-Synthélabo with the AMF at www.amf-france.org and the Annual Report on Form "20-F" and all other documents filed with the Securities and Exchange Commission in the U.S. at www.sec.gov, or directly from Sanofi-Synthélabo at www.sanofi-synthelabo.com

# **Corporate** Governance

In 2003, Sanofi-Synthélabo took into consideration changes in French and American standards where corporate governance is concerned (Bouton Report, the Sarbanes Oxley Act, the Financial Security Law) and continued to set up the appropriate systems in accordance with these standards.

## Key Events in 2003

- A new independent Director, Gérard Van Kemmel, was appointed by the Annual General Meeting of Shareholders on May 19, 2003,
- The Board of Directors updated its code, which set out:
  - the responsibilities of the Directors,
  - the purpose and working procedures specific to the Board of Directors,
  - the duties and working procedures specific to the Committees, including the Audit Committee, the Compensation and Appointments Committee, and the Scientific Committee,
- The role of the Committees was expanded,
- A Code of Ethics was drawn up, setting out the rules of conduct to be respected by all Group employees,
- A Disclosure Controls and Procedures Committee was established. It is composed of members of the Executive Committee and senior management, and it is responsible for evaluating and approving all of the main information documents intended for shareholders and the public (French and US versions of the Annual Reports, press releases) and to assess the disclosure controls and procedures used in producing them,
- A Financial Code of Ethics has been issued and applies to the Chairman and Chief Executive Officer and main financial executives.

## Board of Directors

As of December 31, 2003, the Board of Directors is composed of 13 members:

- the Chairman and Chief Executive Officer,
- four Directors nominated by Total SA and four Directors nominated by L'Oréal (principal shareholders),
- four independent Directors.

Directors are appointed for a five-year period. Their terms are renewed on a rotating basis. The number of Directors above the age of 70 cannot exceed one-third of the current Directors.

For the position of Chairman or Chief Executive Officer, the age limit is 68.

Regulations require that each Director personally hold at least one share in the Company during his term.

As of December 31, 2003, individual Board members held a total of 290,145 shares.

# Board of Directors

## Directors

**René Barbier de la Serre,** aged 63
*Director* from May 1999 to 2004*
- Director of Crédit Lyonnais and Schneider Electric
- Member of the Supervisory Board of Compagnie Financière Saint Honoré and Pinault-Printemps-Redoute

**Robert Castaigne,** aged 57
*Director from February 2000 to 2004*
- Chief Financial Officer, Total SA
- Chairman and Chief Executive Officer, Total Chimie and Total Nucléaire
- Director of Atofina, Compagnie Générale de Géophysique and Elf Aquitaine

**Pierre Castres Saint Martin,** aged 68
*Director from May 1999 to 2004*
- Chairman of the Supervisory Board of Marc de Lacharrière Group
- Chairman of "Le portefeuille diversifié" (mutual fund)
- Director of Fimalac and SEB

**Jean-François Dehecq,** aged 64
*Director from May 1999 to 2004*
- Chairman and Chief Executive Officer, Sanofi-Synthélabo
- Director of Air France

**Thierry Desmarest,** aged 58
*Director from February 2000 to 2004*
- Chairman and Chief Executive Officer, Total SA and Elf Aquitaine
- Member of the Supervisory Board of AREVA and L'Air Liquide

**Lord Douro,** aged 58
*Director* from May 2002 to 2007*
- Director of Pernod Ricard
- Chairman of Richemont Holdings UK (United Kingdom)
- Chairman of Framlington Group (United Kingdom)

**Elf Aquitaine**
*Director from May 1999 to 2004*
- Represented by **Jean-Paul Léon,** aged 66

**Pierre-Gilles de Gennes,** aged 71
Nobel Prize in Physics (1991)
*Director* from May 1999 to 2004*
- Member of the Supervisory Board of L'Air Liquide
- Director of Rhodia

**Hervé Guérin,** aged 62
*Director from May 1999 to 2004*

**L'Oréal**
*Director from May 1999 to 2004*
- Represented by **Michel Somnolet**, aged 64, to November 15, 2003
- Director of Eramet
- Represented by **Christian Mulliez**, aged 43, from November 15, 2003
- Chairman of the Board of Directors of Régéfi

**Lindsay Owen-Jones,** aged 58
*Director from May 1999 to 2004*
- Chairman and Chief Executive Officer, L'Oréal
- Director of BNP PARIBAS and Gesparal
- Vice-President and Member of the Supervisory Board of L'Air Liquide

**Gérard Van Kemmel,** aged 64
*Director* from May 2003 to 2008*
- President of NOVELL for Europe, the Middle East and Africa

**Bruno Weymuller,** aged 55
*Director from May 1999 to 2004*
- Executive Vice-President of Strategy and Risk Assessment, Total SA
- Director of Elf Aquitaine

## Observers

participating in the meetings of the Board with a consultative role
- **Régis Dufour**
- **René Sautier**

*The terms and duties fulfilled by the Members of the Board of Directors and the Senior Executive Vice President in France and abroad, whatever the company, during fiscal year 2003, are detailed in the management report (page 20 of Financial Report).*

** Independent Director.*

## Activity of the Board of Directors in 2003

In 2003, the Board of Directors met four times, with an overall attendance rate for members of 90%.

The meeting agendas principally focused on the following points:

- **February 17, 2003**
  - review and approval of consolidated and parent company financial statements for 2002,
  - allocation of profits,
  - share buy-back program,
  - proposal to appoint a new Director: Gérard Van Kemmel,
  - proposal to modify by-laws regarding the age limit for the Chairman and Chief Executive Officer,
  - notice to the Annual General Meeting:
    - Board of Directors' Report,
    - Draft resolutions,
  - definition of Directors' fees,
  - powers granted to the Chairman and Chief Executive Officer and Senior Executive Vice President,
  - draft press release on 2002 results.

- **May 19, 2003**
  - financial statements reconciliation of French GAAP with US GAAP,
  - delegation to the Chairman and Chief Executive Officer to operate on Company shares,
  - update on share buy-back,
  - corporate governance:
    - Directors' code,
    - Proposal of appointment of Gérard Van Kemmel, independent Director, to the Audit Committee, as financial expert.

- **September 1, 2003**
  - review of financial statements for the first half of 2003,
  - company's operations.

- **December 10, 2003**
  - forecasted closing 2003 – budget 2004
  - Scientific Committee report,
  - Audit Committee report on the implementation of the Financial Security Law and audit missions,
  - Compensation and Appointments Committee Report:
    - Compensation of Chairman and Chief Executive Officer and Senior Executive Vice President,
    - 2003 Stock Option Plan,
    - Procedures for defining Directors' Fees, fiscal year 2003.

** Independent Director.*

## Compensation of Directors

The compensation paid to Board Members in 2003 consisted exclusively of attendance fees [(1)]: the attendance fees paid to each Board Member in 2003 which were allocated to them in the financial year 2002 amounted to 456,250 euros. The attendance fees paid to each Board Member in 2003 are detailed in the Management Report (Financial Report 2003 - page 12).

Attendance fees allocated to Board Members for the financial year 2003 amounted to 491,250 euros.

## Specialist Committees

The Board of Sanofi-Synthélabo has set up specialist committees entrusted with assisting the Board in its discussions and decisions. Their members are chosen from among the Directors and appointed by the Board.

### Audit Committee

- **As of December 31, 2003** the Committee was composed of:
  - René Barbier de la Serre*, President
  - Lord Douro*
  - Christian Mulliez
  - Gérard Van Kemmel*
  - Bruno Weymuller

The number of Directors on the Audit Committee has risen from three to five: three of the five Directors are independent Directors, and one of these is a qualified independent financial expert, as defined in the Sarbanes Oxley Act.

*(1) Except for compensation of the Chairman and Chief Executive Officer, detailed on page 29.*

- **The Audit Committee, which is responsible for ongoing evaluation of the existence and effectiveness of the Company's financial control and risk control procedures, must specifically examine:**
  - scope of consolidation,
  - annual and half-year consolidated and parent company financial statements,
  - control procedures,
  - internal audit programs and actions,
  - appropriateness of accounting options taken,
  - significant risks and off-balance sheet commitments,
  - any issue likely to have a significant impact on Company finances or accounts,
  - annual report of significant litigation.

The Committee may visit or interview individuals responsible for our operations or in the preparations of our financial statements. It may interview statutory auditors outside of the presence of management. It may consult with external experts.
It directs the procedures for selecting the statutory auditors before each re-appointment. It monitors fees paid to them as well as compliance with the rules ensuring their independance.

The Audit Committee met four times during 2003.

The meeting agendas principally focused on the following points:

- **February 14, 2003**
  - consolidated financial statements,
  - update on specific topics:
    - off-balance sheet commitments,
    - reserves for risks and costs,
    - management of currency risk,
    - share buy-back program,
    - 2002 audit fees,
  - parent company financial statements,
  - proposed dividend.

- **May 21, 2003**
  - presentation of internal audit activity for 2003,
  - risk management and impact of new regulations (Sarbanes Oxley Act - sections 404 and 406 - and French Financial Security Law art. 117).

- **August 28, 2003**
  - presentation of consolidated financial statements for the first half of the year,
  - Internal Control Project, pursuant to the Sarbanes Oxley Act (SOA section 404).

- **December 9, 2003**
  - pensions and other social benefits,
  - progress report on Internal Control Project (SOA 404 and LSF 117),
  - presentation of internal audit: summary of 2003 missions and 2004 Audit Plan,
  - auditors' duties.

## Compensation and Appointments Committee

- **As of December 31, 2003,** the Committee was composed of:
  - René Barbier de la Serre*, President
  - Thierry Desmarest
  - Lindsay Owen-Jones

- **The Compensation and Appointments Committee is responsible for:**
  - issuing recommendations and proposals regarding various matters pertaining to compensation, retirement and pension benefits for all corporate officers; establishing, in particular, the rules by which their variable compensation shall be determined; setting forth a general stock option (purchase or subscription) policy,
  - reviewing the allocation of attendance fees between Directors and, where appropriate, observers,
  - helping the Board select new Directors,
  - preparing the future composition of management bodies,
  - advising the Chairman and Chief Executive Officer regarding the selection of key senior managers and determination of their compensation.

The Compensation and Appointments Committee met twice in 2003.

** Independent Director.*

The meeting agendas principally focused on the following points:

- **February 17, 2003**
  - attendance fees,
  - corporate governance,
  - possible modifications of the by-laws regarding the age limit of corporate officers ("mandataires sociaux"),
  - powers granted to the Chairman and Chief Executive Officer and Senior Executive Vice President.

- **December 10, 2003**
  - proposed compensation level for the Chairman and Chief Executive Officer and the Senior Executive Vice President – review of compensation level for principal senior executives,
  - proposed allocation of stock options under 2003 plan,
  - procedures of allocation of attendance fees between Directors and observers in year 2003,
  - composition of the Board of Directors and Committees.

## Scientific Committee

- **As of December 31, 2003,** the Scientific Committee was composed of:
  - Pierre-Gilles de Gennes*, President,
  - Jean-François Dehecq.

- **The Scientific Committee is in charge of:**
  - informing the Board of technological developments likely to have an impact on the Company's future operations;
  - providing its opinion on Research and Development orientations;
  - offering its assistance in finding solutions to any technical problems the Company should face.

The Scientific Committee met on November 25, 2003 and considered all of the Group's Research and Development programs.

## DIRECTORS' CODE

Sanofi-Synthélabo has drawn up a code for directors, specifying the responsibilities of the Directors, and the composition, duties and working procedures of the Board and the Committees.

### 1 – Board of Directors

- The Board of Directors sets out the list of Directors considered independent; there must be at least four such members.
- The Board requires that, above and beyond the requirements set out in the by-laws, each Director owns at least 500 shares.
- When taking part in a Board Meeting and exercising his voting rights, the Director represents all shareholders and acts in the Company's corporate interest.
- In preparation for all Board and Committee meetings in which they take part, all Directors must devote the full time required to review the documents that have been sent to them. They receive all of the information necessary to fulfill their duties and can request any documents they see as useful. Unless they inform the Chairman otherwise, they shall take part in all Board meetings, all meetings of the Committees to which they belong, and all Shareholders' Meetings.
- Directors must inform the Board of any situation in which a conflict of interest – even potential – arises, and may not personally become involved with companies that compete with the Group, unless they have informed the Board beforehand and received its approval.
- Any Director who holds insider information must, as long as the information has not been made public, refrain from directly or indirectly carrying out transactions on the Company's financial instruments.
- The Board of Directors determines the directions in which the Company's operations need to move and ensures that these are upheld.
  In that capacity:
  – the Board deliberates over Sanofi-Synthélabo's strategy, as set forth by the Chairman and Chief Executive Officer, and on the undertakings that result from it, as well as, more generally speaking, on any significant transaction involving major investments or disinvestments in particular,
  – it appoints the senior executives in charge of managing the company and overseeing its activities,
  – it ensures that quality information is provided to the shareholders.
- Once a year, the Board must include on its agenda debate about its operating procedures.

### 2 – Committees

- Committee membership and duties are listed above.
- Each Committee makes decisions on the basis of a majority vote. Should there be an equal number of votes for each option, the President of the Committee shall have the deciding vote.

* *Independent Director.*

## Compensation of Executive Committee members and attribution of stock options

The compensation of the Chairman and Chief Executive Officer, the Senior Executive Vice President and other members of the Executive Committee is set after taking into consideration the practices of the leading industrial companies in France and Europe, and the opinion of the Compensation and Appointments Committee.
In addition to base compensation, Executive Committee members receive variable compensation, which is determined by the actual performance and growth of the business areas for which the manager concerned has responsibility.

This variable compensation may reach over half the base compensation. Stock options may be granted in addition to compensation.
The total compensation paid to the thirteen members of the Sanofi-Synthélabo Executive Committee, including the Chairman and Chief Executive and the Senior Executive Vice President in fiscal year 2003 amounted to 8.8 million euros.
The chart below details compensation paid out in 2003 to the Chairman and Chief Executive Officer and the Senior Executive Vice President.

| | Compensation paid in 2003 | | | Compensation paid in 2002 | | |
|---|---|---|---|---|---|---|
| (In millions of euros) | Total | Base compensation | Variable compensation | Total | Base compensation | Variable compensation |
| Jean-François Dehecq | 2.10 | 1 | 1.10 | 1.9 | 0.9 | 1 |
| Gérard Le Fur | 1.35 | 0.75 | 0.6 | 1.3 | 0.64 | 0.68 |

On December 10, 2003, Sanofi-Synthélabo Board of Directors granted 4,217,700 subscription options to 1,349 beneficiaries, at 55.74 euros per share.
These beneficiaries included the thirteen members of the Sanofi-Synthélabo's Executive Committee as of December 31, 2003, who received a total of 604,000 options, 150,000 of which went to the Chairman and Chief Executive Officer, and 90,000 of which went to the Senior Executive Vice President. Each option entitles the holder to purchase one share. The options are vested starting on December 11, 2007. As of December 31, 2003, the members of the Executive Committee held 2,357,600 options to purchase or to subscribe for shares, including 680,000 for the Chairman and Chief Executive Officer and 377,000 for the Senior Executive Vice President (see Summary Chart, below).
Additional information about the option plans to purchase or to subscribe for shares in line with the regulations set out by the *Autorité des marchés financiers* (AMF - French Stock Market Authority) is provided in the "Additional Information" chapter of the 2003 Financial Report-section "Corporate Governance (additional information) - Stock Options", page 135.

## Current options to purchase or to subscribe for shares*

### Options granted

| Date of plan or plans | 1993 | 1994 | 1995 | 1996 (1) | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 (1) | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Option granted | 364,000 | 330,200 | 442,000 | 1,492,800 | 1,382,080 | 1,496,400 | 716,040 | 4,292,000 | 2,936,500 | 3,111,850 | 4,217,700 | **20,781,570** |
| • of which Executive Committee | 0 | 0 | 104,000 | 158,000 | 236,000 | 247,200 | 36,400 | 472,000 | 431,000 | 423,000 | 604,000 | **2,711,600** |
| – Jean-François Dehecq | - | - | 0 | 44,000 | 60,000 | 80,000 | - | 160,000 | 145,000 | 145,000 | 150,000 | **784,000** |
| – Gérard Le Fur | - | - | 0 | 26,400 | 32,000 | 40,000 | - | 75,000 | 70,000 | 70,000 | 90,000 | **403,400** |
| Expiration date | 12/2013 | 10/2014 | 12/2015 | 09/2003 to 04/2016 | 09/2004 to 10/2017 | 12/2005 to 06/2018 | 03/2019 | 05/2010 | 05/2011 | 05/2012 | 12/2013 | |
| Purchase/subscription price (EUR) | 6.36 | 6.1 | 8.5 | 8.56 to 14.56 | 19.73 to 21.46 | 28.38 to 34.95 | 38.08 | 43.25 | 64.5 | 69.94 | 55.74 | |

### Options exercised in 2003

| Date of plan or plans | 1993 | 1994 | 1995 | 1996 (1) | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 (1) | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of options exercised in 2003 | 0 | 0 | 9,500 | 523,159 | 312,368 | 172,180 | 6,240 (2) | 8,000 (2) | NA | NA | NA | **1,031,447** |
| • of which Executive Committee | 0 | 0 | 0 | 46,400 | 48,000 | 0 | NA | NA | NA | NA | NA | **94,400** |
| – Jean-François Dehecq | - | - | 0 | 0 | 0 | - | NA | NA | NA | NA | NA | **0** |
| – Gérard Le Fur | - | - | - | 0 | 0 | - | NA | NA | NA | NA | NA | **0** |
| Number of options outstanding | 10,400 | 25,000 | 54,100 | 146,536 | 819,732 | 1,295,300 | 704,080 | 4,182,100 | 2,882,950 | 3,063,750 | 4,217,700 | **17,401,648 (3)** |
| • of which Executive Committee | 0 | 0 | 22,000 | 0 | 122,000 | 247,200 | 36,400 | 472,000 | 431,000 | 423,000 | 604,000 | **2,357,600** |
| – Jean-François Dehecq | - | - | - | - | 0 | 80,000 | - | 160,000 | 145,000 | 145,000 | 150,000 | **680,000** |
| – Gérard Le Fur | - | - | - | - | 32,000 | 40,000 | - | 75,000 | 70,000 | 70,000 | 90,000 | **377,000** |

** Plans for which options were exercised in 2003, including those closed during the year.*
*(1) In 1996 and in 2003, there was a subscription plan.*
*(2) Options exercised before the plan was opened, due to death.*
*(3) Including 4,217,700 subscription options and 13,183,948 purchase options.*

# Shareholder **Information**

Sanofi-Synthélabo believes in the need for transparent communication, and regularly provides comprehensive and easily-accessible information to individual and institutional shareholders, analysts and journalists.
Corporate Communications, based in Paris, has a network of communication managers in more than 40 countries.
The Investor Relations department, based in Paris, operates a branch in New York.

## Website www.sanofi-synthelabo.com

The Sanofi-Synthélabo website at **www.sanofi-synthelabo.com** contains all the information needed to understand and monitor Group activities: main research areas, progress reports on clinical trials, sales trends, etc.
A "Finance" section offers the full range of financial and stock market data needed by investors: share prices, capital, reports, etc.
All items are updated on a regular basis.
The Group's publications are available on-line, as are live and recorded webcasts concerning financial information.

From the "Finance" section it is also possible to:

- communicate directly with the Investor Relations department by e-mail,
- order the Group's financial publications.

## Group publications


*Letter to Shareholders.*

Sanofi-Synthélabo posts the following documents on its website (www.sanofi-synthelabo.com), and also makes them available on request:

- press releases,
- Annual Report, given out to shareholders attending the Annual General Meeting, which has "reference document" status with the *Autorité des marchés financiers* (AMF – French Stock Market Authority) for 2003,
- interim report,
- U.S. Form 20-F, filed with the Securities and Exchange Commission (SEC),
- presentations to financial analysts, institutional investors and journalists,
- Letters to Shareholders,
- financial calendar.

# Regular information meetings

Throughout the year, Sanofi-Synthélabo organizes a number of meetings with its shareholders and the financial community.

- The **Annual General Meeting** is the occasion when individual shareholders can learn more about the Group's strategy.
- The **information meetings** are held twice a year in Paris and London for analysts, investors and journalists. They enable Management to present the Group's latest news and comment on its strategy.
- The **meetings with international institutional investors** are a time for dealing in depth with the Group's operations and strategy.

## Financial communications calendar for 2004

**Thursday, January 22, 2004**
2003 sales

**Monday, February 16, 2004**
2003 earnings

**Thursday, April 22, 2004**
2004 first-quarter sales

**Monday, May 24, 2004**
Annual General Meeting of Shareholders

**Wednesday, July 21, 2004**
2004 first-half sales

**Tuesday, August 31, 2004**
2004 first-half earnings

**Thursday, October 21, 2004**
2004 9-month sales

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Microscopic examination of immunocytochemical studies in a neurology laboratory.

Checking tablets in a laboratory is obligatory before the batch can be released on to the market. These checks usually consist of tablet identification, a dissolution test, looking for impurities and measuring active ingredients, in accordance with Good Manufacturing Practice.

**innovative,**
dynamic,
**productive**
research and
development

sanofi~synthelabo

Because health matters

**6,800 R&D staff**

**16.4%** of sales invested in R&D

amounting to **1.3** billion euros in 2003

**56 compounds** under development, including **25 in the later stages of development**: Sanofi-Synthélabo's research portfolio is one of the most **productive** and **well balanced** in the pharmaceutical industry.

All compounds with strong therapeutic potential benefit from extensive **Life Cycle Management** programs to extend their clinical indications and develop growth.

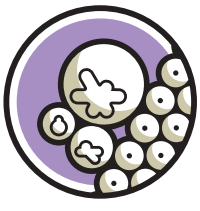
Sanofi-Synthélabo's **discovery research potential** is particularly significant where **central nervous system** diseases are concerned: Alzheimer's Disease, Parkinson's Disease, depression and schizophrenia.

Cardiovascular/thrombosis, the central nervous system, oncology and internal medicine: all of Sanofi-Synthélabo's main areas of expertise are also **major public healthcare challenges**.

## 2003
### new compounds on the horizon

- **7 new applications have been filed in the United States and Europe, whilst 6 indication extensions or new formulations were registered**
- **9 compounds in the final stages of development, including 3 with strong growth potential: rimonabant (treatment for obesity and smoking cessation), idraparinux (anti-coagulant) and dronedarone (anti-arrhythmia).**
- **7 more compounds have entered the pre-clinical development stage.**

# 56 compounds in development,

| | PRECLINICAL<br>Pharmacological and toxicological studies in animals | PHASE I<br>Tolerability studies in healthy volunteers |
|---|---|---|
|  CARDIOVASCULAR/ THROMBOSIS | SSR 126517<br>SSR 128428<br>SSR 128429 | SSR 182289<br>SL 65.0472 |
|  CENTRAL NERVOUS SYSTEM | SSR 125543<br>SSR 411298<br>SSR 180711<br>SSR 482073<br>SSR 240612<br>SSR 504734 | SSR 125047<br>SSR 180575<br>SSR 146977<br>SSR 181507<br>SSR 149415 |
|  ONCOLOGY | SSR 97225<br>SSR 244738<br>SSR 128129<br>SSR 250411 | SSR 125329<br>SR 271425<br>CEP 7055 |
|  INTERNAL MEDICINE | SSR 97193<br>SSR 162369<br>SSR 126768<br>SSR 240600<br>SSR 150106<br>SSR 241586<br>SSR 161421 | SR 147778 |
| | **20**<br>compounds | **11**<br>compounds |

# with 25 in Phases II and III

## PHASE IIa

Efficacy studies in patients

- SR 123781
- SSR 149744
- SSR 591813
- uvidem
- SR 140333
- pleconaril

**6** compounds

## PHASE IIb

Demonstration of clinical activity in a wider population, with determination of optimal dosage

- SR 121463 — Hyponatremia, Cirrhotic ascites
- SR 57667 — Alzheimer, Parkinson
- eplivanserine — Sleep disorders
- SL 65.0155 — Alzheimer
- osanetant — Schizophrenie
- SL 65.1498 — Anxiety, muscular contraction
- saredutant — Depression
- SR 31747 — Prostate cancer
- SR 48692 — Small-cell lung cancer
- saredutant — Irritable colon

**10** compounds

## PHASE III

Efficacy and tolerance tested and compared to a reference compound in a broad range of patients

- dronedarone — Atrial fibrillation
- idraparinux — Long-term treatment of deep vein thrombosis/pulmonary embolism and atrial fibrillation
- SR 58611 — Depression
- xaliproden — Alzheimer
- rimonabant — Smoking cessation
- zolpidem MR — Insomnia
- tirapazamine — Head and neck cancer
- fumagillin — Intestinal microsporidosis
- rimonabant — Obesity

**9** compounds

# Future prospects

## Submission in 2003

**Arixtra® (fondaparinux)**
Deep vein thrombosis/ pulmonary embolism/ curative treatment

**Aprovel® (irbesartan)**
Reduced mass tablet formulation (Europe/U.S.)

**Depakine chrono®**
Epilepsy and bipolar disorders (Europe)

**Eloxatin® (oxaliplatin)**
Colon cancer adjuvant (Europe/U.S.)
Advanced colorectal cancer: second-line (Europe), first-line (U.S.)

**Xatral OD® (alfuzosin)**
Adjuvant treatment in acute urinary retention (Europe)

## Approved/Launched/ Life Cycle Management (LCM)

**Arixtra® (fondaparinux)** Prevention of thrombo-embolic events after major orthopedic surgery; long-term prevention of venous thrombo-embolism after hip fracture surgery; prevention of thrombo-embolic events after high-risk surgery and in medical patients; vascular indications

**Aprovel® (irbesartan)** Type 2 diabetic nephropathy; reduced mass tablet formulation (U.S.); cardiac insufficiency

**Plavix® (clopidogrel)** Unstable angina; prevention in "at risk" patients; prevention of thrombotic events after MI, stroke and PAD

**Stilnox®/Ambien®/Myslee® (zolpidem)** Insomnia

**Depakine® (valproate)** Chronosphere
Bipolar disorders (Europe)

**Eloxatin® (oxaliplatin)** First and second-line metastatic colorectal cancer

**Fasturtec®/Elitek® (rasburicase)** Chemotherapy-associated hyperuricemia

**Xatral OD®/Uroxatral® (alfuzosin)** Benign prostatic hyperplasia; acute urinary retention (Europe)

# Portfolio highlights in 2003

**56** **compounds in development**

**25** **compounds in Phases II and III**

**31** **compounds in Preclinical and Phase I**

**7** **new products entered development**

*Oncology strengthened*

**SSR 411298** FAAH inhibitor ***Central nervous system***.
**SSR 504734** Glyt1 inhibitor ***Central nervous system***.
**SSR 97225** antimitotic agent ***Oncology***.
**SSR 244738** cell cycle blocker ***Oncology***.
**SSR 128129** bFGF antagonist ***Internal medicine and Oncology***.
**SSR 162369** DPP-IV inhibitor ***Internal medicine***.
**SSR 128428** factors IIa and Xa inhibitor in thromboembolic disease ***Cardiovascular/thrombosis***.

**2** **compounds in Phase I were discontinued**

SR 146131 and SSR 125180, CCK1 agonists ***Internal medicine***.

**7** **products moved into clinical Phase I/IIa**

**12** **products moved into advanced clinical Phase IIb/III/IIIb**

making for a total of 14 programs for 14 distinct indications

**Phase IIb studies underway**

**SR 31747** (peripheral sigma ligand), for prostate cancer.
**eplivanserin** (5HT2 antagonist), for sleep disorders.
**SR 57667** (neurotrophic agent), for Alzheimer's and Parkinson's Diseases.
**SL 65.0155** (partial 5HT4 agonist), for Alzheimer's Disease.
**osanetant** (antagonist NK3), for schizophrenia.

**Phase III studies started**

**xaliproden** (neurotrophic), for Alzheimer's Disease.
**SR 58611** (beta3 agonist), for depression.
**idraparinux** (Sanorg34006, specific inhibitor of coagulation factor Xa) for long-term treatment of deep vein thrombosis and pulmonary embolism, and for the prevention of thromboembolic complications related to atrial fibrillation.

**Indication extention programs**

**Aprovel®** (irbesartan) for atrial fibrillation and continuation of program in heart failure with preserved systolic function.
**Arixtra®** (fondaparinux sodium) for acute coronary syndrome.
**Plavix®** (clopidogrel) for prevention of thrombotic accidents in atrial fibrillation and pediatrics.
**Fasturtec®** (rasburicase) "post-marketing commitment" study in adults, in the U.S.

# **R&D** Organization

Sanofi-Synthélabo operates using a project-based organization throughout the compound development process, from the pre-clinical phase to the granting of new indications for already-marketed medicines.

## A project-based organization

This organization ensures the coherence and continuity of development, whilst encouraging **optimal** use of its resources with **reduced** development time.
It allows this expertise to be applied in all the areas required for marketing approval, from research to marketing. This project-based organization draws its strength from a strong central planning structure.
In **2003**, the Group's efforts were focused in particular on **reducing clinical development timeframes.**

## Focused partnerships

Through joint projects with biotechnology companies and other pharmaceutical companies, Sanofi-Synthélabo is able to access new technologies and methodologies, and expand or strengthen existing areas of research.

### In functional genomics

The joint project initiated in 1999 with **Genfit** (Lille, France) was continued in 2003. It includes such components as studying the use of original biological targets for the treatment of **atherosclerosis.**

### In molecular screening

The joint project, initiated 1997 with **CEREP** (Rueil-Malmaison, France), was extended. As part of the contract partnership, a number of chemical libraries will be combined, thus increasing the Group's **chemical potential;** these libraries will subsequently be screened against new biological targets of interest.
The discovery of novel lead compounds active on the selected targets has made it possible to implement a chemical optimization program.

### The search for new compounds in development programs

In this area, a number of agreements have been signed with the Japanese company **Mitsubishi-Pharma Corp**, the American company, Cephalon, and the French company Immuno-Design Compound (IDM).

- The research and development agreement signed with **Mitsubishi-Pharma Corp.** (Tokyo, Japan) in 1998, with the aim of identifying new neuroprotective agents for the treatment of **neurodegenerative diseases**, has been extended to the end of 2004.

- A research and development agreement was signed in December 2001 with **Cephalon** (West Chester, PA, U.S.), providing access to a new compound, CEP 7055, an **angiogenesis** inhibitor with the potential to become an anti-cancer agent, and also to a research program designed to identify new compounds acting through this mechanism.
  Sanofi-Synthélabo has agreed to co-promote with Cephalon in the U.S., Canada and Mexico all compounds successfully developed within the framework of this agreement.
  Sanofi-Synthélabo has exclusive marketing rights for these products in Europe and other countries, except Japan. Sanofi-Synthélabo shares development costs with Cephalon and will pay royalties on sales of developed medicines.

*Confocal Microscope Laboratory.*

*Working with DNA fragments.*

- In July 2001, Sanofi-Synthélabo and **Immuno-Design Molecule** (IDM) (Paris, France) signed a cooperation agreement in **cell immunotherapy**, covering the development and marketing of immunological treatments for **cancer.**

Under the terms of this agreement, Sanofi-Synthélabo has priority in choosing up to 20 cellular therapy programs from the range of products developed by IDM. When an option is exercised, IDM is responsible for clinical development and Sanofi-Synthélabo will finance it. In return for this investment, Sanofi-Synthélabo will possess the worldwide marketing rights for products resulting from this cooperation, paying royalties to IDM on the sales of these products.

- In addition, as part of the **Impact Malaria** operation, three cooperative R&D programs were continued in 2003.

## Bolstering R&D in Japan

Sanofi-Synthélabo's R&D team in Japan was significantly expanded in **2003** and efforts to develop new products for the Japanese market gained pace.

- Phase III trials on clopidogrel **(Plavix®)** in stroke treatment were completed and filed on February 24, 2004.

- The Phase IIb program on fondaparinux **(Arixtra®)** for total hip and knee replacement was completed, and three other projects are in Phases IIb/III: **rasburicase** for hyperuricemia caused by chemotherapy, **amiodarone IV,** and **rimonabant.**

- Three other products entered Phase I: **alfuzosin, SR 57667** and idraparinux **(Sanorg34006).** In addition, the global development plan for **SSR 149744** in the treatment of atrial fibrillation was completed with Phase I trials in Japanese subjects, concurrent with Phase IIa trials in the United States and Europe.

# The studies conducted in our **four main therapeutic areas**

## CARDIOVASCULAR/ THROMBOSIS

### Idraparinux sodium (SanOrg 34006)

***LONG-TERM TREATMENT OF THROMBOEMBOLIC EVENTS, AND PREVENTION OF THROMBOEMBOLIC EVENTS ASSOCIATED WITH ATRIAL FIBRILLATION***

**Phase III**

***A unique profile for a large unmet market***

Idraparinux sodium is an injectable synthetic penta-saccharide, selectively inhibiting coagulation factor Xa. Its potency and long duration of action permit a therapeutic regimen of a single injection per week.

The Phase III program on treating venous thrombosis and atrial fibrillation was begun in early 2003. It involves over 10,000 patients and includes two segments:

- the **VANGOGH** program in the long term treatment of venous thromboembolic events in patients suffering from deep-vein thrombosis or pulmonary embolism. Two studies, each with **2,200 patients,** are comparing idraparinux with anti-vitamin K for 3- or 6- month treatments. An extension with 1,200 patients compares idraparinux to placebo, when treatment continues beyond 6 months.

- the **AMADEUS** study, in the prevention of thrombo-embolic events associated with atrial fibrillation. Idraparinux is compared to anti-vitamin Ks for a treatment time of 6 months to two years, in **5,700 patients.**

### Dronedarone

***PREVENTION OF ATRIAL FIBRILLATION***

**Phase III**

***A potential new treatment for the most frequent heart disorder***

Dronedarone is a potential successor to Cordarone®, (amiodarone), the reference treatment currently marketed by Sanofi-Synthélabo.
The aim is to provide treatment that is at least as effective, but with improved tolerability.

The first indication developed for dronedarone is the prevention of recurrence of the most common cardiac rhythm disorder - atrial fibrillation. This affects at least 8% of people over 80, and around 1 million patients throughout the world, with this figure rising steadily. The usual treatment for acute atrial fibrillation is an external electric shock to the heart, generally followed by medical treatment to avoid recurrences, which are common.

The Phase III studies launched in 2002 included:

- A morbidity-mortality study in study in high-risk patients suffering from heart failure and impaired ventricular function. The study was stopped in January 2003, on the advice of the committee monitoring the tolerability data, after identification of a higher potential risk of death. The 627 patients concerned were monitored for six months following the discontinuation of the study and detailed analysis of the data is underway.

To date, the analysis has not indicated any adverse effects or other explanations for what was observed. It should also be noted that the study involved patients with severe heart failure, who are not the target population for the indication sought.

*Evaluation of genotoxicity.*

- **EURIDIS** and **ADONIS**, two pivotal studies regarding the prevention of recurrences have been carried out on patients with atrial fibrillation, and a total of 1,237 patients were monitored for one year. In both studies, dronedarone was effective on recurrences of atrial fibrillation, including symptomatic ones with an incidence of adverse events similar to that observed with placebo.

- **ERATO**, a study to show how to control heart rate in patients with ongoing atrial fibrillation. 184 patients are being monitored.

## SR 149744

### *Treatment for atrial fibrillation*

**Phase IIa**

Sanofi-Synthélabo is continuing its efforts to treat heart arrhythmia, one of its areas of excellence with amiodarone. This new compound, from the same chemical family as dronedarone, SR 149744C offers a highly promising pharmacokinetic and pharmacodynamic profile.
It is currently in Phase IIa clinical development in Europe and the United States, and in Phase I in Japan.

## SR 121463

### *Treatment for syndrome of inappropriate secretion of anti-diuretic hormone*

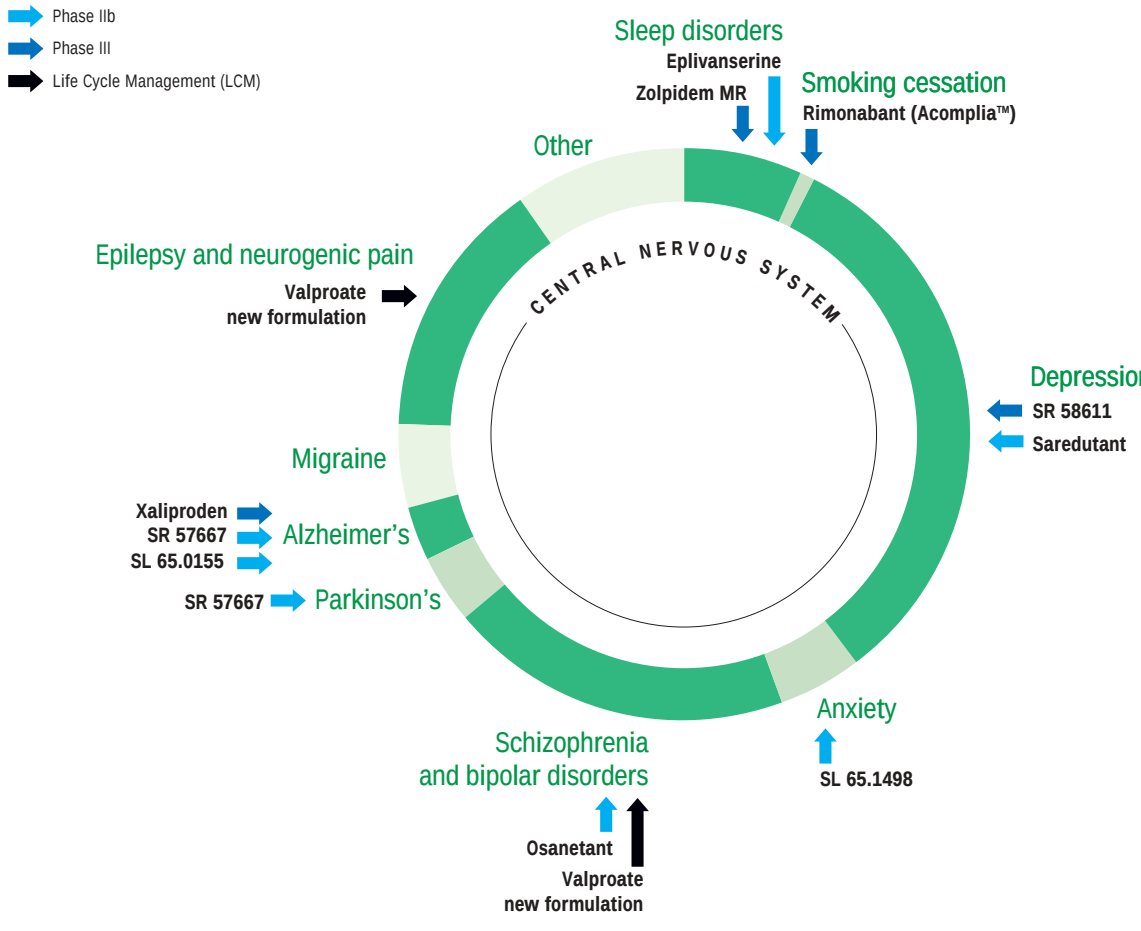
**Phase IIb**

SR 121463B is a selective antagonist of V2 receptors of vasopressin, the antidiuretic hormone. Currently in Phase II, it has shown positive results and good tolerability in treating hyponatremia due to the syndrome of inappropriate secretion of an anti-diuretic hormone (SIADH).
In 2004, it will enter Phase III for this indication, and Phase IIb for treatment of cirrhotic ascites.
The first marketing approval application for the SIADH and hyponatremia indication is planned for 2007.

# The studies conducted in our **four main therapeutic areas**

## CENTRAL NERVOUS SYSTEM

With 10 compounds in Phases IIb/III of clinical development for diseases affecting the central nervous system (CNS), Sanofi-Synthélabo is on course to achieving one of its main strategic objectives: to become, in the very near future, one of the top pharmaceutical companies in this field, where there are considerable unmet medical needs.




**Phases IIB and III compound portfolio, Life Cycle Management and central nervous system market segments*.**

** IMS 2002, excluding analgesics and anesthetics.*

*Histopathological examination.*

## ALZHEIMER'S DISEASE

### A major public health issue

Alzheimer's disease is a neurodegenerative disorder leading to progressive cognitive deterioration, behavioral problems and functional decline, culminating in dementia. It is the most common cause of dementia in elderly subjects.
Worldwide, approximately 22 million patients suffer from various forms of dementia, two-thirds corresponding to the Alzheimer type. The prevalence of this disease could double over the next 25 years.

The **advanced-stage** CNS portfolio is focused on **Alzheimer's** and **Parkinson's Diseases** (xaliproden, SR 57667, SL 65.0155), **schizophrenia** (osanetant), **anxiety** and **depression** (SL 65.1498, saredutant, SR 58611), **smoking cessation** (rimonabant) and **sleep disorders** (eplivanserine and zolpidem MR).

It should be emphasized that the compounds being developed for these indications are truly innovative. The pipeline of original and early-stage compounds is extremely rich and was expanded to include two new products in 2003.
Upstream, the entry of 4 new Phase I products gave added dynamism to the portfolio.

## Xaliproden

### *Treatment for Alzheimer's Disease*

**Phase III**

***Causal therapy for Alzheimer's Disease***

Xaliproden is a non-peptidic compound that activates the synthesis of endogenous neurotrophins.
It is active as a single oral daily dose. Its neurotrophic and neuroprotective efficacies have been shown following in vitro and in vivo studies in numerous central or peripheral neurodegenerative models, as either curative or preventive treatment.
Whilst current forms of available treatment for Alzheimer's Disease only deal with symptoms, Xaliproden could thus be the first treatment capable of slowing the disease's progress.

The Phase IIb trials have confirmed the tolerability of xaliproden in elderly patients with Alzheimer's Disease. A large-scale international Phase III development program, involving 2,400 patients was therefore launched in 2003.

The objective is to demonstrate the benefits of xaliproden, based on clinical criteria and using one specific marker, the development of the brain and hippocampal volumes, using the technique of nuclear magnetic resonance. These studies could lead to a registration filing in 2007.

## SR 57667B

### *Treatment for Alzheimer's and Parkinson's Diseases*

**Phase IIb**

***Causal therapy for Alzheimer's and Parkinson's Diseases***

Like xaliproden, SR 57667B is a non-peptidic compound that activates the synthesis of endogenous neurotrophins. Its neurotrophic and neuroprotective effects make it a potential therapeutic treatment for Alzheimer's and Parkinson's Diseases.
A Phase IIb program involving a total of over 1,200 patients was initiated in 2003 for both diseases.

# The studies conducted in our **four main therapeutic areas**

*Cell culture studies.*

## SL 65.0155

### *Treatment for Alzheimer's Disease*

**Phase IIb**

***A neuroprotective and promnesiant compound for Alzheimer's Disease***

SL 65.0155 is a partial agonist of central serotonin receptors that has both promnesiant and neuroprotective properties.
It improves neuronal repair and prevents memory loss.
A Phase IIb study was launched in 2003.

## Osanetant

### *Treatment for schizophrenia*

**Phase IIb**

Using an original study protocol, known as a Metatrial, osanetant, a NK3 receptor antagonist, showed very encouraging results in schizophrenia, with activity and efficacy close to that of haloperidol, and very good tolerability.
The Phase IIb clinical trials for schizophrenia were initiated in 2003.

## Saredutant

### *Treatment for schizophrenia*

**Phase IIb**

Saredutant is an NK2 receptor antagonist, developed in the treatment of major depressive disorders. Positive results were obtained in a Phase IIb study over six weeks in patients suffering from recurrent episodes of major depressive disorders of moderate to severe intensity.
In consequence, saredutant should move on to Phase III in 2004. Saredutant is also being evaluated in the treatment of the irritable bowel syndrome.

## SR 58611

### *Treatment for depression*

**Phase III**

Encouraging results were recorded with SR 58611, a beta3 adrenergic receptor agonist, in treating severe depression.
In a Phase IIa trial in patients suffering from severe, recurrent depression, SR 58611 was observed to be superior to fluoxetine and was very well tolerated.
In a Phase IIb study comparing SR 58611 to paroxetine, the efficacy of SR 58611 and its tolerability profile were sufficiently encouraging to warrant the initiation of a Phase III program in depression.
Two Phase III trials designed to support a marketing approval application for SR 58611 in the treatment of depression started in 2003.

# ONCOLOGY

## Tirapazamine

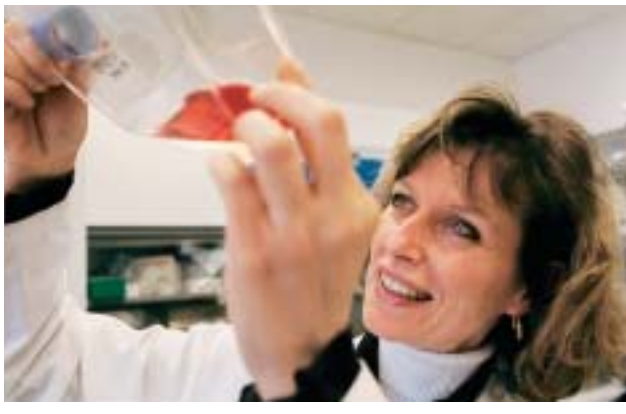
***TREATMENT FOR HEAD AND NECK CANCER, IN COMBINATION WITH CISPLATIN AND RADIOTHERAPY***

**Phase III**

Tirapazamine is an anticancer agent that promotes the destruction of resistant hypoxic cells. This innovative mechanism of action is likely to reduce the risk of relapse.

- The non-small cell lung cancer indication was withdrawn in 2003.
- In head and neck cancers, the first results from the TROG study are highly encouraging for a combination therapy using tirapazamin/cisplatin, as compared to 5-fluorouracil/cisplatin.

The Phase III program for this indication is underway, with final results expected in 2007.



*Observing tumor cell cultures.*

# The studies conducted in our **four main therapeutic areas**

## INTERNAL MEDICINE

### OBESITY AND SMOKING

**Obesity and smoking are two of the most serious public health problems in today's world, and therapeutic approaches to them should be integrated into the global healthcare management of cardiovascular risk factors.**

Weight loss and/or smoking cessation are among the top priorities when treating:
- any cardiovascular disease,
- an increasing number of type 2 diabetes patients,
- lipid disorders and atherosclerosis,
- lung disorders linked to smoking.

Recent studies have shown that overweight and obesity bring about a significant reduction in life expectancy, directly impacted by the level of excess weight. Recognized as a major risk factor, obesity is reaching alarming proportions in the United States and Europe. In the United States, over 30% of the population is obese, while 60% of the adult population is overweight. Moreover, adolescents and children are affected more and more frequently. This disturbing situation makes obesity a major public health issue.

## Acomplia™ (rimonabant)

***TREATMENT OF OBESITY AND SMOKING CESSATION***

**Phase III**

***A new approach in the healthcare management of patients with cardiovascular risk factors***

### Treatment of obesity

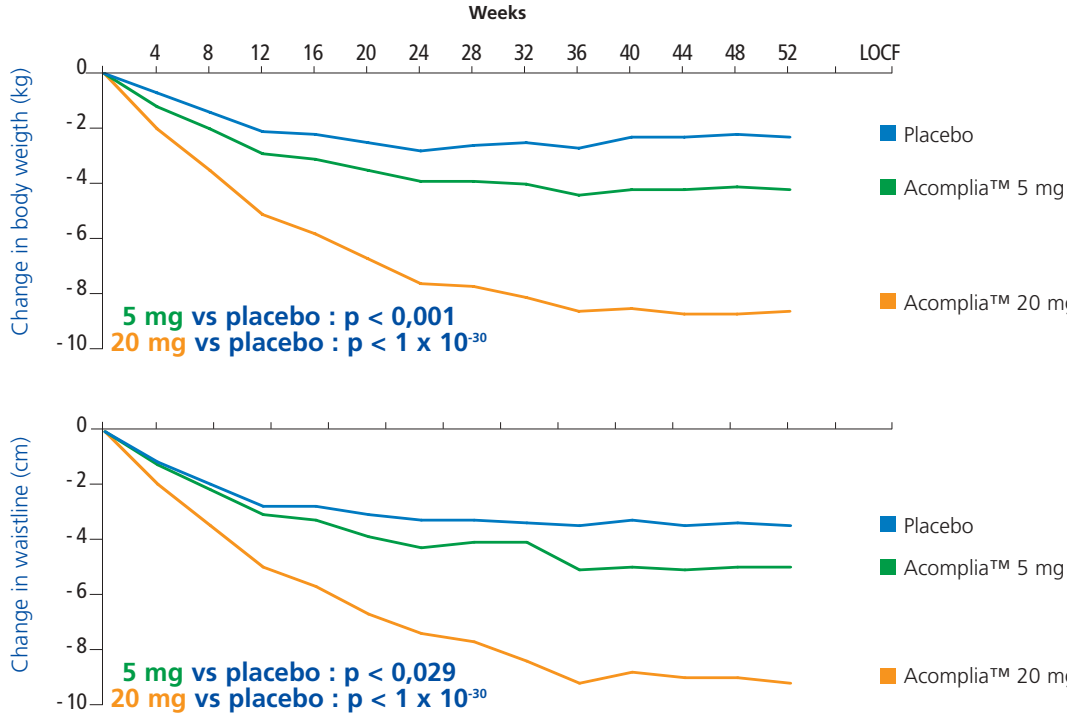
The research and development studies conducted by Sanofi-Synthelabo on Acomplia™ (rimonabant) open up completely new and encouraging prospects with regard to understanding the mechanisms which regulate appetite and metabolism. This should lead to the development of an effective and safe treatment with long-term activity, making it possible to combat obesity and the associated risk factors effectively.

Acomplia™ (rimonabant) has an original pharmacological profile demonstrated in animals. The extrapolation into human health was made possible by the positive results obtained in Phase IIa and IIb clinical studies in obesity. It now appears that Acomplia™ (rimonabant) acts on the core of central appetite regulating systems by counteracting endogenous substances, the endocannabinoids, such as anandamide. The crucial aspect of this mode of action is that it induces not only a quantitative regulation of calorie consumption, but also a qualitative regulation of nutrition by specifically diminishing the appetite for fatty foods or foods with an excessive sugar content.

Most recently, it was demonstrated, using animal models, that Acomplia™ (rimonabant), in addition to its central activity, stimulates the expression of adiponectin, an adipose-specific protein, through a direct peripheral activity on the adipocyte. In obese patients, circulating adiponectin rates are lower, as is the case in diabetic patients. Lower levels of adiponectin expression have been correlated with the development of insulin resistance, which is itself a cause of major metabolic disorders. This protein, which is active at the core of lipid metabolism and insulin sensitivity regulation mechanisms, is thought to play a major part in obtaining metabolic equilibrium (in particular regarding fats and sugar), with the overall result of this complex activity being a "cardioprotective" effect.

## Results of the RIO-lipids clinical trial - Acomplia™ (rimonabant)

*Changes in body weigth and waistline measurement (average variation ± SEM) per visit and LOCF[1] – ITT Population*




The confirmation of Acomplia™ (rimonabant)'s action in human clinical science would open up new therapeutic horizons that extend far beyond weight loss, leading to a direct reduction in the risk factors associated with cardiovascular disease and atherosclerosis, in particular in obese patients with diabetic or a pre-diabetic condition, or with a "metabolic syndrome" combining several cardiovascular risk factors.

Phase III trials on Acomplia™ (rimonabant) in the long-term treatment of obesity, initiated in 2002, have enrolled over 6,600 patients. Two large two-year trials are ongoing in the U.S. and Europe. Patient enrollment is complete.
Two other one-year clinical trials, each including close to 1,000 patients, are designed to demonstrate the efficacy of Acomplia™ (rimonabant) in obese patients suffering from diabetes (RIO-diabetes) or dyslipidemia (RIO-lipids), disorders aggravating the cardiovascular risk factors associated with obesity. Patient enrollment for all Phase III trials on Acomplia™ (rimonabant) is progressing according to plan, with approval to be sought in Europe and the United States in the first half of 2005.

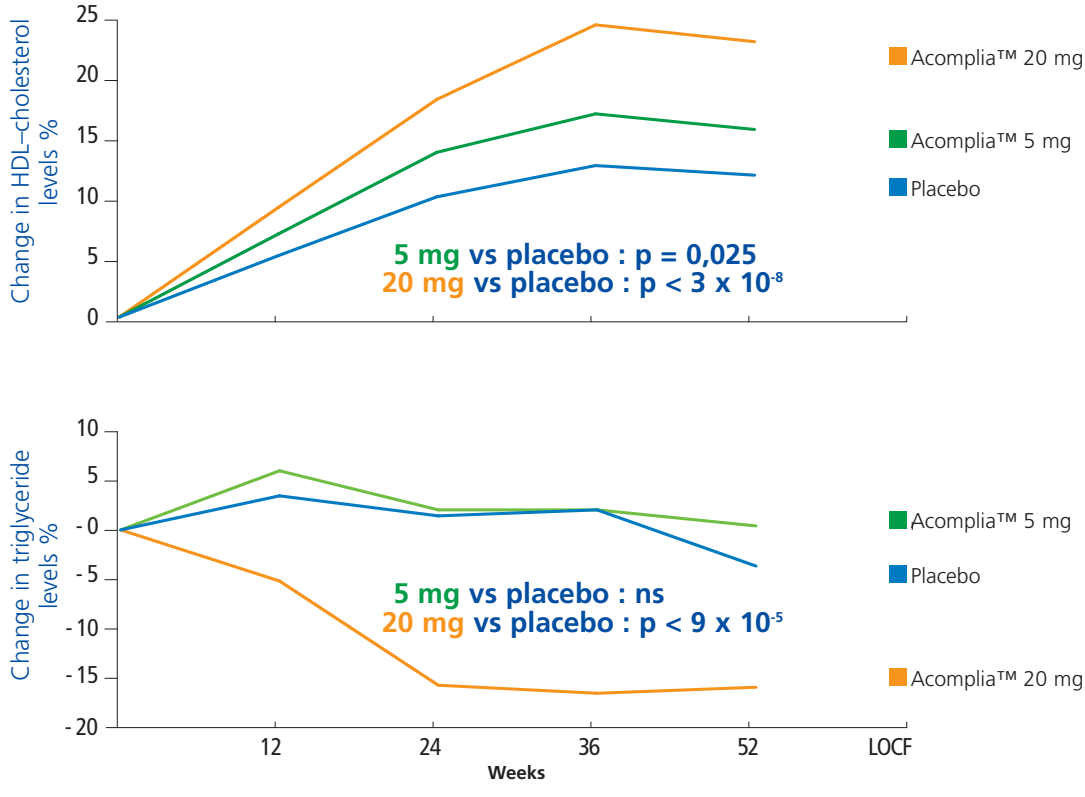
These Phase III trials, presently underway, have in fact begun to provide important information as to the major role that Acomplia™ (rimonabant) might play in the future, as part of the therapeutic range intended to fight obesity and metabolic diseases and, more generally, in preventing cardiovascular disease. All of the preliminary results from the RIO-lipids study, involving over 1,000 obese and dyslipemic patients (high triglyceride levels, and low HDL cholesterol – the "good cholesterol") were presented in early 2004.
In this patient group, with very high cardiovascular risk, Acomplia™ (rimonabant) versus placebo brought about a very significant weight loss and reduction in waistline.

*[1] LOCF : Last Observation Carried Forward.*

# The studies conducted in our **four main therapeutic areas**

## Results of the RIO-lipids clinical trial - Acomplia™ (rimonabant)

*HDL–cholesterol and triglycerides (mmol/L) % improvement compared to baseline-LOCF [1] – ITT Population*




Over 70% of patients treated with the highest dose (20mg) lost 5% of their initial weight within one year of treatment, and almost 45% lost more than 10%. Moreover, Acomplia™ (rimonabant) allowed these patients to achieve a significant reduction in triglycerides and a very significant increase in "good" cholesterol (HDL). The study also helped confirm that Acomplia™ (rimonabant) is capable of improving glucose tolerance and reducing insulin resistance, both of which are key phenomena in the emergence of diabetes and the metabolic syndrome, itself a major cardiovascular risk factor. In addition, RIO-lipids demonstrated that the percentage of patients with any metabolic syndrome dropped significantly, practically by half, after one year of treatment with Acomplia™ (rimonabant). Lastly, it should be noted that tolerability was excellent in this patient group.

*[1] LOCF : Last Observation Carried Forward*

*Observing neurons in confocal microscope.*

*Cluster analysis of DNA chips.*

## Treatment in smoking cessation

Acomplia™ (rimonabant), a CB1 endocannabinoid receptor antagonist, is also being developed for smoking cessation. In 2002, a Phase IIa trial showed that Acomplia™ (rimonabant) resulted in smoking cessation rates superior to those achieved with placebo and comparable to treatments currently available.
In addition, patients receiving Acomplia™ (rimonabant) also lost weight in contrast to placebo-treated patients.

With the FDA's approval, a large-scale Phase III program was initiated in 2002 in Europe and the United States, with the aim of obtaining a marketing approval for Acomplia™ (rimonabant) in smoking cessation and long-term maintenance of abstinence from smoking.
Two clinical trials, STRATUS-US in the United States and STRATUS-EU in Europe involve 10 weeks of treatment and focus on smoking cessation. A one-year trial, STRATUS-WW (Worldwide) on abstinence maintenance, continued in 2003.
(STRATUS: **ST**udies with **R**imonabant **A**nd **T**obacco **US**e).

**All the Phase III trials are progressing in line with a planned filing for marketing approval in Europe and the United States in the first half of 2005.**

The first results from the Phase III STRATUS-US study, received in early 2004, confirm the efficacy and tolerability of Acomplia™ (rimonabant) in smoking cessation. According to the results of the study, in addition to achieving significantly higher long-term abstinence rates, Acomplia™ (rimonabant) also allows patients to stop smoking without weight gain, and sometimes with weight loss, unlike placebo treatment. The product's excellent level of tolerability was confirmed by the study.

Overall, the results from the first studies in obesity (RIO-lipids) and smoking cessation (STRATUS-US) demonstrate the central and peripheral activity of CB1 receptors in regulating human metabolism. Acomplia™ (rimonabant), the first selective CB1 endocannabinoid receptor antagonist, has proven its efficacy in obesity, against the glucid-lipid profile and in smoking cessation.
Acomplia™ (rimonabant) could well become a treatment of choice in healthcare management of patients with cardiovascular risk factors.

Characterization of morphological modifications (induced on sub-cellular structures) using an electronic transmission microscope, during safety studies in toxicology.

Operator supervising a capsule sorting machine for filled capsules, in order to check weight conformity before packaging.

a portfolio
of **medicines**
with high **potential**
for **patients**

sanofi~synthelabo
Because health matters

**67.3%** of consolidated sales
with the Group's top 10 products

Strong capacity to successfully support
our other products **+2.2%** (1)

**5 global** strategic products :
Plavix®, Aprovel®, Stilnox®, Eloxatin®, Xatral®

3 major indication extensions

*(1) Excluding Corotrope®/Primacor® (off-patent); excluding Ticlid®, replaced by Plavix®.*

Sanofi-Synthélabo is developing a high-quality portfolio, a large portion of which is made up of recent, **innovative and distinctive** medicines, targeting unfulfilled global markets.

**Five strategic products,** with global scope and strong therapeutic potential, are driving **faster growth.**

An efficient product management system aims at **expanding accessible markets** by securing new indications through Life Cycle Management studies.

Sanofi-Synthélabo's major products have built up strong positions and enjoy excellent prospects in the **United States**, the world's leading pharmaceutical market, not forgetting the new markets in Asia.

# 2003

## Growth significantly outperformed the market for the fourth year running

- **Eloxatin® confirms its status as the Group's fourth flagship product. Record-breaking growth for Plavix® on all markets. After Europe and the United States, Myslee® (zolpidem) becomes market leader in Japan.**
- **Xatral®: a global brand that was launched in the United States in November 2003, under the name Uroxatral®.**
- **New indications for Arixtra® in Europe and the United States and for Xatral® and Eloxatin® in Europe.**

# 2003 Consolidated sales
# **for the top 10 medicines**

## Cardiovascular/Thrombosis

| *(in millions of euros)* | **Indications** | **2003** | **2002 comparable*** | **2002 published** |
|---|---|---|---|---|
| Tildiem® | Angina, hypertension | **131** | 138 | 141 |
| Cordarone®/Ancaron® | Arrhythmia | **146** | 154 | 162 |
| Fraxiparine® | Thrombosis | **319** | 314 | 324 |
| Aprovel®/Avapro® | Hypertension | **683** | 549 | 562 |
| Plavix® | Atherothrombosis | **1,325** | 964 | 987 |

## Central Nervous System

| *(in millions of euros)* | **Indications** | **2003** | **2002 comparable*** | **2002 published** |
|---|---|---|---|---|
| Solian® | Schizophrenia | **148** | 133 | 135 |
| Depakine® | Epilepsy | **277** | 258 | 267 |
| Stilnox®/Ambien®/Myslee® | Insomnia | **1,345** | 1,218 | 1,424 |

## Oncology

| *(in millions of euros)* | **Indications** | **2003** | **2002 comparable*** | **2002 published** |
|---|---|---|---|---|
| Eloxatin® | Colorectal cancer | **824** | 365 | 389 |

## Internal Medicine

| *(in millions of euros)* | **Indications** | **2003** | **2002 comparable*** | **2002 published** |
|---|---|---|---|---|
| Xatral® | Benign prostatic hyperplasia | **222** | 178 | 182 |

** Consolidated sales on a published basis.*

# Tildiem®

*diltiazem*

*Coating: spraying nozzle ramp.*

**Registration date 1979**
**Tildiem LP 1992**

**2003 consolidated sales**
**131 million euros**

## *Treatment for angina and hypertension*

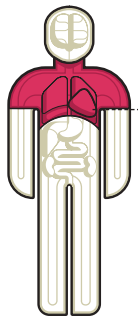
## Calcium antagonist, a reference treatment for angina

Tildiem® is a calcium inhibitor that increases oxygen delivery to the heart by vasodilation and reduces myocardial needs by lowering heartbeat and peripheral resistance in the arteries. Its efficacy as an anti-angina medicine is accompanied by good tolerability.

With a unique profile within this therapeutic class, the extended-release forms of Tildiem® LP 200/300 mg help prevent ischemia for 24-hour periods, when taken in a single daily dose. Easy to use, it fosters better patient compliance. In addition, these forms offer steady control of heartbeat: the higher it is, the more Tildiem® slows it down.

**The NORDIL morbidity-mortality study on hypertension also showed that diltiazem is as effective as diuretics and beta-blockers – the reference treatment – at reducing cardiovascular complications.**
**These results make Tildiem® LP 200/300 mg, already marketed in most European countries, all the more attractive as a treatment for hypertension.**

### ANGINA




- **Approximately 3 to 4% of the population suffers from angina.**

Angina results from an imbalance between myocardial oxygen demand and supply, due to the narrowing of one or more of the coronary arteries. This incapacitating disease can have an impact on life expectancy.

Treatment usually involves control of cardiovascular risk factors, prescribing one or more anti-angina medicines (nitrate derivatives, beta-blockers and calcium antagonists) and platelet anti-aggregants. Sanofi-Synthélabo offers medicines in each of these therapeutic classes.

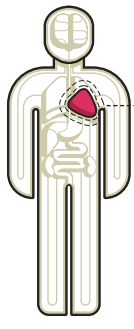
*Preparation of pharmaceuticals for clinical trials.*

# Cordarone®
# Ancaron®

*amiodarone*

**Registration date 1967**
**2003 consolidated sales**
**146 million euros**

## CARDIAC RHYTHM DISORDERS




- **More than 8% of the population over the age of 65 affected**

Cardiac rhythm disorders can arise both in the atria - supra-ventricular rhythm disorders - or in the ventricles - ventricular rhythm disorders.
All forms usually have a chronic, organic cause and therefore tend to recur.

Patients may present various symptoms, including palpitations, dizziness and fainting that can lead to the early stages of congestive heart failure. Some forms of arrhythmia can lead to death, sometimes sudden death.

Atrial fibrillation, the most frequent form of supra-ventricular arrhythmia, affects 0.4% of the population and increases with age, to exceed 8% of people aged 65 or over.

### *PREVENTION ET TREATMENT OF CARDIAC RHYTHM DISORDERS*

## A major anti-arrhythmic

Thirty-six years after receiving its first product license, Cordarone® remains a major anti-arrhythmic agent for the treatment and prevention of cardiac rhythm disorders. Cordarone® is effective against life-threatening supraventricular rhythm disorders.

Two studies published respectively in 2002 and **2003, CAT and AMIOVIRT**, demonstrated that Cordarone® **is as effective as defibrillator** implants in preventing sudden death in patients with idiopathic dilated cardiomyopathy. These results could extend indications for the product.

Cordarone® has a good cardiac safety profile and only exceptionally induces complications such as "torsade de pointes", a potentially fatal cardiac rhythm disorder, or ventricular impairment. Its effects on thyroid function, however, preclude it from being prescribed in all cases.

**Cordarone® is available in over 126 countries, including the United States, where American Home Products holds the relevant license, and in Japan, where it is marketed under the name Ancaron®.**

# Fraxiparine®

*nadroparin calcium*

**Registration date 1986**
**2003 consolidated sales**
**319 million euros**
**up by 1.6%***

***PREVENTION AND TREATMENT OF VENOUS AND ARTERIAL THROMBOSIS***

## Injectable low molecular weight heparin

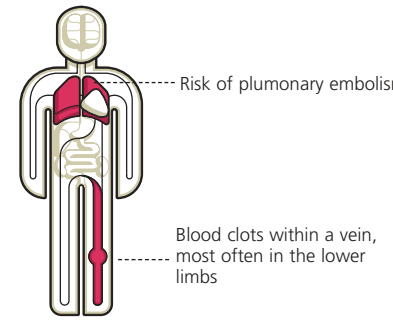
First marketed in 1986, Fraxiparine® is now marketed in over 100 countries, excluding the United States and Japan.

Initially intended to prevent venous thromboembolic disease, Fraxiparine® has been approved for three further indications since its launch:

- treatment of venous thromboembolic disease;
- treatment of acute coronary syndromes, in combination with acetylsalicylic acid;
- prevention of blood-clot formation in extracorporeal circulation during hemodialysis.

**In 1998, Fraxodi®, a daily single-injection curative treatment for venous thromboembolic disease, was launched in France.**
**It helps reduce the length of hospital stay, and eases both outpatient treatment and patient recovery.**
**Fraxodi® is currently marketed in most countries in Europe and Latin America.**

### VENOUS THROMBOSIS




- **Third most frequent cardiovascular disease**

Deep-vein thrombosis is triggered by coagulation factor abnormalities, lesions of the vascular wall and increases in venous stasis, which are most likely to occur during prolonged immobilization. They occur most often in the lower limbs. The risk of thrombosis is particularly high after orthopedic surgical operations, occurring in 40% to 60% of cases in hip surgery and 60% to 80% of cases in total knee replacement.
This risk increases even after several weeks, particularly for hip operations.

- **Major complication: pulmonary embolism**

Venous thrombosis may be manifested locally by pain or edema, but often occurs without any apparent clinical sign.
The major complication is the movement of blood clots to the lungs, where they provoke a pulmonary embolism, which can lead to the sudden death of the patient. Deep-vein thrombosis and pulmonary embolism are thus two symptoms of the same pathology: venous thrombosis.

- **2 to 3 per 1,000 affected in Western countries**

The third most common cardiovascular disease, venous thrombosis affects 2 to 3 people per 1,000 in Western countries. Every year, almost 2 million Americans are affected, of whom 60,000 will have a pulmonary embolism, with an estimated mortality rate of 8% to 10%. For the United States alone, the annual cost of this disease is 2.9 billion dollars.

** Growth on a comparable basis.*

www.arixtra.com

# Arixtra®

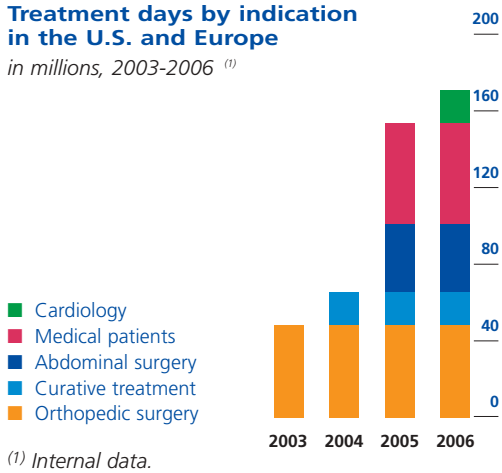
*fondaparinux sodium*

**Registration date 2001**

**2003 consolidated sales**
**19 million euros**

**Treatment days by indication in the U.S. and Europe**

*in millions, 2003-2006* (1)




(1) *Internal data.*

## PREVENTION OF DEEP VEIN THROMBOSIS AND PULMONARY EMBOLISM

**The first in a new class of antithrombotics, a real advance in technology and therapy and very high development potential**

**2002**

Launched in United States and Europe in its first indication, the prevention of venous thrombo-embolism in patients following orthopedic surgery on the lower limbs.

**2003**

- Extended prevention time in patients having undergone hip fracture surgery in the United States and Europe;
- In Europe, lifting of the restriction on use in patients with severe renal impairment.
- In Phase III development in Japan.

**Arixtra® is marketed by Sanofi-Synthélabo.**
**In addition to patent protection, Arixtra® will benefit from market exclusivity in the United States until 2006 and in Europe until 2012.**

**2003**
**Awards**
- **Pharmapack 2003 Award,**
- **Galien 2003 Award in Italy**
- **Siemens 2003 Innovation Award Environment/Health category**

### The first synthetic and selective agent, with outstanding efficacy

An original compound co-developed by Sanofi-Synthélabo and Organon (Akzo Nobel), Arixtra® (fondaparinux sodium) is an injectable anti-coagulant, the first in a new class of antithrombotic products: selective inhibitors of coagulation factor Xa. Arixtra® stops both the formation and growth of blood clots.

Based on sugar chemistry, Arixtra® is an entirely synthetic compound, whereas other treatments (low molecular weight heparins – LMWH – and unfractionated heparins) come from animals and have an effect on many targets along the chain of reactions involved in coagulation.

Being synthetic and acting selectively, Arixtra®, ensures high efficacy, purity and safety, thus making it a real step forward, both technologically and therapeutically.

### 2003 Indications extended in Europe and the United States

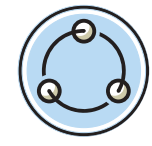
In addition to Europe and the United States, Arixtra® is marketed in 24 countries for its first indication: **preventing deep vein thrombosis and pulmonary embolism following major orthopedic surgery.**

With a 55% risk reduction and a comparable tolerability profile to that of the reference LMWH, Arixtra® is now recognized as the **first-choice treatment** for this indication, as shown by the large number of national recommendations, in particular in Spain and Italy.

Moreover, unlike most injectable anticoagulants, Arixtra® is very well-tolerated by patients with **renal impairment** and for this reason even obtained in 2003 approval in Europe for a new dosage (1.5 mg), lifting the restriction on use in patients with severe renal impairment (creatinine clearance between 20 and 30 ml/min).

Also in 2003, the Penthifra Plus study demonstrated Arixtra®'s efficacy in **extended prophylaxis** in patients undergoing **hip fracture** surgery. When administered for a four-week period, Arixtra®, reduces the frequency of thromboembolic complications by 96%. These results have led to the **registration of this new prophylactic regimen** in the United States and Europe.

More recently, a **registration application** was filed in the United States and in Europe for the **curative treatment** of venous thromboembolic disease, following the clinical trial program MATISSE. Administered in one fixed daily dose, via subcutaneous injection, Arixtra® is at least as effective and well-tolerated as the usual treatment methods, and far easier to use.



## Life Cycle Management

**Clinical trials in Japan completed**

In Japan, two studies focusing on the **prevention** of thromboembolic events **after orthopedic surgery** were completed in 2003. The results are expected in mid-2004.

**High-risk medical patients and abdominal surgery: very positive results**

Two international studies were presented in 2003:

- The ARTEMIS study shows that Arixtra® can be used effectively in the **prevention** of deep vein thrombosis in high-risk **medical patients** who have not undergone any surgery: this refers to patients hospitalized for at least four days of emergency medical care, due to acute congestive heart failure, respiratory disease, and infectious or inflammatory diseases.
- The PEGASUS study shows that Arixtra® is as well-tolerated and at least as effective in **preventing** deep vein thrombosis following **abdominal surgery** as the current standard treatment, with greater benefits for cancer patients.

A registration application will be filed for all of the above indications in 2004.

**Cardiology: two studies launched on over 25,000 patients**

- The **cardiology** development program is continuing, with over 25,000 patients to be included between 2003 and 2005, through two studies:
- MICHELANGELO/OASIS 5 to evaluate Arixtra® in **treating unstable angina** without any increase in ST segment,
- MICHELANGELO/OASIS 6 to evaluate Arixtra® in **treating myocardial infarction** with increase in ST segment.

All of the indications relating to deep vein thrombosis are expected to be obtained in 2005, opening 80% of the LMWH market to Arixtra. It is anticipated that the cardiology indications will come in 2006.

# **Strategic** product

## Aprovel®/Avapro®

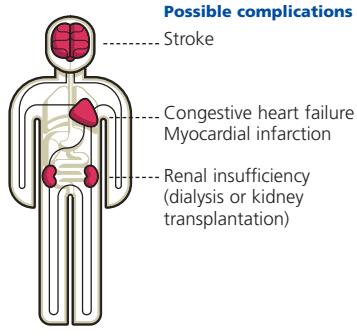
*irbesartan*

**Registration date 1997**

**2003 consolidated sales**
**683 million euros, up by 24.4%***

**2003 developed sales**
**1,255 million euros**

### HYPERTENSION




- **Affecting 20% of the population**

Hypertension affects approximately 20% of the world's adult population. Whilst this condition is generally asymptomatic, it is one of the main causes of severe kidney, heart, brain, vessel and eye complications.

- **A disease leading to severe complications**

Hypertension is defined as blood pressure above the normal level of 140/90 mm Hg.
These figures are lower, however, when associated pathologies increase the risk of cerebral, cardiac or renal complication.
This is the case with diabetes, which doubles risk levels.
The WHO therefore recommends a complete risk profile review for all patients with hypertension to provide them with the most appropriate treatment.

- **AIIRAs recommended for type 2 diabetes patients**

The American Diabetes Association (ADA) recommends annual screening for early stages of renal impairment in all diabetes patients and, if confirmed, treatment with **an angiotensin II receptor antagonist (AIIRA)**, the most recent anti-hypertensive drug class. Diabetes affects approximately 190 million people throughout the world, the vast majority with Type 2 diabetes. This figure could rise to 330 million by 2025.

### *TREATMENT FOR HYPERTENSION*

## A latest-generation anti-hypertensive with broad therapeutic potential for renal protection

**1997** Launched in France, then on the major European markets under the name Aprovel®, and in the United States under the name Avapro® in 1997.
In 2002, Aprovel® obtained approval for a new indication in Europe and the United States, in treating diabetic nephropathy in hypertensive patients with type 2 diabetes.

**2003** A wide-ranging series of clinical studies was launched to demonstrate the medicine's protective effect on the cardiovascular system (I-PRESERVE and ACTIVE studies).
Aprovel® is currently marketed in over 80 countries as monotherapy (Aprovel®, Avapro®, Karvea®) or as a fixed-dose combination together with hydrochlorothiazide (CoAprovel®, Avalide®, Karvezide®).

**Aprovel® is marketed in Europe, the United States and throughout the world by Sanofi-Synthélabo, through agreements reached with Bristol-Myers Squibb. The product is in the process of being registered in Japan.**

** Growth on a comparable basis.*

*Solution pipetting.*

### A leading angiotensin II receptor antagonist (AIIRA) for the treatment of hypertension, with positioning extended to renal protection

Aprovel® belongs to the class of AIIRAs, the new reference class in the **treatment of hypertension**. Highly potent and very well-tolerated, AIIRAs impede the effects of angiotensin-II, through preferential blockade of angiotensin II (sub-type 1) receptors. Angiotensin-II has a wide range of detrimental effects on the cardiovascular system, in particular on vasoconstriction, changes in cardiac contraction, sodium retention, aldosterone secretion, etc.
Aprovel®, alone or in combination with a diuretic marketed as Co-Aprovel®/Avalide®, restores normal blood pressure in nearly 90% of patients, and offers very good tolerability.
Aprovel®/Avapro® was approved for a new indication in 2002: **the treatment of diabetic nephropathy**. The PRIME clinical program (IRMA2 and IDNT studies) has shown that it can prevent renal impairment in hypertensive diabetic patients, in both the early and late stages. The importance of these results led American Diabetes Association (ADA) to recommend the use of AIIRAs for first-line treatment of nephropathy in patients with Type 2 diabetes.

### 2003 Dynamic growth and new prospects

Aprovel®/Avapro® continued to grow at a steady rate in Europe, where it shares the leading position, and throughout the world, with sales showing an increase of over 23%.
The results of the international program DEMAND, implemented by Sanofi-Synthélabo, involving over 32,000 type 2 diabetes patients in 34 countries, were presented during World Diabetes Day, in conjunction with the International Diabetes Federation and the International Society of Nephrology. DEMAND showed a 47.8% prevalence of microalbuminuria levels as being correlated not only with renal impairment, but also with heightened cardiovascular risk. These results showed the need for screening and earlier, more effective treatment of hypertension in diabetic patients. Systematic screening for microalbuminuria would reduce medical costs and improve the prognosis in diabetic hypertensive patients, many of whom do not have access to dialysis or transplantation facilities.

## Life Cycle Management

**Prevention and protection of the cardiovascular system**
Two studies including 15,000 patients are underway to demonstrate the efficacy of irbesartan **in protecting the cardiovascular system**, first in patients suffering from heart failure, a frequent complication of hypertension, and secondly, patients with atrial fibrillation.
- The **I-PRESERVE** study, launched in 2002, evaluates the efficacy of irbesartan in treating and preventing vascular complications in patients with heart failure and preserved systolic function. I-PRESERVE is the largest study ever carried out on this very frequent condition. This study should close in 2006.
- The **ACTIVE** study, launched in 2003, evaluates the efficacy of irbesartan in association with clopidogrel in preventing stroke and other major cardiovascular complications in patients with atrial fibrillation. Results of this study are expected in 2007.

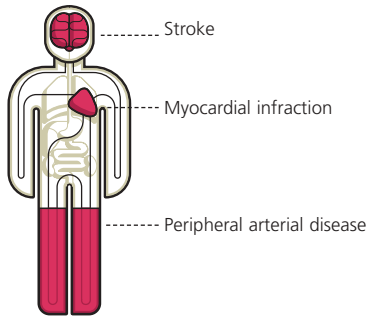
**Other indications**
- In the United States, the INCLUSIVE study will evaluate the efficacy of Co-Aprovel®/Avalide® at different doses on over 1,000 hypertensive patients who do not respond to any monotherapy for hypertension.
- In Europe, the COSIMA study will evaluate the long-term efficacy of Co-Aprovel®/ Avalide, as compared to another combination therapy.
- In the Middle East, Africa and South America, a trial in over 600 patients will compare the efficacy of Co-Aprovel®/Avalide® to that of another major treatment for hypertension.

Lastly, a **pediatric indication** is in the process of being developed, at the request of the FDA.

# **Strategic** product

**www.plavix.com**
**www.atherothrombosis.org**

## ATHEROTHROMBOSIS




- **The leading cause of death in developed countries**

Every year, in Europe and the United States, nearly 3.4 million people experience an acute coronary event, while 1.2 million experience ischemic stroke, both of these causing more than 1 million deaths per year.
Nearly 17 million people also show signs of peripheral arterial disease, an arterial disease caused by atherothrombosis.

- **Atherothrombosis: a single disease, with many forms**

Acute coronary syndrome, myocardial infarction, stroke, transitory ischemic attack and peripheral arterial disease are all variations of a single disease, atherothrombosis, itself rooted in atherosclerosis.
Atherosclerosis occurs through damage to the arterial wall, when fatty deposits – atheromatous plaque – build up. The lesions can slow blood flow to the organs concerned, leading to such diseases as stable angina or pain normally associated with peripheral arterial disease when walking.
When a plaque breaks up or ruptures, a clot (thrombus) forms; it can expand locally, or move throughout the blood vessels, slowing the flow of blood or completely blocking a blood vessel, which is atherothrombosis.
Acute ischemia results from this, with tissue lesions that can have serious and even deadly consequences: stroke, myocardial infarction or acute coronary syndrome.
Atherothrombosis spreads to the whole of the arterial system. A patient with risk factors for atherosclerosis or who has already experienced ischemic events, whether in the heart, brain or lower limbs, is subject to atherothrombotic events, whatever the vascular bed.

## Plavix®

*clopidogrel*

**Registration date**
**1997** in the U.S. and **1998** in Europe

**2003 consolidated sales**
**1,325** million euros,
up by 37.4%*

**2003 developed sales**
**3,225** million euros

***SECONDARY PREVENTION OF ATHEROTHROMBOTIC EVENTS***

## One of the world's 20 fastest-growing medicines, with very significant potential

**1998** Plavix® launched in the **United States** then on the major European markets in the same year. Its indication was extended in 2002 to cover patients with acute coronary syndrome, regardless of whether they were undergoing coronary angioplasty.

**2003** Plavix® has become a first-choice treatment for prevention of atherothrombosis, including in acute coronary syndrome.
It is the focus of one of the largest clinical development programs ever undertaken, involving over 100,000 patients in controlled long-term studies.

**Plavix® is marketed by Sanofi-Synthélabo in over 75 countries, through an alliance with Bristol-Myers Squibb.**
**It is developed in partnership with Daiichi Pharmaceuticals in Japan, where it was filed for product license approval on February 24, 2004.**

** Growth on a comparable basis.*

*Granule moisture content checking.*

### The only medicine with an indication for all arterial regions affected

Plavix®, a platelet adenosine diphosphate receptor antagonist, is indicated for the secondary prevention of atherothrombotic events in patients with a history of recent myocardial infarction, acute coronary syndrome, recent stroke or established peripheral arterial disease.
**Plavix® is the only medicine approved for secondary prevention, whatever the vascular bed affected: heart, brain or lower limbs.**

The CAPRIE study on nearly 20,000 patients, established clopidogrel's superior efficacy as compared to acetylsalicylic acid, with comparable tolerability.
The CURE study demonstrated that clopidogrel, when added to acetylsalicylic acid, reduces by 20% the combined risk of myocardial infarction, stroke and cardiovascular death, while also offering significant benefits, in both the short and long term, in patients with acute coronary syndrome with an acceptable increase in major bleeding of 1%. On the basis of these results, in 2002 Plavix® obtained an extension of indication to patients suffering from acute coronary syndrome, regardless of whether they have undergone coronary angioplasty.

### 2003 Very steady growth and new developments

Thanks to longer treatment duration and improved penetration for all indications, sales increased significantly. In addition, **the single-tablet combination of clopidogrel and acetylsalicylic acid** is in the later stages of clinical development, with the aim of submission in 2004. At the same time, a **pediatric indication** is being developed at the request of the Food and Drug Administration (FDA).

## Life Cycle Management

Sanofi-Synthélabo has set up a clinical trial program focusing on over 100,000 patients, in order to establish the therapeutic benefits of Plavix® for different patient profiles with a risk of atherothrombosis.
By 2006, the results of these studies could help double the number of people potentially using Plavix®.
To date, over 28 million patients throughout the world have been treated with Plavix®.

**Over 100,000 patients in long-term studies**

- The MATCH Study focuses on secondary prevention in high-risk patients, following **stroke or a transitory ischemic attack.**
  It includes 7,600 patients;
  **Results to come in 2004.**
- The COMMIT and CLARITY Studies evaluate the efficacy of clopidogrel in combination with acetylsalicylic acid in over 45,000 patients with **acute myocardial infarction.**
  **The studies will be completed in 2005.**
- The ACTIVE study will evaluate Plavix®'s efficacy as a preventive agent in patients with **atrial fibrillation.**
  Initiated in 2003, it will include over 14,000 patients.
  **Results expected in 2007.**
- The CHARISMA Study, launched in 2002, assesses Plavix® in association with other usual treatments in preventing **cardiovascular events** in over 15,000 patients **in a very large high-risk population, either with a previous atherothrombotic event, or having other risk factors.**
  **Results expected in early 2006.**

**An unprecedented database**

In late 2003, one of the largest long-term disease registries ever set up for patients with atherothrombotic risk, was initiated. This is known as the REACH Registry (Reduction of Atherothrombosis for Continued Health) and will include over 50,000 patients in over 35 countries.

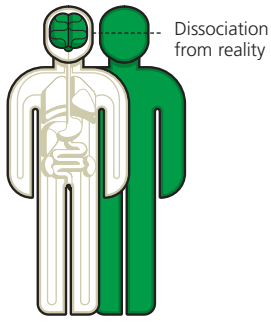
*Physical appearance check.*

# Solian®

*amisulpride*

**Registration date 1986**
**2003 consolidated sales**
**148 million euros,**
**up by 11.3%***

## SCHIZOPHRENIA




**• Affecting 1% of the world's population**
A particularly severe and incapacitating disease, schizophrenia affects approximately 1% of the population. It usually begins during the teenage years and in young adults. In most cases, the disease continues in chronic form, requiring long-term treatment and, in many cases, hospitalization.

Two principal kinds of symptoms can be observed, which can coexist.
Positive symptoms, involving delusions and hallucinations, most often occur in the acute phase.
Negative symptoms, involving withdrawal and an inability to take action, are displayed very early on or during the chronic phase of the disease, leading the patient to gradually retreat from social interaction.

### *TREATMENT FOR SCHIZOPHRENIA*

## A selective broad-spectrum anti-psychotic

Solian® is an innovative anti-psychotic agent with preferential action on dopamine receptors D2/D3. Whatever the phase of schizophrenia involved, acute or chronic, Solian® is effective on both positive and negative symptoms. Its preferential action on the limbic system gives it very good neurological tolerability.

When taken in 400 to 800mg daily doses for positive and negative symptoms and the optimal 100mg daily dose for dominant negative symptoms, Solian®'s efficacy is accompanied by very good tolerability.

**Marketed in all of Europe's major markets and in 58 countries throughout the world, Solian® was launched in six new countries in 2003, including Hungary, Taiwan and Hong Kong.**

** Growth on a comparable basis.*

# Depakine®
# Ergenyl®
# Epilim®
# Deprakine®

*sodium valproate*

**Registration date 1967**

**2003 consolidated sales**
**277 million euros,**
**up by 7.4%***

***TREATMENT FOR EPILEPSY AND BIPOLAR DISORDERS****

## Large-spectrum anti-epileptic, a reference treatment throughout the world

Depakine®, an effective treatment for all types of epileptic seizures and syndromes, generally well-tolerated and not causing any paradoxical aggravation of seizures – unlike other anti-epileptic medicines – has been successfully prescribed for over 35 years. It is marketed in over 100 countries, including the United States, where Abbott holds the relevant license.

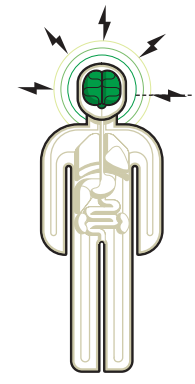
### A new form with a longer-lasting effect

Depakine® is available in a large variety of forms, in order to better fulfill the requirements of all types of patients. The Chrono® form, for instance – extended-release tablets to be taken one to two times a day – makes the treatment regime easier to follow and enables better overall patient care. Depakine® Chrono® is marketed in most European countries, and outside Europe.
In **2003**, Depakine® chronosphere, a new extended-release form, was launched in France under the name **Micropakine®**. This new and innovative form is expected to make the product easier to use, especially for children and the elderly.
**Registration is currently being sought in Europe, with product launches planned in several countries in 2004/2005.**

### A new indication in Europe for the treatment of bipolar disorders.

Valproate also has a part to play in treating the bipolar disorders that affect approximately 2% of the population, involving manic and depressive episodes.
Product license approval was sought in almost all European countries in **2003**. The **indication** has already been obtained in most of them.

## EPILEPSY



Sudden surge of brain cell activity, manifested through repeated crises

- **Affecting 1% of the world's population**

Epilepsy is a frequent chronic neurological disorder, involving repeated seizures with unpredictable onset, resulting from abnormally high electrical activity in the brain's neurons. It affects approximately 1% of the world's population. Children under age 10 and the elderly are the most commonly affected groups.

- **A better understanding of the disorder**

The origin, characteristics and effects of the seizures, the lack of certainty as to whether specific symptoms can be associated with the illness and the varying responses to treatment all make epilepsy difficult to grasp.
However, as progress is made in genetics and brain electrophysiology, and thanks to new functional brain imaging, there is now a greater understanding of the disease.

- **A chance to live a normal life**

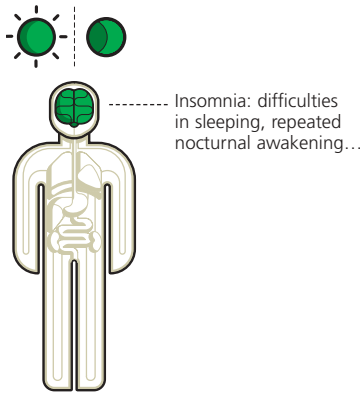
With appropriate medical care, the vast majority of patients are able to continue leading normal lives. It is thus essential that access to diagnosis, treatment and medical advice be made easier.

** Growth on a comparable basis.*
*** The bipolar disorders indication has been obtained for some countries.*

# **Strategic** product

**www.ambien.com**
**www.shuteye.com**

## INSOMNIA




**• 20% to 30% of the population affected**
Insomnia is a combination of unsatisfying sleep and the resulting problems during the day: irritability, short attention span, and inability to concentrate, to remain alert, or to remember things.
Over 150 million insomniacs have been identified on the seven leading markets.
When left untreated, insomnia can become chronic and may multiply up to eight-fold the risk of developing a depressive state, depending on the degree of severity.

**• An extremely high socio-economic cost**
Absenteeism, lower productivity levels, increased consumption of medication, a greater number of accidents (in particular, car accidents, which are two to three times more frequent for insomniacs), and twice as many hospital stays: the high cost of insomnia is such that it justifies early treatment.
In the U.S., the direct and indirect costs have been evaluated at over USD 100 billion/year.

**• Many patients still untreated**
The percentage of the insomniac population suffering from untreated sleep disorder is large: 73% in the United States, 65% in France, and 64% in Japan, according to the 2003 Harris Medical International study.

# Stilnox®
# Ambien®
# Myslee®

*zolpidem*

**Registration date**
**1987 in France**

**2003 consolidated sales**
**1,345 million euros,**
**up by 10.4%***

***INSOMNIA TREATMENT***

## The world's leading hypnotic [1] over 10 billion treatment nights [2] since launch

**1988** Launched in France, then in the major European markets, Stilnox® was introduced to the United States in 1993 under the name Ambien®, and in Japan, under the name Myslee®, at the end of 2000.

**2003** Already the long-standing leader in Europe and the United States, Myslee® also became the leading product on the Japanese market.
A new formulation, which offers even greater sleep continuity, is currently under development.

**Available in nearly 100 countries, Stilnox®/Ambien®/ Myslee® is the world's leading hypnotic, with nearly 60% of the market, in terms of sales.**
**It is marketed by Sanofi-Synthélabo, except in Japan, where marketing is handled through a joint venture with Fujisawa.**

** Growth on a comparable basis.*
*[1] In sales figures and treatment days IMS December 2003.*
*[2] Sanofi-Synthélabo internal data or IMS 1988-2003.*

*Quality Control Laboratory.*

### The only medication with proven efficacy when used "as needed"

Pharmacologically different from benzodiazepines, Stilnox® is distinguished by its selective binding to brain receptors mediating hypnotic activity. As a result, it rapidly induces sleep that is **qualitatively close to natural sleep**.
Its effects last six to seven hours. It is well-tolerated and allows the patient to awake refreshed.
The risk of dependency, the main drawback of hypnotics, is kept to a minimum when the recommended doses and treatment times are followed.

**Stilnox® has been better studied than any other hypnotic** in the world: its efficacy and tolerability have been established, based on data collected for 140 clinical studies in over 80,000 patients from all continents.
A series of eight clinical studies dealing with 6,000 patients established, in particular, that Stilnox® is the only product with demonstrated efficacy when used "as needed", to suit the needs of each patient. This mode of administration makes it possible for patients with occasional insomnia to **avoid taking it on a regular basis**.

### 2003 Global leader: in Europe, the United States and Japan

Stilnox® remains market leader in Europe, despite the arrival of generic products in a number of markets.
Ambien® enjoys the status of undisputed market leader in the United States, in both value and unit terms, with an unrivalled spontaneous recall rate of 99% in primary care physicians.
Three years after its launch, Myslee® has established itself as market leader in terms of sales in Japan, with a market share which exceeds 22%.

## Life Cycle Management

**A modified-release formulation to better maintain sleep**
Sanofi-Synthélabo has developed a modified-release formulation for zolpidem, called **zolpidem MR (modified release)**. It is designed to rapidly induce sleep and to improve its continuity, allowing patients to have a full night's rest, whilst reducing residual effects upon waking to a minimum, (this being one of the major advantages of zolpidem).

The two pivotal Phase III clinical studies, one in adults and the other in elderly patients, have been completed and are being analyzed. They clearly establish zolpidem MR's sleep-maintenance properties.
Those studies are supported by two clinical pharmacology studies that show total absence of residual effects upon waking, in both adults and the elderly.

This clinical trial program forms the basis for which zolpidem MR FDA approval will be sought in the U.S., in June 2004.
The product launch is planned for 2005 in the United States, under the brand name Ambien® CR (controlled release).
Ambien® CR will offer greater sleep continuity with the same safety profile as Ambien®.

# **Strategic** product

www.eloxatin.com

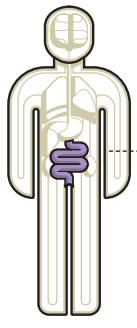
## Eloxatine®
## Eloxatin®

*oxaliplatin*

**Registration date 1996**

**2003 consolidated sales**
**824 million euros,**
**an increase of 125.8%***

### COLORECTAL CANCER




- **One million people affected each year**

This type of cancer is the third most frequent in the world, with one million new cases diagnosed and nearly 500,000 deaths per year. It particularly affects Western countries.
5 to 10% of colorectal cancers are hereditary, but behavioral factors, such as eating habits, excess calorie intake and a sedentary lifestyle are the main cause.

- **Treatment includes chemotherapy**

In non-metastatic stages, curative treatment for the cancer is based on surgery. However, the risk of recurrence often warrants the use of adjuvant chemotherapy.
When dealing with metastases, chemotherapy has shown its efficacy in stopping or slowing tumor growth and extending patients' lifespan.

*TREATMENT OF METASTATIC COLORECTAL CANCER*

## A new reference treatment for colorectal cancer

**1996** First registered in France for the treatment of metastatic colorectal cancer, with extension of the registration to the whole of Europe in 1999, Eloxatin® is now leader for this indication, and posts double-digit improvement in its sales.

**2003** Launched in the United States in 2002, Eloxatin® established itself in 2003 and is administered to new patients for all lines of treatment.

**Eloxatin® makes a major contribution to the treatment of metastatic colorectal cancer.**
**Registered in 69 countries, Eloxatin® is marketed by Sanofi-Synthélabo in Europe, the United States and the rest of the world, excluding Japan, Argentina, India, Pakistan and Uruguay.**

** Growth on a comparable basis.*

*Tablet thickness control.*

### A new-generation platinum salt of unparalleled efficacy in colorectal cancer

Eloxatin® is the only new-generation platinum salt that has proved active against colorectal cancer. It is the source of major progress in **treating metastatic colorectal cancer:**

- achieving median survival times of 20 months or more, when used as first-line treatment;
- making it possible to operate on a significant percentage of patients with isolated hepatic metastases, by quickly and significantly bringing down their size.
  Eloxatin® gives these patients hope for extended lifespan and possible cure.

### 2003 Best oncology launch in the United States, indication extensions

While maintaining its steady growth in Europe, Eloxatin® established itself very quickly in the United States, where it is prescribed for 40%* of new patients as first-line treatment and 47%* of patients as second-line treatment.

The results of one clinical trial on the efficacy of Eloxatin® as **first-line treatment of colorectal cancer** have shown a significant extension of survival times in patients treated with Eloxatin®.

Eloxatin®'s demonstrated efficacy as a first- and second-line treatment allowed it to obtain **broad indication labellings** in late 2003 and early 2004 in Europe and the United States:

- treatment of metastatic colorectal cancers in Europe, in December 2003;
- treatment of advanced colon and rectum cancer in the United States, in January 2004.

## Life Cycle Management

**Adjuvant treatment for colon cancer**

Eloxatin® has been further developed as **an adjuvant treatment for colon cancer**. The aim is to prevent recurrence in patients who cannot recover with surgery alone (stages II and III).

The MOSAIC study, which accrued over 2,200 patients having undergone surgery for stage II or III colon cancer in over 20 countries, shows that, when added to adjuvant treatment, Eloxatin® **reduces the risk of recurrence within a three-year period by 23%** as compared to the standard treatment (5FU/leucovorin). By eradicating all residual tumor cells, adjuvant chemotherapy after surgery helps increase cure levels. These positive results were presented at the American Society of Clinical Oncology's (ASCO) Annual Convention in 2003.

**Product license approval has been submitted for Eloxatin® in adjuvant treatment** for colon cancer in Europe in December 2003 and in the United States in January 2004.

**Treatment of other cancers**

Eloxatin®'s potential use has been investigated in the treatment of other tumors; in particular **digestive tract tumors**, such as pancreas and gastric cancer, as well as ovarian cancer, lung cancer, and certain hematological cancers, like lymphoma.
Eloxatin® has been registered in South Korea for the treatment of gastric cancer.

** Source: Intrinsiq Research - Rolling three-month totals – December 2003*

# **Strategic** product

www.xatral.com

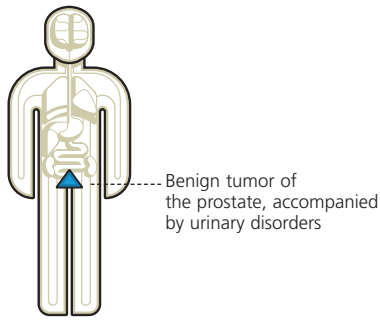
## Xatral®
## Uroxatral®
## Benestan®

*alfuzosin*

**Registration date 1987**

**2003 consolidated sales**
**222 million euros,**
**up by 24.7%***

### BENIGN PROSTATIC HYPERPLASIA




- **55 million affected**

Benign prostatic hyperplasia is the most frequently-occurring benign tumor in humans. It triggers a frequent and urgent need to urinate, particularly during the night, creating considerable discomfort. The symptoms affect 22% of men aged 50 to 59 and up to 45% of men aged 70 to 80, or over 55 million men in 2004 and 60 million in 2009.

- **A disease often undiagnosed and untreated**

A recent study (MSAM-7) carried out in seven countries (U.S., France, Italy, U.K., Spain, Germany and the Netherlands) on 14,000 men aged 50 or over, has revealed that only 20% of men showing moderate symptoms receive treatment, and 43% of those with severe symptoms. The increasing demand for quality of life should lead to a 50% increase in the number of patients receiving treatment before the end of the decade.

- **Complications and sexual disorders**

When left untreated, benign prostatic hyperplasia can lead to long-term acute urinary retention and require emergency surgery. This complication affects 10% of men aged 70 or over, within a five-year period. In addition, men over 50 affected by benign prostatic hyperplasia are four times more likely to develop sexual disorders.

***TREATMENT FOR BENIGN PROSTATIC HYPERPLASIA AND ACUTE URINARY RETENTION***

## Uniquely positioned, the most dynamic medication in its class

**1988** Launched in France for its first indication, treatment of symptoms associated with benign prostatic hyperplasia, Xatral® has become a leader on this market.

**2003** Launched in the United States under the name **Uroxatral®** for its first indication, Xatral® has also obtained a modification in the summary of the product's characteristics as adjuvant treatment for acute urinary retention in nine European countries.

**Registered in over 90 countries in its most optimized once-daily form, Xatral® OD is marketed by Sanofi-Synthélabo on all continents, excepting Australia and Japan.**

** Growth on a comparable basis.*

### A uroselective alpha1-blocker that respects patient sexuality

Xatral® is the first alpha1-blocker to be marketed only for the **treatment of benign prostatic hyperplasia (BPH)**, capable of preferential action on the urinary tract.
Effective from the very first dose, Xatral® offers quick and lasting relief, improving patients' quality of life and offering good tolerability, in particular from the cardiovascular standpoint.

**Quality of life and, in particular, sexuality, need to be taken into account when choosing a benign prostatic hyperplasia (BPH) treatment.**

Unlike other treatments, Xatral® respects patient sexuality, displaying sexual side effects similar to those of placebo. This feature has been confirmed in the preliminary results of a major international study (ALF-ONE), presented at international urological symposia throughout 2003.

### 2003 Indication extension in Europe. The first alpha-blocker to have obtained an indication as adjuvant treatment in occurrences of urine retention

In addition to ongoing evaluations of symptomatic treatment for BPH, a broad-ranging clinical development program has begun in the major complication arising from this illness: acute urinary retention (AUR), both with regard to care in the acute phase and prevention.
The results of the ALFAUR study, in particular, helped establish that Xatral® OD doubles the likelihood of the patient's being able to urinate normally again, following an occurrence of acute urinary retention, when combined with a catheter.
It has also been demonstrated that Xatral® OD reduces the risk of recurrence in the six months after the first AUR occurrence.
The results of the ALFAUR study were included in the summary of the product's characteristics in nine European countries (France, United Kingdom, Germany, Sweden, Finland, Austria, Belgium, Denmark, Iceland). The application is currently under review in many other countries. Xatral® is the first alpha-blocker to obtain an indication as an adjuvant treatment for occurrences of AUR and/or reduction in the risk of recurrence.

### 2003 Major launch in the United States,

Alfuzosin OD was launched in the **United States** under the brand name Uroxatral® as a treatment for symptoms of benign prostatic hyperplasia in November 2003. Over 300 specialized associates are informing American urologists, while nearly 1,800 medical sales representatives – a sales force of a size never seen before on this market – will do the same for primary care physicians, starting from February 2004.
The launch is a major growth opportunity. The U.S. market, worth around USD 1 billion, accounts for over 34% of global sales of benign prostatic hyperplasia medication and is increasing by 13% per year.

*Sampling for Quality Control.*

## Life Cycle Management

**Adjuvant treatment for acute urinary retention**

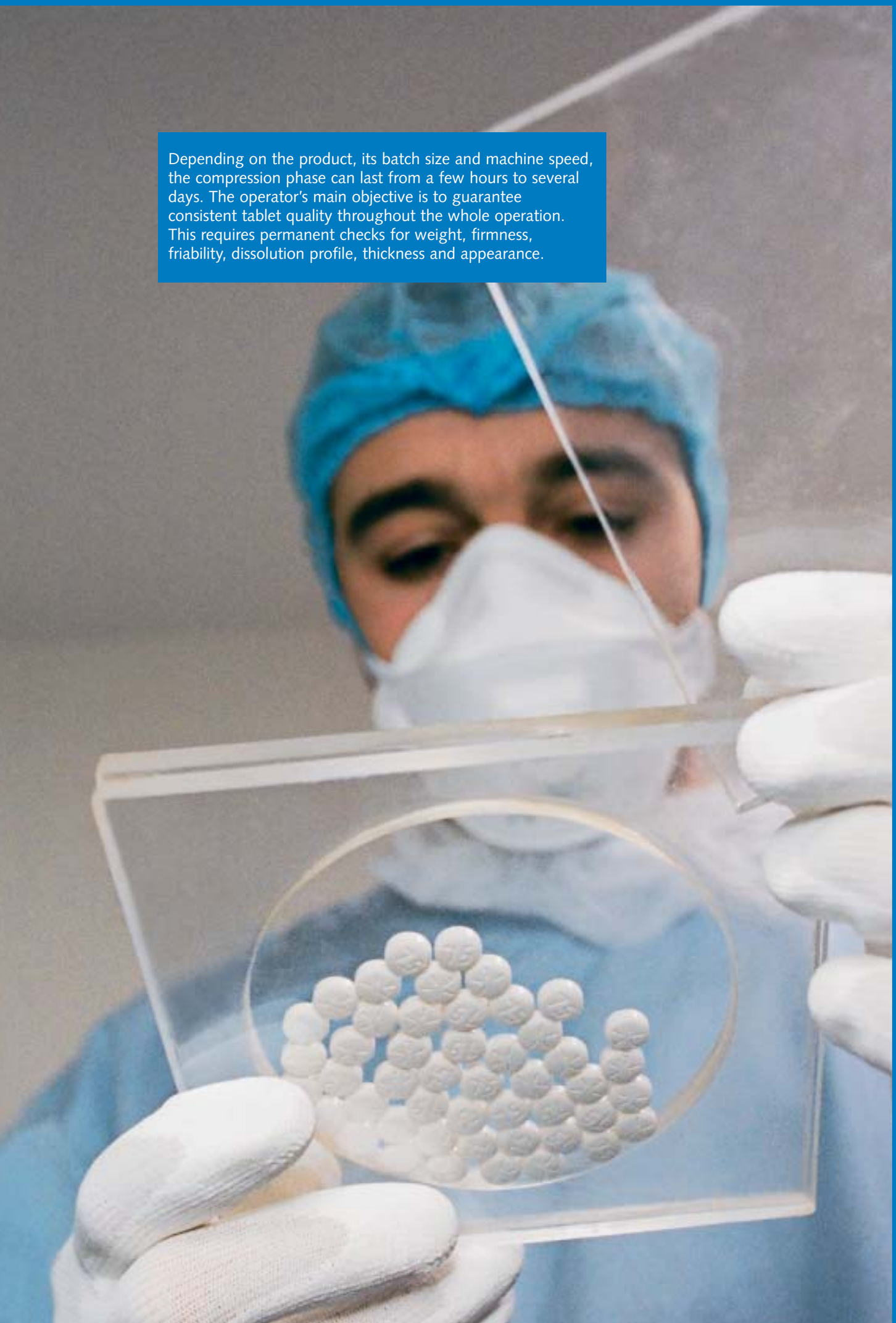
- In addition to the nine countries where this indication has already been obtained, **product license approval** for this indication is pending in the Netherlands, Portugal and Ireland.
  The application procedure is underway in all other European countries, as well as in Canada.
- The ALFAUR US study has begun in the United States.

**Primary prevention of acute urinary retention**

Another clinical study, ALTESS, on over 1,400 patients followed during a two-year period, is being conducted in Europe and the United States in order to extend Xatral®'s indication to the primary prevention of acute urinary retention.

**Treatment for benign prostatic hyperplasia in Japan**

Clinical development of the once daily (OD) form in benign prostatic hyperplasia treatment was begun in Japan in 2003. Phase I trials on Japanese patients have been completed.



Depending on the product, its batch size and machine speed, the compression phase can last from a few hours to several days. The operator's main objective is to guarantee consistent tablet quality throughout the whole operation. This requires permanent checks for weight, firmness, friability, dissolution profile, thickness and appearance.

A chemist working on one of the organic synthetic steps leading to the synthesis of original compounds.
These compounds will immediately be tested in biochemical studies to determine their biological activity. The results will give information so as to synthesize more active compounds.

**pro-active**
presence
**worldwide**

sanofi~synthelabo
Because health matters

Very strong **growth, outperforming the market** in all regions

**+10.4%*** in Europe

**+32.9%*** in the United States

**+13.1%*** in other countries

** Consolidated sales, growth on a comparable basis.*

Sanofi-Synthélabo is rapidly internationalizing its operations, with **80%** of consolidated sales outside France.

In **Europe**, the Group achieved the highest growth levels amongst the top ten pharmaceutical companies [(1)].

In the **United States**, the Group successfully operated a forceful strategy, with the highest growth level amongst the top 20 pharmaceutical companies [(2)], generating sales that now account for nearly a quarter of consolidated sales figures. **Developed sales** on this market have increased from 1.4 billion to **4 billion euros in four years**.

Sanofi-Synthélabo is looking to repeat this success story in **Japan**, strengthening its **Research and Development** organization and setting up its own **sales force**, operational as of March 2004.

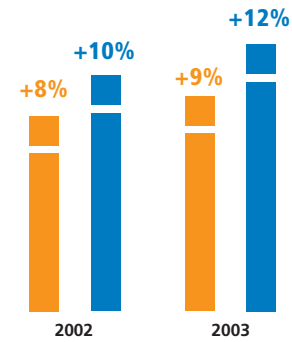
*(1) IMS/GERS Europe data: 18 countries retail figures, Moving Annual Total December 2003; parallel imports reallocated in Germany, the U.K. and the Netherlands.*

*(2) IMS U.S. 10 channels.*

# **Pro-active presence** worldwide

## Europe

**2003 consolidated sales:**
**4,693 million euros**




**Sales growth**

■ Market
■ Sanofi-Synthélabo

*IMS/GERS Europe data: 18 countries retail figures, Moving Annual Total December 2003; parallel imports reallocated in Germany, the U.K. and the Netherlands.*

## France

**2003 consolidated sales:**
**1,646 million euros**
**Growth*: +4.2%**
**Market share**: 8.0%**

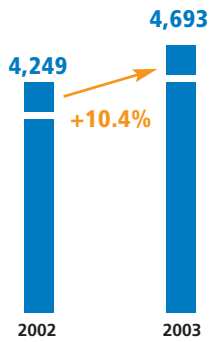
All European countries have embarked on cost-control policies with regard to health expenditure, impacting medicine prices. In 2003, the operating environment was severely affected in France, Germany, Italy and Spain, which together account for 68% of the Group's consolidated sales in Europe.

In this difficult environment, Sanofi-Synthélabo once again showed that it is capable of growing more quickly than the market average. Its growth rate makes the Group the leader amongst the 10 top players in Europe's pharmaceutical industry.
Sales of its five strategic products (Plavix®, Aprovel®, Stilnox®, Eloxatin® and Xatral®) showed an increase of 26%, on a comparable basis.
Sanofi-Synthélabo is gaining market share in all countries, with growth of over 15% in Spain and Scandinavia, over 20% in the United Kingdom and Austria and more than 30% in Greece, Turkey and Hungary.

2003 was a year during which the social security system saw its debt escalate significantly, to reach an estimated 11 billion euros, as compared to 6 billion euros in 2002. To deal with this change, and until the government implements the National Health Insurance Reform, expected in 2004, the Health Authorities deployed a set of measures intended to curb expenditure on medicines and increase revenue.

- Medicines will be reimbursed at the "Tarif forfaitaire de responsabilité" (TFR) - the price at which equivalent generic products are sold, where these exist.
  This measure will be implemented over a period of several years. The first stage came in September 2003, and affected four Sanofi-Synthélabo products, the prices of which were decreased by an average of 30%.
- The Health Authorities later carried out a downward re-evaluation of all reimbursement levels on a first list of medicines. This led to declines of 35 to 65% in reimbursement rates, and in some cases, to discontinuation of reimbursement or negotiated price decreases. Sanofi-Synthélabo was marginally affected by this first series of measures, which took place over the course of the summer.

** Consolidated sales, growth on a comparable basis.*
*** Europe IMS/GERS: retail sales (except Scandinavia, retail and hospital figures) Moving Annual Total December 2003; parallel imports reallocated in Germany, the U.K. and the Netherlands.*



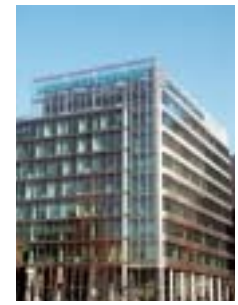

**Consolidated sales**

*(in millions of euros)*
*Change on a comparable basis.*

- The operations of pharmaceutical companies came under heavy taxation, with a sharp increase in taxes on promotional expenses and a considerable rise expected in the mandatory corporate tax on pharmaceutical companies' sales.

Sanofi-Synthélabo's performance was greater than that of the French market.
Noteworthy points in each therapeutic class are:

- **extremely rapid development of the cardiovascular business**, driven by Plavix® and Aprovel®/Co-Aprovel®, offset by slipping sales in more mature products subject to pressure from generics. Plavix® and Aprovel®/Co-Aprovel® are co-promoted with Bristol-Myers Squibb, with Sanofi-Synthélabo registering the entirety of the resulting sales. These products consolidated their positions at the head of their therapeutic class;
- **strong growth in internal medicine**, with the combined impact of Inipomp®, and the joint marketing of Altana's pantoprazole in France, and with Xatral®;
- **significant increase in oncology**, supported by the growth of Eloxatin® and Fasturtec®, which benefited from its first full year of marketing.
- **overall stagnation in central nervous system sales**, despite the progress of leading products such as Stilnox®, Solian® and Depakine®/Depakote®, due to a slowdown in the rest of the product range.



## Germany

**2003 consolidated sales:**
**667 million euros**
**Growth*: +5.9%**
**Market share**: 2.9%**

The Health Authorities continued to limit their expenses through a large number of actions starting in January 2003. As part of this process, all products were subject to a mandatory discount of 6%, except hospital medication, reference-price medicines, privately prescribed medicines and officially-prescribed medicines (like Eloxatin®).
At the same time, there was an increase in sales from parallel imports recorded by pharmacies, from 5.5% to 7.5%.
In October, the law for the modernization of the healthcare system (GMG) came before the Parliament and became effective starting on January 1, 2004. This will in particular lead to an increase in the mandatory discount rate from 6 to 16%, and non-prescribed products will no longer be reimbursed.

In light of these restrictions, Sanofi-Synthélabo's German affiliate launched an intense reorganization and resource reallocation program to improve its productivity.

Among the major products, Plavix®, the affiliate's main product, achieved dynamic growth in spite of parallel imports.
Eloxatin® performed extremely well and Aprovel® continued to grow.

# **Pro-active presence** worldwide

## Italy

**2003 consolidated sales:**
**478 million euros**
**Growth*: +7.9%**
**Market share**: 3.0%**

In 2003, the Italian market remained slow in terms of growth after being severely penalized in 2002 by measures limiting health expenditure. These included:
– right to substitute generic products for products without patent protection,
– decentralization policy, giving the regions a discretionary role with regard to medicine reimbursement and distribution.
– 7% price reduction (5% in April 2002 and 2% in January 2003)
– discontinuation of reimbursement on medicines.

Despite this difficult context, our affiliate continued an extensive reorganization program in order to better adapt to these changes.

Plavix® secured reimbursement status in August 2003 for the acute coronary syndrome indication.
It is distributed by Sanofi-Synthélabo and co-promoted with Bristol-Myers Squibb.
The affiliate is maintaining its positions thanks to the excellent performance of its leading products: Aprovel®, Eloxatin®, Enterogermina® and Xatral®, thanks to the launch of the once-daily form in 2002.

## Spain

**2003 consolidated sales:**
**419 million euros**
**Growth*: +17.4%**
**Market share**: 2.9%**

To deal with growing health expenditure, the Authorities have issued a series of restrictive measures:
– healthcare management has been decentralized to 17 autonomous governments, which may set measures to limit access to medicines, limit reimbursement levels or lower prices on products for hospital use.
– reform of reference prices legislation. Starting from January 2004, a tighter price calculation system will be implemented with regard to 82 groups of products and 62 active ingredients (little impact on Group products).
– new negotiation on Pacto: agreements between the Ministry of Health and the pharmaceutical industry will be revised.

The affiliate's growth drivers are Aprovel®, Plavix® and Eloxatin®. Solian® and Fasturtec®, both launched in 2002, also saw a strong surge. Stilnox® was penalized by a price decline of 10% in March 2003.
Sales of products for hospital use were improved by the creation of a Key Account Managers Department.
Arixtra®, which was launched in over 100 hospitals in 2003, got off to a good start.

** Consolidated sales, growth on a comparable basis.*
*** Europe IMS/GERS: retail sales (except Scandinavia, retail and hospital figures) Moving Annual Total December 2003; parallel imports reallocated in Germany, the U.K. and the Netherlands.*

## Belgium

**2003 consolidated sales:**
**178 million euros**
**Growth*: +9.2%**
**Market share**: 5.2%**

In a relatively stable market, the Belgian affiliate recorded good performance, driven by the success of Eloxatin®.
Plavix® also posted good results. Aprovel® became leader on its market.

Since July 1, 2003, the affiliate has had to cope with a price reduction of 12% on Fraxiparin® and 8% on Fraxodi®. The government canceled the latter as of January 1, 2004, with no retroactive effect on 2003.

A new distribution facility was built during the year and will begin operations in February 2004.
It is fully compliant with the latest standards on automation, safety and ergonomics, and will make it possible to bring together on one site products previously stocked on three different sites.

## United Kingdom and Republic of Ireland

**2003 consolidated sales:**
**322 million euros**
**Growth*: +23.8%**
**Market share**: 3.3%**

The National Health Services (NHS) intends to continue with the healthcare reform begun in 2000 which plans to increase health expenditure for hospitals.
2004 will be an important year, as the Pharmaceutical Pricing Regulation System (PPRS) is renegotiated.

In 2003, the affiliate, voted pharmaceutical company of the year, achieved growth far higher than that of the market, built upon the good performance achieved by its leading products: Plavix®, Aprovel® and Eloxatin®.
Depakote® benefited greatly from the highly positive opinion handed down by the National Institute of Clinical Excellence (NICE).
Solian® and Xatral® experienced more moderate growth.
The Generics business, which accounts for 20% of sales, also increased, with the impetus from the launches of citalopram and simvastatin.

Now enjoying greater autonomy, the affiliate in the Republic of Ireland saw growth of more than 30%.

## Greece

**2003 consolidated sales:**
**131 million euros**
**Growth*: +31.0%**
**Market share**: 4.2%**

In Greece, the authorities have set up a new Social Security list, based on processing treatment costs per day and by therapeutic category, as well as monitoring promotional expenses.
Despite this difficult operating environment, the affiliate's sales figures continue to improve, driven by the very good performance posted by Plavix®, Aprovel®, Eloxatin® and Xatral®.
Aprovel® is currently the leading product on its market.
Stilnox holds a market share of 68%, up from 2002.

# **Pro-active presence** worldwide

## Turkey

**2003 consolidated sales:**
**130 million euros**
**(Ethical: 114 M€/Veterinary: 16 M€)**
**Growth*: +32.7%**
**Market share**: 2.8%**

Hospitals adopted a new procurement procedure, using calls for tenders.
In an economic context which remains difficult, with high inflation rates, the affiliate posted excellent performance, thanks mainly to Plavix® and Aprovel®.

## Hungary

**2003 consolidated sales:**
**124 million euros**
**Growth*: +30.5%**
**Market share**: 6.9%**

After a very good start to the year, the affiliate had to deal with the consequences of a major social security deficit and the government's decision to require pharmaceutical companies to pay a tax according to their market share, starting in the four last months of 2003.

Plavix®, Aprovel® and Fraxiparin® continued to drive the affiliate's sales growth, which far outperformed that of the market.

The affiliate also set up a new urology sales force in order to promote alfuzosin.

## Scandinavia

**2003 consolidated sales:**
**107 million euros**
**Growth*: +18.9%**
**Market share**: 1.6%**

2003 was a good year in all the Scandinavian countries, with sales growth far higher than that of the market.

- In **Sweden**, since October 2003, pharmacies have been required to order and recommend the least expensive brands, generic medicines or products. Sales nonetheless grew by 10.5%, driven by the strong growth recorded by Plavix®, Xatral® and Eloxatin®.
- In **Finland**, the generic substitution law, effective since April 2003, did not hamper growth, which exceeded 19%. This vitality is due mainly to the government's approval of reimbursement for Plavix® in acute coronary syndrome (ACS) indications and the national recommendation of Plavix® as a first-line treatment. Xatral® and Eloxatin® also posted very strong progress.
- In **Denmark**, the affiliate achieved growth of over 40% in a market that progressed by 4.7%, thanks to the good results posted by Aprovel®, Xatral®, Stilnox® and, especially, Plavix®, sales of which doubled.
- In **Norway**, sales increased by over 20%. Aprovel® and Plavix® maintained their growth despite price decreases, while Eloxatin® improved considerably.

** Consolidated sales, growth on a comparable basis.*
*** Europe IMS/GERS: retail sales (except Scandinavia, retail and hospital figures) Moving Annual Total December 2003; parallel imports reallocated in Germany, the U.K. and the Netherlands.*

## Switzerland

**2003 consolidated sales:**
**103 million euros**
**Growth*: +13.2%**
**Market share**: 4.0%**

The Federal Office of Social Insurance hardened its position on reimbursement policy. The affiliate nonetheless maintained growth above market levels, bolstered by Aprovel®, which has become the market leader, Plavix®, Fraxiparine®, Arixtra® and Eloxatin®.

## Portugal

**2003 consolidated sales:**
**96 million euros**
**Growth*: +9.1%**
**Market share**: 4.0%**

Regulatory developments fostered the prescription of generic products in 2003, and the government transferred management responsibilities on 47 hospitals to private companies.

In this rather unfavorable context, Plavix®, now reimbursed for all indications, Aprovel®, Eloxatin®, Xatral® and Maxilase® were the main growth drivers.

## Poland

**2003 consolidated sales:**
**82 million euros**
**Growth*: +13.9%**
**Market share**: 2.7%**

Since April 2003, 17 regional reimbursement centers have been replaced with a single national health centre. The affiliate posted good performance, thanks in particular to the strong growth of Fraxiparine®/Fraxodi®, which now holds a 46% share of the retail market, No-Spa® and Magne B6®, which saw its price reduction offset by an increase in volume. Sales of Depakine®, the market's leading product, increased strongly.
Xatral® achieved growth one and a half times higher than that of the market.

## Netherlands

**2003 consolidated sales:**
**77 million euros**
**Growth*: +11.6%**
**Growth IMS retail, CMA December 2003 : 25.9%**
**Market share**: 2.5%**

The Dutch affiliate experienced a difficult year, with uncertainties over prescription and reimbursement conditions for major strategic products and a strong increase in parallel imports.

Plavix® and Aprovel® were the main growth drivers. Plavix® sales continued to increase, despite the increasingly frequent demand for prior approval from health insurance companies.
Eloxatin® confirmed its leading position on the market.

## Czech Republic

**2003 consolidated sales:**
**44 million euros**
**Growth*: +10.0%**
**Market share**: 3.8%**

The Czech Republic must deal with a sharp drop in price reimbursement levels, in line with a policy enacted in July 2003.

Despite this, the affiliate's products, Plavix®, Eloxatin® and Solian®/Deniban® once again posted strong improvements.

## Austria

**2003 consolidated sales:**
**42 million euros**
**Growth*: +20.0%**
**Market share**: 2.0%**

The year 2003 ended with legislative debate as to the future of the Austrian healthcare system. In a historical context where the market has shown nearly double-digit growth, affiliate sales improved by 20%, despite the impact of generic products and price drops on the main products.

Plavix® and Eloxatin® were the growth drivers, accounting for more than 60% of the affiliate's sales.

** Consolidated sales, growth on a comparable basis.*
*** Europe IMS/GERS: retail sales (except Scandinavia, retail and hospital figures) Moving Annual Total December 2003; parallel imports reallocated in Germany, the U.K. and the Netherlands.*

# United States

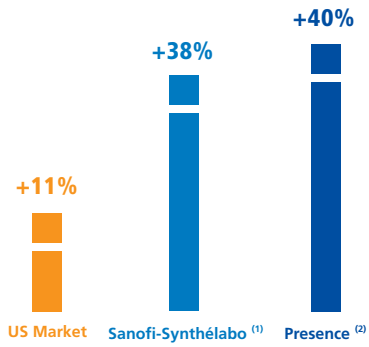
**Consolidated sales:**
**1,912 million euros**

**Developed sales:**
**3,992 million euros**

The U.S. market developed at a historically slow pace in 2003 (despite improving economic conditions in the second half), but nonetheless reached growth of 10.7%, as compared to 2002.

**Sanofi-Synthelabo significantly outperformed the American market with sales growth of 40%** *(consolidated IMS)* **and 38%** *(developed IMS)*. For the first time, Sanofi-Synthélabo entered the club of the Top 15 American pharmaceutical companies in terms of developed sales, and posted the highest growth rate *(IMS NSP, MAT December 2003)*.

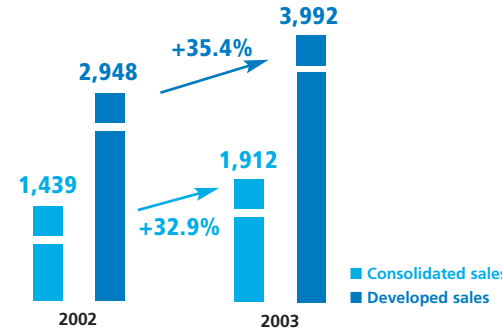
The pressure on prices materialized through the deployment of the Medicaid Program's "Preferred Drug List", in all states. On the other hand, the long-awaited regulation defining access to medicines for Medicare patients, which was adopted in December 2003, was real progress for elderly patients. It is expected to come into effect in 2006, but until that time, there exist a number of short-term solutions that are expected to relax price constraints for elderly patients.




## Sales Growth

*Source IMS : Moving Annual Total, as of end December 2003.*

*(1) Sales generated directly by Sanofi-Synthélabo in the U.S.*
*(2) Sales generated directly by Sanofi-Synthélabo and through alliances in the U.S.*




## Consolidated and developed sales

*(in millions of euros)*
*Consolidated and developed sales, on a comparable basis.*

The Group has devoted a great deal of attention to these developments and expanded its teams and resources to communicate effectively about the value of its products with these new prescribers. Sanofi-Synthélabo's products are marketed in the United States through a number of channels:

- the affiliate, Sanofi-Synthelabo Inc. ;
- an alliance with Bristol-Myers Squibb for Plavix® and Avapro®, the sales of which are not consolidated by Sanofi-Synthelabo;
- a 50/50 alliance with Organon on Arixtra® in 2003, with Sanofi-Synthelabo taking full control of Arixtra® in 2004;
- license agreements, in particular on Cordarone®, Depakine® and Ticlid®.

The strong growth recorded in 2003, despite a significant reduction in wholesale stock, confirmed the success of several products.

- Developed sales on Plavix® exceeded 1.8 billion euros, increasing by 38%.
- Eloxatin® recorded sales of 460 million euros for its first year on the market. The Folfox regimen (Eloxatin® in combination with 5FU/LV through IV) became the leading chemotherapy treatment for advanced colorectal cancer. The FDA's recent approval for Eloxatin® as a first-line treatment for advanced colorectal cancer and a new application for marketing approval on Folfox with curative intentions, as adjuvant treatment for colorectal cancer, offer new prospects for 2004.
- 2003 was also the first full fiscal year elapsed since the Group recovered its rights on Ambien®, sales of which reached 1.1 billion euros, increasing by 11%. Ambien® dominated the hypnotics market, with 50% of new prescriptions in third quarter 2003 (Source IMS NPA Plus).
- Developed sales of Avapro® and Avalide® amounted to 407 million euros, improving by 30%. Avapro®'s highly-focused positioning, targeting hypertensive diabetic patients, and prescriptions of Avalide® as monotherapy for non-normalized patients led to an overall increase in prescriptions.
- Uroxatral® (alfuzosin) SR was launched in October 2003 and was well received by urologists. Promotion for the product targeting primary care physicians, who generate over 50% of prescriptions treating benign prostatic hyperplasia, began in mid-February 2004.
- Launched in 2002 in the United States, Arixtra® is expected to benefit from new indications, which will significantly enlarge its growth prospects.

# Other countries

**Consolidated sales in 2003**
**1,443 million euros**

*Hangzhou, China.*

## Asia/Middle East

**2003 consolidated sales:**
**501 million euros**
**Growth*: +22.0%**

- In the **Middle East**, sales reached 74 million euros, improving by 15%, despite the impact of the war in Iraq and weakened currencies linked to the US dollar. In all countries, growth greatly outperformed market levels.
- The **Asia/Pacific** region was affected by the SARS epidemic, which distinctly slowed down growth in the first half, in an operating environment where health expenditure is being contained.
  Growth nonetheless continued at a rate much higher than that of the market, supported by Plavix®, Aprovel®, Eloxatin®, Xatral® and Solian®.
  The Group intensified its presence in the region by building up its marketing and medical teams.
- In **Southeast Asia, Thailand** and **Malaysia** earned the highest growth figures with respective increases of 34% and 31%. The SARS crisis seriously disturbed the medical industry and its sales were particularly affected in Singapore and Hong Kong, where they nonetheless remained stable, compared to 2002 figures.
- In **South Korea**, in an unfavorable environment, sales improved by 39%, thanks mainly to Plavix® and Aprovel®, reaching 89 million euros.
- In **Taiwan**, consolidated sales amounted to 45 million euros, growing by 42% on a generally stable market. Agreements were reached with Fujisawa Taiwan so that, starting in 2004, Sanofi-Synthélabo Taiwan can take over certain products, distributed in partnership with Fujisawa until that time.
- In **China**, despite restrictions on healthcare expenditure and the SARS crisis, sales improved by 15%, reaching 38 million euros. The sales and marketing teams were considerably stepped up in 2003, so as to allow the development of flagship products, while the Group increased its stake in Sanofi-Synthélabo Minsheng to 75%.
- In **Australia**, sales increased by 20%, to 116 million euros, thanks to Plavix®, Karvea®, Eloxatin®, Solian® and Stilnox®.

** Consolidated sales, growth on a comparable basis.*

*Mexico City, Mexico.*

## Latin America

**2003 consolidated sales:**
**282 million euros**
**Growth*: +16.5%**

The Group took advantage of the economic recovery in several countries and benefited from operations undertaken in 2002 and continued in 2003 to protect its profitability: reducing its wholesale inventory and adjusting structure in Brazil, Argentina and Colombia. Our IMS growth** in the region amounted to 13.1%, as compared to 17.2% for the overall market, due mainly to Colombia's counter-performance.

- In **Mexico**, sales improved by 30%, with turnover of 109 million euros.
- In **Brazil**, where a major reorganization effort was launched, sales increased by 11%, to 74 million euros, but remained lower than market growth (10.8%, as compared to 15.3%).
- In **Colombia**, the measures launched pursuant to "Law 100" had a strong impact on the private pharmaceutical market and led to a 20% fall in sales, to 25 million euros.
- In **Venezuela**, where the environment is still deeply unsettled, growth reached nearly 37%, with turnover of 17 million euros.

## Japan

**2003 consolidated sales:**
**267 million euros**
**Growth*: –6.6%**

In a difficult environment and a slow-growing market*** (+3%), Japan's consolidated sales grew by 0.4% excluding the license on Ticlid® (Panaldine®) granted to Daiichi.

This improvement was centered mainly on two products:
– The hypnotic Myslee® (zolpidem), marketed in conjunction with Fujisawa, which had developed sales of 80 million euros, up by 34%, the top-ranking product in its class, with market share of 22% at year's end (IMS retail + hospital, December 2003),
– The anti-arrhythmic medicine Ancaron® (amiodarone), marketed through a partnership with Taisho, which had sales growth of 27% in 2003, reaching 33 million euros (IMS).

During this transitional year, Sanofi-Synthélabo laid the foundations for a direct operational presence in Japan. A commercial department was established to lend promotional support to the products currently marketed and prepare the launch of products in the R&D pipeline.

With this in mind, negotiations were concluded with Taisho for Sanofi-Synthélabo to take over all rights on Ancaron® (amiodarone), and involve Sanofi-Synthélabo sales representatives in promoting the product as of 2004. At the same time, the Group is continuing to carefully assess possible external growth opportunities.

The Group's development capacity in Japan was strengthened to cope with the increasing number of requests for marketing approval and local clinical studies on products in development. The positive results from the Phase III study on clopidogrel in stroke ended in 2003, making it possible to file the request for marketing approval on February 24, 2004.
The Phase IIb clinical trials on fondaparinux are progressing in line with the planned schedule. The development of amiodarone in intravenous form has been transferred from Taisho to our affiliate.

** Consolidated sales, growth on a comparable basis.*
*** IMS retail sales, Mexico, Brazil, Colombia, Peru, Chile, Argentina, Venezuela, Moving Annual Total December 2003.*
**** IMS retail and hospital sales Moving Annual Total December 2003.*

# **Pro-active presence** worldwide

*Tunis, Tunisia.*

## Africa

**2003 consolidated sales:**
**208 million euros**
**Growth*: +10.1%**

Growth increased considerably in a diverse operating environment.

- In **Algeria**, operations expanded significantly, with an increase of 31% and sales of over 57 million euros.
- In **Morocco**, overall sales amounted to nearly 77 million euros, growing by 1% in a stable market.
- In **Tunisia**, sales improved by 10%, in line with market trends, reaching over 16 million euros.
- In **South Africa**, growth reached 19%, despite the launch of a zolpidem generic, thanks to the very strong development of Plavix® and Aprovel®.
- In **other African countries**, business remained stable in an operating environment which remains disturbed by geopolitical and economic instability, with sales of 31 million euros.

The Impact Malaria program has continued to develop in line with forecasts, with expenditure of 4 million euros in 2003.
It is intended to provide the most vulnerable populations with effective means to combat malaria, a major disease affecting developing countries.

** Consolidated sales, growth on a comparable basis.*

*Sophia, Bulgaria.*

## Central and Eastern Europe

**2003 consolidated sales:**
**135 million euros**
**Growth*: +26.2%**

2003 saw steady growth and consolidation of the flagship products.

- In **Russia**, active promotion efforts targeting the medical community and greater participation in national and local health programs stimulated the growth of the flagship products. Sales of No-Spa®, the leading product on the Russian market, were revived thanks to an adapted communications campaign.
- In the **Ukraine**, new therapeutic indications and a consistent presence in the calls for tender launched by hospitals contributed to overall growth.
- In **Romania**, despite difficulties due to the social security bodies' deficits, business continued on the right track, thanks in particular to Plavix®.
- With prescription quotas relaxed in **Lithuania** and social security bodies recovering some economic stability in **Latvia**, growth resumed in the Baltic Countries.
- In **Central Asia**, the refocusing of both the business and teams on Kazakhstan proved fruitful.
- Development in the **Adriatic Zone** was also positive, thanks in particular to government approval for reimbursement of Lipanor® in Serbia and Montenegro.
- In **Bulgaria**, both market and business were deeply shaken up by the changes in the reimbursement system. Nonetheless, government approval for reimbursement of Plavix® and the expected approval for Solian® give reason to believe that recovery is on the horizon.

Packaging pharmaceutical products for clinical investigation studies. The objective is to package and distribute these products, to be dispensed to patients worldwide participating in clinical trials of products under development.

At the end of the coating process, the operator may be authorized to carry out technical checks for product packaging: consistency of color, absence of deterioration (nicks, breaks, etc.). Operators receive this authorization from Quality Assurance after an appropriate training period.

# our **responsibilities**

sanofi~synthelabo

Because health matters

**Ethics**
Employment Training
**Quality** Safety
**Environment**
Information **Solidarity**

Sanofi-Synthélabo respects a rigorous code of **ethics** with regard to clinical trials and R&D.
It sets the highest standards for the **quality** and **safety** of its medicines.

The Group aims to link **economic performance** to **social performance**. It makes a considerable investment in training, encouraging performance and ensuring that all employees have the best health insurance programs.

In the service of life and of healthcare, Sanofi-Synthélabo implements a demanding policy of **Health**, **Safety** and **Environment**.

**Openness, transparency, solidarity:** the group encourages pro-active communication and contributes to major public healthcare risk prevention.

## Sanofi-Synthélabo has a Code of Ethics reaffirming those values which guide its actions.

- **In 2003, total headcount increased by 2%.**
- **1.46 million hours of training were organized.**
- **The Group devoted 4 million euros to Impact Malaria healthcare costs and 6 million euros to humanitarian sponsoring projects.**

# Our responsibility as a **pharmaceutical Group**

The purpose of the pharmaceutical industry is to discover, develop and make available to physicians and their patients innovative, effective, well-tolerated, high-quality treatments, which fulfil vital needs.

Sanofi-Synthélabo carries out this mission in an ethical and responsible way, extending its commitment to some major challenges in the field of sustainable development: providing access to medicines for those countries most in need, and combating rare and severe diseases.

## Clinical trials

**Clinical trials, which evaluate the therapeutic efficacy of medicines in humans**, are performed in accordance with Good Clinical Practice and medical ethics, and in close cooperation with health authorities. This includes constant monitoring to ensure maximum patient safety.

## Animal testing

**Tests on animals, which are required by law as a step toward clinical trials, are intended to gather as much information possible about a medicine's therapeutic or toxic effects before beginning tests on humans.** Sanofi-Synthélabo has developed an "International Charter on the Use of Laboratory Animals", with a commitment to developing alternatives to animal experimentation, reducing to a minimum the number of animals used in studies, inspecting and improving animal living conditions, and providing appropriate training to staff. An Ethics Committee scrutinizes all protocols and procedures prior to the outset of any experiment.

## Bioethics

Over the last few decades, scientific progress has made it possible to achieve major therapeutic advances. However, recent discoveries in genetics and molecular biology call for society as a whole to take a stance on the issues arising from medical research and the resources it uses.
Sanofi-Synthélabo does not operate a gene therapy program using human embryonic stem cells, but does study differentiation mechanisms in adult stem cells.

## Targeting rare diseases

The Group considers that it has a moral obligation to focus not only on widespread diseases, but also on severe diseases that are rare and either untreated or poorly treated, even though the sales potential of medicines indicated for these diseases is low.
**A specific R&D effort has already culminated in the launch of Fasturtec® (rasburicase) in 2001**, for the prevention of the increase in blood uric acid levels during chemotherapy of acute leukemia, which particularly affects children.
**Other compounds are also in development, including fumagillin, designed to combat intestinal diarrhea of parasitic origin** in patients with immune deficiency.
Fumagillin was included on the European Union list of orphan medicines on February 4, 2002.

## Drug quality and safety

**The pharmaceutical industry has the tightest standards as regards drug quality and safety. Sanofi-Synthélabo integrates its Quality Teams into each area of its business and every affiliate worldwide.**
The Quality Network, comprising 1,600 people, is equipped with communications tools that provide instant access to all information gathered by the Group. Quality Audits are performed on a regular basis, as part of the Group's in-house inspections of facilities and internal departments, as well as for the certification of suppliers and sub-contractors.

## Pharmacovigilance

**All medicines are monitored throughout their life cycle to identify effects on patients, through a process known as pharmacovigilance.**
This evaluates and monitors the risks associated with taking a given medication, including side effects, and to suggest measures that might alleviate those risks, while also promoting and ensuring proper use of the medicine.
Within the Group, pharmacovigilance units exist in every country. They collect, analyze, document and circulate the information provided by patients, investigators responsible for clinical trials and healthcare professionals. These units also interface with local health authorities.
A centralized pharmacovigilance structure collates all of the information available throughout the world to constitute a product's safety profile. This profile is updated on a regular basis, providing information for healthcare professionals and patients.
Warning systems have been developed to provide early identification of any signals that might put into question a medicine's safety profile and to warn all parties involved simultaneously.

## Access to medicines – Impact Malaria

Access to medicines and, more broadly, access to healthcare is an issue for developing countries, which the pharmaceutical industry alone cannot solve.
Well aware of its responsibilities, and with impetus provided by its Chairman, the Group set up an **"Access to Medicine"** Division in 2002, which has contacted countless structures to better understand and grasp a highly complex situation, one that is far different from the channels of modern medicine.
This understanding, vital in defining a useful policy in such a field, will also enable the Company to innovate – something which is all the more crucial, as it will have to reconcile clearly contradictory expectations.

**The "Access to Medicines" Division now includes the Impact Malaria program,** a practical undertaking intended to provide the most vulnerable populations with effective ways to combat malaria, one of the major diseases affecting developing countries. In 2003, EUR 4 million were devoted to the program, which is expected to use EUR 8 million in 2004. Additional resources will be devoted to it through Research and Development spending, as integrated in the Group's R&D budget.

*Impact Malaria.*

### THE IMPACT MALARIA PROGRAM

**The Impact Malaria program, which operates through a dedicated team of 12 people, contributes to the fight against malaria through four main lines of action:**

- **Researching new compounds:** three projects are being conducted by Group R&D, including the Ferroquine project, which entered the pre-clinical development stage in 2003.
- **Developing new presentations for existing compounds:** in response to the parasite's increasingly widespread resistance, Impact Malaria is developing combination therapy using Arsucam® (artesunate) in combination with other anti-malaria medicines. In 2003, the Group filed its first marketing approval applications.
- **Researching new marketing procedures:** In 2003, a differentiated pricing effort, intended for the most deprived populations, was successfully tested in Yaoundé, Cameroon, with 31 pharmacies. A logistics company helped in this initiative, which was carried out with the full approval of the authorities.
  Seeing the initial success of initiatives like these, the Group has plans to extend the marketing of our anti-malaria medicines at differentiated pricing throughout Cameroon, and to other countries, as it has allowed new patient populations to enjoy access to quality medication.
- **Training and informing all members of the healthcare chain** for physicians, nurses, healthcare personneland all those – often outside the field of medicine – who care for sick patients.

**To find out more:**
**www.impact-malaria.com**

# **Health, Safety, Environment:** an exacting policy, focused on the challenges of our pharmaceutical business

In the service of life and health, Sanofi-Synthélabo operates a rigorous and exacting Health, Safety and Environment Policy to ensure the health and safety of its employees, to optimize safety in its manufacturing facilities and limit the environmental impact of its business activities.

This policy is reflected in the commitment of scientific teams, right from the outset of each process, to assessing the risk factors inherent in any industrial development.
It aims to implement the means necessary for proper risk control on all workstations, in all of our undertakings and during the life cycle of all our projects.

Whilst our business activities do not have a significant environmental impact, we are committed to minimizing our use of natural resources and limiting the impact of our operations.

Beyond good practices of this type, our respect for the men and women who are behind Sanofi-Synthélabo's success requires that we do even more together in the fields of health, safety and the environment.

## Protecting our employees' health in the workplace

Protecting employees' health in the workplace, in the short, medium and long term, means first and foremost controlling the physical, chemical and biological risks inherent to the pharmaceutical business.
We discover and develop increasingly active therapeutic compounds, for use at lower and lower doses.
Our prime concern is to scientifically assess their effects on human health in order to determine the measures required to protect our employees' health throughout their professional careers.

Our preferred method of action is **anticipating risk**, by identifying and evaluating potential dangers, constantly raising our standards and applying them throughout the world, and maintaining our HSE culture and momentum through training and feedback.

### COVALIS: preventing chemical risks

COVALIS, **Sanofi-Synthélabo's Internal Threshold Values Committee**, is a multidisciplinary team of experts in chemistry, industrial toxicology, industrial safety and occupational medicine.

- It evaluates the physical, chemical and toxicological properties – and thus the danger – of all of the chemical and pharmaceutical substances handled in the Group's facilities.
- It determines the toxicological trial program and interprets the results.
- It divides substances into five categories, according to the potential airborne or skin contact risk they involve and sets the occupational exposure limits thresholds to be observed at the workplace.

*Manufacturing pills.*

These data are sent to all facility directors, HSE coordinators and company physicians, enabling them to assess the risk level associated with each workstation and to determine the appropriate prevention measures: operating mode, individual or collective protection equipment. Every employee in each of the Group's research, chemistry and pharmaceutical activities applies this system.

COVALIS experts also analyze the data gathered through the various pharmacovigilance and toxicovigilance networks. Any clinical event occurring due to employee exposure to a substance is taken into account to revise, if necessary, the substance's danger level classification.

### Tribio: preventing biological risk

Exposure to pathogenic biological agents demands a different type of expertise, as scientific issues are complicated by bioethical questions. The **Tribio committee**, a multidisciplinary body, comprises physicians, biologists, veterinary surgeons, HSE coordinators and a legal expert. It acts in three areas:

> **Biosafety**, to define a strategy for assessing and preventing biological risks,
> **Biovigilance**, to assure feedback on the effects of any contamination,
> **Bioethics**, to verify that research projects conform to legal requirements.

- The Tribio committee lists all the biological agents to which the Group's employees may be exposed: micro-organisms, cell cultures, tissues or blood of animal or human origin.
- It classifies them according to various criteria: pathogenicity, biological stability, mode of propagation, route of contamination, and existence of an effective prophylactic or curative treatment.
- It informs employees about the nature of the risks, preventive measures, personal protective equipment, and personal hygiene measures and participates in training courses organized in this area.

## Preventing and controlling industrial risk

Developing and making use of the safest chemical processes possible – this is the second challenge in our business.

- From the very outset of basic research, risk assessment on all processes helps us eliminate or reduce the use of the most dangerous raw materials and solvents.
- All establishments apply risk prevention methods that can be used in all situations, processes and projects. **Guidelines** have been issued to all employees in charge of HSE so that they may identify risk scenarios, select the important factors that ensure safety or environmental protection and ensure that they have systems making it possible to manage those risk situations.
  Major accident risk is controlled through a **safety management system**, which covers nine points: organization, training, major accident risk identification and evaluation, process and operation control, change management, emergency situations and feedback, traceability and management system control.
- Every time manufacturing or equipment is scaled up or down, the **"Hazard Vetting"** method is used. It helps measure all consequences arising from the change. These can involve technical adjustments, new prevention or protection procedures, changes in operating method or new training requirements.

# Health, Safety, Environment:
## an exacting policy, focused on the challenges of our pharmaceutical business

### Protecting the environment

Respect for the ecosystem and global environmental stability is one of Sanofi-Synthélabo's major concerns. Clean manufacturing, minimal use of natural resources and reduced impact from operations are all at the heart of the Group's industrial policy.

A fragile and limited natural resource, water needs to be preserved and used efficiently. Our industrial manufacturing sites all operate action plans to limit water withdrawal, prevent accidental pollution and reduce discharge.

Although its airborne emissions are relatively low, the Group has long strived to minimize them and dedicates a specific budget to this.

Likewise, though its operations generate a small amount of special industrial waste, Sanofi-Synthélabo has always been very careful to control its waste production by reducing the source of waste, recycling and partial sorting.

### A dedicated structure

The Corporate HSE Department is responsible for developing measures to prevent on-the-job and environmental risk within the Group.
The 14 department members are experts in fields such as workplace safety, industrial toxicology, industrial hygiene, fire safety, environmental technologies, life sciences and industrial risks.

- The Corporate HSE Department sets HSE targets and guidelines for the implemention of HSE policy.
- It draws up the recommendations and application standards for the policy, defines reporting procedures and HSE checklists, as well as collating the results.
- It runs the network of HSE coordinators and experts to exchange experiences, train and communicate.
- It offers assistance and performs appraisals in all Group establishments.
- It plans and carries out HSE inspections in these establishments.
- It represents the Group in regulatory and industry-wide bodies on HSE-related matters.

*Granulometric check.*

*Sisteron facility.*

In fulfilling its various duties, the HSE Department uses a management dynamic calling for constant improvement, along with a specially-designed structure.

The plans and programs involved, grouped under the name **PASS (HSE Action and Improvement Plans)** are regularly tested against HSE indicators, inspections results, feedback initiatives and accident analysis. Regular management review initiatives make it possible to ensure that the management system is still appropriate and effective. The objectives and means set aside to make them a reality are constantly brought up to date. The Group's stakeholders are regularly informed of its commitments and results.

Working in contact with the facility managers and HSE coordinators, the Corporate HSE Department also runs a network of internal and external partners, including:

- operational divisions (Chemicals, Pharmaceuticals, Distribution, Research & Development, Sales Force) so as to monitor enforcement of HSE policies;
- facility managers, with regard to support and assistance in setting up HSE programs that are in line with the Group's objectives;
- HSE networks, coordinators, physicians and committees, regarding the steering of HSE activities and training intended to broaden participants' expertise;
- project teams, regarding assistance in integrating HSE requirements in all investment projects;
- all staff members, and particularly management, regarding the development of HSE culture;
- processors, regarding compliance with HSE requirements on the part of suppliers and service providers.

## Tracking accidents:
## making progress through daily involvement and analysis of all accidents

Prevention means awareness and care on a daily basis and full compliance with procedures. This can be improved through feedback, meaning the ability to learn, as a group, from the mishaps, incidents or accidents that occur at the local level.

### Daily vigilance

Prevention measures can only have full effect if each and every individual on the field is committed.

- The teams have developed **in-house inspection** methods in each sector, in order to check equipment and operating method compliance.
- **Cross-inspection** is another method through which, for example, a laboratory manager would examine the situation in a maintenance workshop.
- By **"searching for anomalies"**, the facility supervisors and workstation operators are able to detect situations that may carry risk.

Sometimes focused on specific topics, like product handling, electrical risks, or safe use of a machine or product, this approach makes it possible to improve equipment, instructions and operating methods.

### Learning from every incident

Whatever the type or level of seriousness, all accidents and incidents are the focus of study so that lessons can be learned and repeat incidents prevented.
Once the field managers have determined the exact circumstances of the event, it is analyzed using the **"cause flowchart"** method, a form of inductive analysis of how facts came together, conducted by a team including the line manager, the person involved in the accident, witnesses, representatives from maintenance and the technical side, and the HSE coordinator.
The sector manager then develops a remedial action and prevention plan.

### Toxicovigilance

Undesirable health consequences resulting from professional exposure to a chemical substance are systematically analyzed and sent on to the COVALIS Committee, which adjusts the substance's classification, if necessary.

# Our **social** responsibility

Sanofi-Synthélabo strives to combine economic performance with social performance.
In 2003, the Group powerfully reasserted its responsibilities towards its employees and its commitment to the values of solidarity and respect by issuing a Social Charter that underlines the rules that inform its actions.
Each affiliate is responsible for applying the Charter on a daily basis, in accordance with the local environment, and ensuring that it is circulated to all employees in 2004.

The affiliates are in charge of applying locally the Group's established general policy. This organization allows for responsiveness and fosters efficiency and respect for all cultures.

To coordinate the Group's policies throughout the world, Human Resources Directors from all business sectors and geographical areas meet regularly.
In addition, a three-day international human resources seminar is held every eighteen months, bringing together the 150 human resources managers from the affiliates. In 2004, they will be able to continue to exchange and share experiences throughout the year, thanks to an Intranet application.

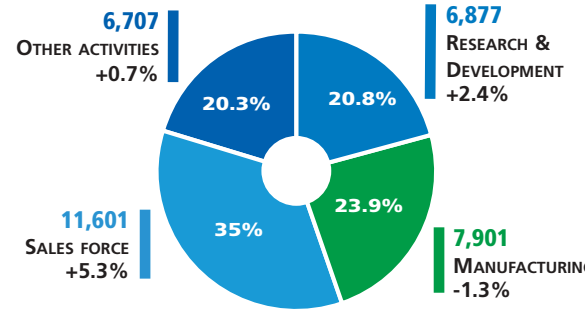
## Employment continues to grow

- **China/Japan**
  **+33%**
- **Central and Eastern Europe**
  **+18%**
- **North America**
  **+16%**

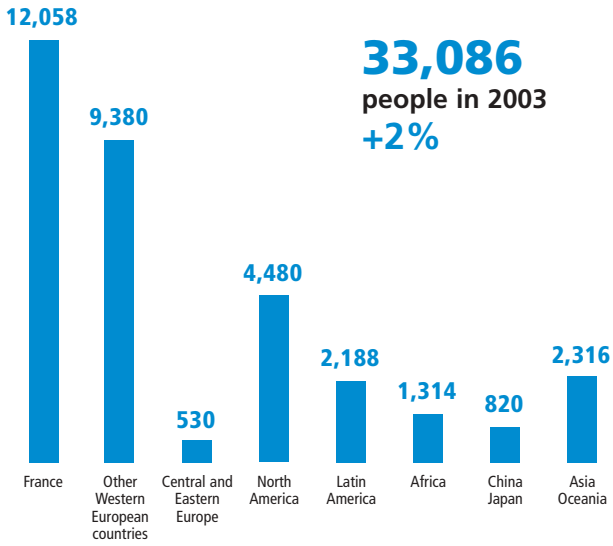
## **33,086 employees worldwide,** a new increase of **+2%**

Employment at Sanofi-Synthélabo expanded in all of the regions in which it operates. Growth came both from efforts to strengthen the sales teams in most countries, in particular the United States, and to expand business activities.
Whatever the position, including management level where this is possible, priority is given to local applicants.

3,479 people were hired on permanent contracts, while 3,079 departures were recorded, involving employees on permanent contracts.
1,800 women and 1,679 men were recruited on permanent contracts. Gender parity is maintained within the Group's workforce, in all socio-professional categories, including management.
Two international management seminars were held, bringing together over 100 recently hired managers throughout the world.




**Staff by business sector**
*(at December 31, 2003)*




**Staff by geographic area**
*(at December 31, 2003)*

### Sanofi-Synthélabo Award-Winner

The Group was ranked 1st in the Workplace Quality of Life Ranking, which was carried out for the first time in France in 2003 by the news magazine, "Le Nouvel Observateur", in conjunction with the specialized publisher, Vie & Cie.
In particular, Sanofi-Synthélabo had top scores for working conditions and for internal and external communications.

In addition to the welcome modules specific to each business activity, all of the countries are gradually setting up procedures to ensure that new employees can become familiar with the entity they are entering, and with the history, operations and basic values of their new Group.

## Enriching, open careers

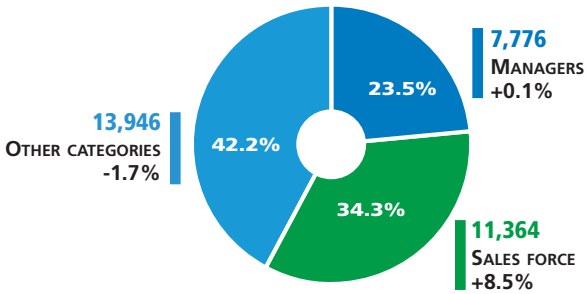
In 2003, a Group-wide policy was developed and sent out to the Human Resources Directors in each of the affiliates. It emphasized, in particular, the need to find applicants at every level with real potential and strong commitment to the Company's values: solidarity, performance, courage, creativity and respect for others.

As part of this effort, Sanofi-Synthélabo equipped its French structure with an Internet-based tool known as Jason, in order to better manage outside applications and ensure that they match the company's needs.
The system, which is open to Human Resources managers at the Group and French affiliate levels, covers all outside applications. A similar tool will be set up in each country, in accordance with local requirements and resources.
Alongside this, employee reviews are carried out on a regular basis, by profession and by business activity, in order to identify "skills" and "potential". Career Committees help set up career development paths, focusing in particular on key personnel. All of these components are used to establish succession plans.

In order to foster career development and enable all employees to better promote the skills they have gained, Sanofi-Synthélabo France has set up an Intranet-based online résumé system: all employees may detail their career path and past experiences. The tool will be extended to cover a broader scope, starting in 2004.

A "mobility guide" also came into being in 2003 in order to make national and international moves easier.

The Group's mobility policy with regard to managers is based on their previous career paths and potential to transfer know-how. This policy also brings cultures together, and is thus conducive to creating the shared culture that is essential to the vitality and cohesion of any multinational company.

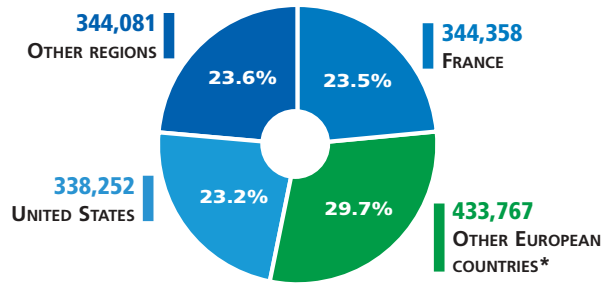



**Staff by category**
*(at December 31, 2003)*

## Gender parity

| | |
|---|---|
| **Men** | **16,348** |
| **Women** | **16,738** |

*Distribution Logistics department.*




**1.46 million training hours in 2003**

## Assessing and developing skills

In 2003, Sanofi-Synthélabo continued to extend the career development interviews it conducts with employees. These contribute to the annual performance review, carried out at both the individual and collective levels. They offer each employee the opportunity to set out their own career plan and, in the process, determine the related training requirements.

The Group's commitment to developing the skills of all employees is reflected in the considerable investment in training. The level of financing offered far surpasses legal requirements, particularly in France.
To ensure that training is effective, initiatives are kept as local as possible.

In 2004, the Group plans to set up a Strategic Training and Skills Development Committee, so as to ensure that the programs conducted by affiliates match the Group's strategic objectives as closely as possible.

**In 2003, over 81% of all employees were able to improve their skills, develop new expertise, prepare for a career change, and learn to adapt to change quickly.**

## Fostering performance

Sanofi-Synthélabo's compensation policy contributes to the Group's performance and worldwide development. The aim is for every employee in each affiliate to receive compensation within the market average for the pharmaceutical industry.

In addition to base salary, the Group offers all the individual and collective compensation tools used to recognize contributions by individuals, teams or the entire workforce to the Company's performance. The tools are adapted in accordance with the local country legislation.

In France, four new agreements were reached in 2003 with respect to the collective variable compensation system. These deal with incentives, profit sharing, Company funding and the Group Savings Plan. Signed for a three-year period, the agreements will replace those previously reached in 2000.

## Ensuring top quality social coverage

The Group's policy is to ensure that all employees in all countries benefit from a high level of social coverage, in relation to local practices and regulations.

In France, Sanofi-Synthélabo signed an agreement in 2003 with four employee representative bodies, aimed at dealing transparently with the financial deficits that face the social coverage plans and preparing for the future.
As part of this process, negotiations were held to set up an employee pension savings plan, including a corporate funding component. The employee representative bodies will need to take a position on the project in 2004.

** Including Central and Eastern Europe.*


*The Code of Ethics, which clarifies the Group's relationship with employees and others, including shareholders, partners and the international community.*


*The Social Charter, which defines the basic rules governing how the Group acts towards all employees. It is published in every language.*

Outside France, the Group structured its social protection policy, which contains three inseparable components:
– ethical rules built on equity, solidarity and respect for others, which are applied using practical means;
– the "Sanofi-Synthélabo minimum requirement" to be attained, in addition to the existing social security system requirements;
– operational systems for carrying out the relevant action plans.

In order to achieve those objectives, the action plan is being implemented in a decentralized and gradual manner, over a period of some years, with priorities established for each country.

In the short term, this aims to provide all employees with contribution-based protection from the main risks in life: illness (reimbursement of health expenses), and death or incapacity due to disease.

In 2003, the above commitments led to progress in several countries, including the United Kingdom, Hungary, Russia, Mexico and the Philippines.

## Encouraging dialogue

Sanofi-Synthélabo gives priority to social dialogue with employee representatives and the entire workforce. All employees need to be familiar with Company issues and objectives and to be able to discuss these with their line managers.

The Group wishes to set up channels by which employees in all of the affiliates can express themselves, so as to maintain social dialogue in all countries, whatever the form this takes, and to enable employees to be well-informed about how their Group and affiliate works.

**In Europe, an agreement to set up a European Works Council was signed in December 2001. This represents over 20,000 employees from the European Union's 15 Member States and first six candidate countries. The Council met for the first time in April 2002.**
Members of the Council received special training in 2003 and the Council itself met twice – in March and September – with the latter meeting shared with the French Works Council, which also met in June and December.
Chaired by Jean-François Dehecq, these bodies make it possible both to inform employee representatives about Group strategy, position and prospects, and transmit to Company Management remarks and questions from employees.

### AN ACTIVE POLICY FOR THE INTEGRATION OF DISABLED EMPLOYEES

In all of the Group's establishments, employees who have had to deal with a life-changing accident are offered support so that, whenever possible, they can continue their professional activity.
The Group also maintains relations with a number of organizations allowing it to employ disabled workers for internships or on permanent contracts.

2003 was the Year of the Disabled in Europe, and saw a number of initiatives carried out in France, as well as strong mobilization on the part of the Group's occupational physicians to help keep disabled people in employment.

**Sanofi-Synthélabo chairs the "Tremplin" association, which includes 30 major French companies.**
Its vocation is to set up internships for disabled students, so as to ease their future entry into the job market, and help them ensure that their career path really matches their skills.
In 2003, 315 disabled people were able to benefit from "Tremplin" programs, through some 60 corporate internships, 85 alternating job-study contracts and 36 new hires.

# Our corporate responsibility: informing, communicating, giving

Strongly committed to openness and transparency, Sanofi-Synthélabo operates active internal and external communications, serving its shareholders, patients and employees. Respect and solidarity, two values that underpin Sanofi-Synthélabo's culture, are given real meaning through humanitarian sponsoring initiatives, in which the Group's employees take part.

## An active Communications policy with substantial resources

Building the Group's image across the world means providing comprehensive information within the shortest possible time. Coordinated by Corporate Communications, a network of more than a hundred communication managers in the different sites and affiliates enables the Group to disseminate information in more than 20 languages, adapting to local contexts where appropriate.

The Group's Web site offers very thorough information in French, English and Spanish and is updated daily. It records over 100,000 visits per month.
The affiliates' Web sites continue this process, with their own communications policies, in conjunction with that of the Group, whilst also operating Intranets to inform employees rapidly and accurately.

**A bi-monthly magazine, The *Blue Dolphin*, is published in 20 languages, with circulation of over 40,000.** Distributed to all Sanofi-Synthélabo employees throughout the world, and widely available in the Group's reception areas, it contains shared editorial content and pages exclusively for affiliates for local and national information.

## Informing the medical community

The Group regularly reports on the results of clinical trials conducted on compounds originating from its R&D and on studies regarding its already-marketed medicines. This information is targeted at the international and national medical communities, as well as to general and specialized media.

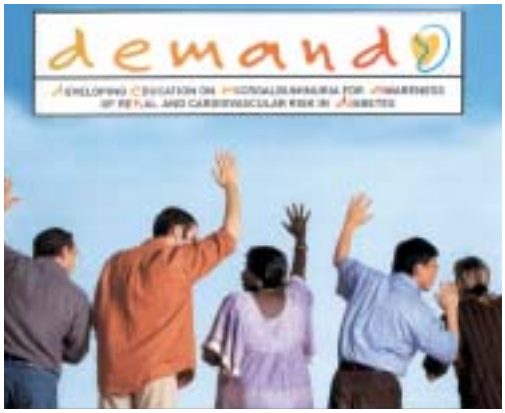
**In 2003, the main medical communications included:**
Sanofi-Synthélabo presented the REACH (REduction of Atherothrombosis for Continued Health) Register, the largest international study ever launched to gain a better understanding of atherothrombosis. Through REACH, progress will be tracked in over 50,000 at-risk patients in 35 countries, over a two-year period.

Eloxatin®, was the focus of four major presentations at the American Society of Clinical Oncology's 39th Annual Conference.
These demonstrated its efficacy as an additional form of treatment in colorectal cancer, and as first- and second-line treatment for metastatic colorectal cancer.

## Informing the general public about the risks associated with major diseases

Sanofi-Synthélabo runs awareness-raising and prevention campaigns targeting the general public in various fields of public health, including some areas in which the Group does not have any compounds. **The aim is to inform public opinion**, promote screening, encourage at-risk patients to see a physician, and thereby improve their chances for recovery and survival, thanks to early action.
This action is carried out **in partnership with healthcare players** such as **doctors' and patients' associations**, both national and international.
A large number of undertakings were organized once again in 2003:

- In many countries, the Group takes an active part in the International Sleep Days that are held as part of




*DEMAND campaign.*


*Plavix® congress Sardinia, Italy, September 2003.*

the Global Program on Sleep and Health, set up on the initiative of the World Health Organization. The program is intended to raise public awareness about sleep disorders and their impact on quality of life, risk of accident and health-related risks. Some of the initiatives launched by Sanofi-Synthélabo in 2003 included Sweden's first Sleep Day or the completion of the vigilance test on the highways in Beijing, China.

- In partnership with Bristol-Myers Squibb, Sanofi-Synthélabo launched DEMAND, a very broad early-detection program for diseases that are particularly threatening to diabetics. With the support of the physicians' community, through the International Society of Nephrology (ISN) and the patients' community, through the International Diabetes Federation (IDF), the campaign, held over a one-year period, is being rolled out over all five continents. DEMAND includes screening for microalbumin in 32,000 diabetic patients in 34 countries, awareness-raising initiatives targeting general physicians and specialists about both diseases, and an information campaign encouraging early screening.

The presence of microalbumin is a sign that kidney vascularization has been weakened, a phenomenon that has predictive value for the deterioration of other vessels. It is used to anticipate how kidney function will progress and reduce any functional impact.
At the European Diabetes Federation Congress in Paris, DEMAND offered, as an auxiliary event, a scientific and medical information session, with the participation of some well-known figures.
This was followed up, a few months later, by a presentation of the results from the Microalbumin Screening Study, at the American Society of Nephrology's Congress, calling for vigilance and early testing.

- In Hungary, Sanofi-Synthélabo's Health Week was attended by 100,000 people in Budapest, fostering exchange and information sharing between physicians and pediatricians about children's diseases.

- In the Philippines, our affiliate has been taking part in government-organized prevention campaigns for several years. In 2003, it campaigned for the detection of uterus cancer, the second-leading cause of death in women in the country, as well as for prostate cancer and, lastly, smoking cessation and the benefits of healthy eating.

## Commitment to healthcare access and health

Sponsorship of humanitarian undertakings is an essential component of Sanofi-Synthélabo's actions, asserting the Group's corporate responsibilities.
In keeping with its business activity, the Group has chosen to **facilitate access to healthcare**, and to help improve life and health by giving **priority to children**. This policy of social responsibility is strongly supported by the Group's employees and contributes to strengthening team spirit, in all of the affiliates and countries.

The Group operates through partnerships with charities and humanitarian associations that are recognized for their effectiveness. Its expertise, combined with the voluntary action of its employees, naturally complements the financial support provided.
In 2003, the Group devoted 6 million euros to this type of sponsorship, excluding the donation of medicines and the technical and human support provided during operations.

**Sanofi-Synthélabo's actions are pursued over the long term**. Some of the major associations that the Group has supported for several years include: UNICEF; Ligue Nationale contre le Cancer; Fédération pour la Recherche sur le Cerveau and its annual fund-raising campaign, Neurodon; Culture à l'Hôpital, PlaNet Finance and Fondation de la 2e Chance

Sanofi-Synthélabo also actively partners the association **Mécénat Chirurgie Cardiaque**, which organizes surgical operations in France for children with major heart malformations who cannot receive this in their countries.
This work is supported by many employees, their relatives and friends, who become host families for the young patients.

# Our corporate responsibility:
## informing, communicating, giving

*Mécénat Chirurgie Cardiaque in Syria.*

*Fun Centers in Brazil.*

In 2003, many employees who were subscribers to Air France's frequent-flyer program provided free air transportation for associations supported by the Group, including Mécénat Chirurgie Cardiaque.

Moreover, since 2000, the Impact Malaria program has been helping the most vulnerable populations of the African continent gain access to effective treatment for malaria.

Sanofi-Synthélabo is also highly present alongside healthcare professionals. In France, for instance, it supports Le Pont Neuf association, which provides research fellowships to specialized physicians from Central and Eastern Europe so they can hone their skills in some of the best hospitals in Paris (l'Assistance Publique-Hôpitaux de Paris).

### Strong commitment from group affiliates and employees alike

**Large or small, all of the affiliates take part in community support programs. Over 100 undertakings were carried out in 2003, some examples of which are listed below.**

- In **Belgium**, our affiliate supports two associations that visit and entertain cancer patients in the children's ward.
- In the **Netherlands**, an e-center was established at Sophia de Rotterdam Hospital so that children can continue their studies through e-learning.
- In **Portugal**, our affiliate has offered its support to autistic children and created a Web site for handicapped children.
- In **Russia**, a one-year charity marathon was held to equip the Intensive Care Unit of a Children's Hospital in Moscow.
- In **Morocco**, a prevention program for mothers and their newborn children is being developed in the rural villages in the South of the country.
- In **Brazil**, two new "Fun Centers" came into being. As a result, there are now eight recreation rooms in the hospitals for children undergoing intensive care and weakened by their long hospital stay. 30,000 children have already benefited from the Fun Centers.
- In **Japan**, our affiliate helped renovate a children's ward at Tokyo's Saint Luke's Hospital and organized an afternoon party for the young patients, with the help of a famous sculptor.

In the **United States**, internal and external community support complement each another, through the "Bids for Kids" operation. Lots were collected from a variety of donors and put up for auction on the affiliate's Intranet for a two-week period. The resulting amount was paid to an external association, "Give the Kids the World", the affiliate of which is a loyal partner to the Group. Sanofi-Synthelabo, Inc. matched the amount, donating it to the American chapter of "Our Children Matter".

Lastly, the Group's social commitment can be seen through the employees' participation in the association, **Our Children Matter ("Nos enfants, c'est essentiel")**. In 2003, the association took action in over 17 countries, including France, Algeria, Venezuela or Indonesia. Country by country, in accordance with the local healthcare and social conditions, it also launches joint actions, vaccination or screening campaigns and training programs. In 2003, its joint actions helped employees' children in Mexico (eyesight check-up operation), Ukraine (anti-flu vaccination), Vietnam (check-up and healthcare) and Brazil (back to school operation).

Study of feeding behavior in a pharmacological laboratory of the Central Nervous System department. Evaluating the anti-obesity potential of compounds in different models and studying their mechanism of action.

# Sanofi-Synthélabo
simplified accounts

## Consolidated statements of income

| *(In millions of euros)* | 2003 | % of sales | 2002 | % of sales | Change |
|---|---|---|---|---|---|
| Net sales | 8,048 | 100 | 7,448 | 100 | + 8.1% |
| Cost of goods sold | (1,428) | (18) | (1,378) | (19) | + 3.6% |
| **Gross profit** | **6,620** | **82** | **6,070** | **81** | **+ 9.1%** |
| Research and development expenses | (1,316) | (16) | (1,218) | (16) | + 8.0% |
| Selling and general expenses | (2,477) | (31) | (2,428) | (33) | + 2.0% |
| Other operating income/(expense), net | 248 | 3 | 190 | 3 | + 30.5% |
| **Operating profit** | **3,075** | **38** | **2,614** | **35** | **+ 17.6%** |
| Intangibles (amortization and impairment) | (129) | – | (129) | – | |
| Financial income/(expense), net | 155 | – | 85 | – | + 82.4% |
| **Income before tax and exceptional items** | **3,101** | **39** | **2,570** | **35** | **+ 20.7%** |
| Exceptional items | 24 | – | 10 | – | |
| Income taxes | (1,058) | – | (746) | – | |
| Income from equity investees net | 20 | – | 20 | – | |
| Goodwill amortization | (8) | – | (8) | – | |
| Minority interests | (3) | – | (87) | – | |
| **Net income** | **2,076** | **26** | **1,759** | **24** | **+ 18.0%** |
| Exceptional items and goodwill amortization | (7) | – | (1) | – | |
| **Net income before exceptional items and goodwill amortization** | **2,069** | **26** | **1,758** | **24** | **+ 17.7%** |
| Weighted average number of shares outstanding | 702,745,208 | – | 727,686,372 | – | |
| **Earnings per share in euros** | **2.95** | **–** | **2.42** | **–** | **+ 21.9%** |
| **Earnings per share (before exceptional items and goodwill amortization) in euros** | **2.94** | **–** | **2.42** | **–** | **+ 21.5%** |

## Simplified consolidated balance sheets

*(In millions of euros)*

| **Assets** | 12/31//03 | 12/31/02 | **Liabilities** | 12/31/03 | 12/31/02 |
|---|---|---|---|---|---|
| Fixed assets | 2,712 | 2,899 | Shareholders' equity | 6,323 | 6,035 |
| Deferred income taxes | 472 | 484 | Minority interests | 18 | 17 |
| Inventories, accounts receivable & other current assets | 3,187 | 2,988 | Other long-term liabilities | 763 | 796 |
| | | | Financial debt | 368 | 416 |
| Cash, short-term investments & deposits | 3,378 | 3,088 | Accounts payable & other current liabilities | 2,277 | 2,195 |
| **Total assets** | **9,749** | **9,459** | **Total liabilities and equity** | **9,749** | **9,459** |

**This Business Report was designed and published by:**
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**Photographs:**
**Front cover:** Rapho/Jacques Grison.
**Section photos:** Rapho/Jacques Grison: pages 2; 14; 33; 34; 55; 79; 95; 96 - Patrice Maurein: page 7 - Laurent Ortal: page 56 - Côté Cour/Karim Daher: pages 80; 113.
**Chairman's message/Executive Committee:** Marthe Lemelle: pages 8; 12; 13 - Gilles Leimdorfer: page 12 (photo Jean-Pierre Kerjouan) - Vincent Godeau: page 13 (photo Gordon Proctor).
**Short document:** Rapho/Jacques Grison: pages 37 right; 43 left; 47; 48; 49; 53; 58; 59; 61; 62; 67; 69; 70; 73; 75; 77; 83; 99; 103; 104 - Côté Cour/Karim Daher: pages 30 right; 36; 37 left; 108 - Patrice Maurein: pages 43 right; 82; 84; 98 - Getty Images/Jean-Noël Reichel: page 30 left; Jean-Noël Reichel: page 111 left - Getty Images/Spencer Rowell: page 30 left - Michel Fainsilber: pages 59 right; 93 - Édith Darányi (Hungary): page 88 - Christian Rival: page 89 (Switzerland) - Larry Barnes: page 90 - Mark Edwards/Still Pictures/Bios: page 101 - Jacques Sierpinski: page 105 - Martial Gléron: page 111 right - Gilles Corre: page 112 left - Silvio Aurichio: page 112 right.
**Illustrations:** the pictograms for therapeutic areas and pathologies were all designed by Stéphane Jungers.

*The Annual Report comprises the present document "Business Report 2003" and the "Financial Report 2003". Together, they constitute the reference document filed with the "Autorité des marchés financiers" (AMF - French Stock Market Authority).*

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# Financial report 2003

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# Contents

# 1

# Management report for the year 2003

# Management report for the year 2003

The world pharmaceuticals market expanded by 9.4% in 2003 on a comparable basis (source IMS/GERS which provides sales by distribution channel). According to the same source, Sanofi-Synthélabo achieved growth of 19%, double the market rate. Sanofi-Synthélabo reported 2003 consolidated net sales of 8,048 million euros, an increase of 8.1% on a reported basis and of 15.6% on a comparable basis (before the impact of changes in Group structure and movements in exchange rates).
Growth was driven by a very fine performance from the four flagship products Plavix®, Aprovel®, Stilnox® and Eloxatine®, which between them generated consolidated net sales of 4,177 million euros, up 34.9% on a comparable basis and 24.2% on a reported basis.
Operating profit was 3,075 million euros, 17.6% higher than in 2002, giving operating margin of 38.2% compared with 35.1% in the previous year.
We achieved this rise in operating profit:

- despite unfavorable trends in euro exchange rates. At 2002 exchange rates, operating profit would have been 34.4% higher than in 2002;
- thanks to further strong growth in sales of the Group's top 10 products, which totaled 5,420 million euros (up 26.9% on a comparable basis), and which accounted for 67.3% of consolidated net sales, against 61.3% in 2002;
- without affecting the high level of R&D spend, which at 1,316 million euros was 8.0% higher than in the previous year (14.7% higher at 2002 exchange rates), and represented 16.4% of net sales;
- by improved productivity from our sales teams, which we adapted to meet the needs of our various markets, including a substantial reinforcement in the United States for the launch of new products on the American market (Eloxatin® and Uroxatral®).

Net income was 18.0% higher than in 2002 at 2,076 million euros, and represented 25.8% of net sales compared with 23.6% in the previous year. In 2003, exceptional items showed a net gain of 24 million euros, against 10 million euros in 2002.
Earnings per share came to 2.95 euros, 21.9% higher than the previous year's figure of 2.42 euros. At 2002 exchange rates, the growth rate would have been 36.0%.
Earnings per share before exceptional items and goodwill amortization was 2.94 euros, an increase of 21.5% relative to 2002.

Highlights of 2003 included the following:

- announcement in June 2003 at the annual conference of the ASCO (American Society of Clinical Oncology) of major results with oxaliplatin (Eloxatine®), clearly demonstrating consistent superiority in the treatment of colorectal cancer in all settings of the disease (early stage, adjuvant treatment after surgery, metastatic setting);
- approval of Arixtra® in the United States (June 2003) and Europe (November 2003) in the long-term prevention of deep venous thrombosis in patients undergoing hip fracture surgery; announcement in July 2003 at the 19th conference of the ISTH (International Society on Thrombosis and Haemostasis) of favorable results with Arixtra® demonstrating a significant reduction of the risk of deep venous thrombosis in medical patients (Artemis study) and benefits in prevention of deep venous thrombosis after major abdominal surgery (Pegasus study);
- launch of Uroxatral® in the United States in the treatment of the signs and symptoms of benign prostatic hyperplasia, announced on November 3, 2003 following approval by the US Food and Drug Administration in June 2003;
- defense of the industrial property rights of Plavix® in the United States, following the patent infringement actions brought in 2002 against Apotex and Dr Reddy Laboratories in response to the abbreviated new drug applications filed by these companies with the FDA for generics of Plavix®;
- implementation of the share repurchase programs under the authorizations granted by the General Meetings of May 22, 2002 and May 19, 2003 to repurchase shares of the company in the light of market conditions. As of December 31, 2003, Sanofi-Synthélabo held 36.6 million of its own shares under these programs, representing 4.99% of the share capital;
- announcement on November 28, 2003 by Total and L'Oréal of the decision not to renew their shareholders' agreement beyond December 2, 2004.

# Developed sales

Developed sales are an indicator of the worldwide market presence of Sanofi-Synthélabo products. In 2003, developed sales totaled 10,560 million euros, an increase of 20.4% on a comparable basis.
Developed sales include consolidated sales, excluding sales of products to our alliance partners, but including those that are made through our alliances and which are not included in our consolidated sales (with Bristol-Myers Squibb on Plavix®/Iscover® (clopidogrel) and Aprovel®/Avapro®/Karvea® (irbesartan), with Fujisawa on Stilnox®/Myslee® (zolpidem), and with Organon on Arixtra® (fondaparinux). Our alliance partners provide us with information regarding their sales in order to allow us to calculate developed sales.

## Reconciliation of 2003 consolidated sales to 2003 developed sales

| In millions of euros | 2003 |
|---|---|
| **2003 consolidated net sales** | **8,048** |
| Non-consolidated sales of Plavix®/Iscover® net of sales of product to Bristol-Myers Squibb | + 1,900 |
| Non-consolidated sales of Aprovel®/Avapro®/Karvea® net of sales of product to Bristol-Myers Squibb | + 572 |
| Non-consolidated sales of Stilnox®/Myslee® net of sales of product to Fujisawa | + 36 |
| Non-consolidated sales of Arixtra® | + 5 |
| **2003 developed sales** | **10,560** |

## Developed sales of Plavix®/Iscover® and Aprovel®/Avapro®

| In millions of euros | 2003 | 2002 | 2002 | Change (%) | |
|---|---|---|---|---|---|
| | reported | comparable | reported | comparable | reported |
| **Plavix®/Iscover®** | | | | | |
| Europe | 1,056 | 766 | 770 | + 37.9% | + 37.1% |
| United States | 1,817 | 1,318 | 1,565 | + 37.9% | + 16.1% |
| Other Countries | 352 | 221 | 252 | + 59.3% | + 39.7% |
| **Sub-total** | **3,225** | **2,305** | **2,587** | **+ 39.9%** | **+ 24.7%** |
| **Aprovel®/Avapro®/Karvea®** | | | | | |
| Europe | 634 | 513 | 515 | + 23.6% | + 23.1% |
| United States | 407 | 313 | 373 | + 30.0% | + 9.1% |
| Other Countries | 214 | 158 | 180 | + 35.4% | + 18.9% |
| **Sub-total** | **1,255** | **984** | **1,068** | **+ 27.5%** | **+ 17.5%** |
| **Total for both products** | **4,480** | **3,289** | **3,655** | **+ 36.2%** | **+ 22.6%** |
| **Total developed sales** | **10,560** | **8,768** | **9,585** | **+ 20.4%** | **+ 10.2%** |

**Over the full year, developed sales of Plavix®/Iscover® came to 3,225 million euros, an increase of 39.9% on a comparable basis.**
In the United States, invoiced sales for the period were 1,817 million euros, up 37.9% on a comparable basis. Demand continued to grow at a fast pace on the same period, with prescription volumes up 26.8% (IMS YTD retail + mail order + long term care to end December 2003), coupled with a favorable price effect. At end December, inventory levels were equivalent to around 1 month of sales[1].
In Europe and the rest of the world, sales rose by 42.7% (37.9% and 59.3% respectively) in 2003 on a comparable basis.

(1) Internal estimates of inventories (wholesalers, hospitals, pharmacies, etc) as of December 31, 2003.

**Developed sales of Aprovel®/Avapro®/Karvea® reached 1,255 million euros in 2003, a rise of 27.5% on a comparable basis.**
In the United States, invoiced sales for the period were 407 million euros, up 30.0% on a comparable basis. Demand also grew on the same period, with prescription volumes up 14.9% (IMS YTD retail + mail order + long term care to end December 2003), coupled with a favorable price effect. At end December, inventory levels were equivalent to around 1 month of sales(1).
In Europe and the rest of the world, sales of Aprovel®/Avapro®/Karvea® rose by 23.6% and 35.4% respectively in 2003 on a comparable basis.
**Developed sales of Arixtra®, the sole synthetic product in its therapeutic class, came to 24 million euros in 2003, pending additional indications.**
In January 2004, Sanofi-Synthélabo reached agreement with Organon to acquire all Organon's rights relating to Arixtra®, idraparinux and other oligosaccharides. Concomitantly with the bid launched for the shares of Aventis, Sanofi-Synthélabo announced that it had begun the process of divesting its interests in Arixtra®.

(1) Internal estimates of inventories (wholesalers, hospitals, pharmacies, etc) as of December 31, 2003.

# Consolidated financial statements

The consolidated financial statements of Sanofi-Synthélabo and its subsidiaries (the "Group") have been prepared in accordance with Rule 99-02 of the Comité de la Réglementation Comptable ("CRC") issued April 29, 1999, applicable with effect from January 1, 2000.
The accounting policies and methods used are identical to those applied in the preparation of the financial statements for the year ended December 31, 2002, except for the adoption with effect from January 1, 2003 of CRC Rule 2002-10 on the amortization and impairment of assets, which has had no material impact on the consolidated financial statements for the period.

## Consolidated net sales

Consolidated net sales amounted to 8,048 million euros in 2003, an increase of 8.1% on a reported basis relative to 2002 (7,448 million euros). On a comparable basis, the growth rate was 15.6%.
When we refer to the change in our sales on a "comparable" basis, we mean that we exclude the impact of exchange rate fluctuations and changes in Group structure (acquisitions and divestitures of entities and rights to products as well as change in the consolidation percentage for consolidated entities).
For any two periods, we exclude the impact of exchange rates by recalculating sales for the earlier period on the basis of exchange rates used in the later period.
We exclude the impact of acquisitions by including sales for a portion of the prior period equal to the portion of the current period during which we owned the entity or product rights based on sales information we receive from the party from whom we make the acquisition. Similarly, we exclude sales in the relevant portion of the prior period when we have sold an entity or rights to a product.
For a change in the consolidation percentage of a consolidated entity, the prior period is recalculated on the basis of the consolidation method used for the current period.
During 2003, exchange rate fluctuations had a net unfavorable impact of 7.2 percentage points on sales growth. Of this, 4.0 percentage points came from the weakening of the US dollar against the euro (over the full year, the euro appreciated by an average of 19.6% against the dollar), and the remainder from the weakness of various currencies in Latin America, Asia and Europe.
Changes in Group structure had a net unfavorable impact of 0.3 of a percentage point on growth in consolidated net sales. These changes mainly comprised the change from full consolidation to 51% proportionate consolidation of the Sanofi-Synthélabo Fujisawa joint venture (Taiwan) in May 2002, and the divestment of minor products, mainly in Europe.

### Consolidated net sales by geographical region

| In millions of euros | 2003 | 2002 | 2002 | Change (%) | |
|---|---|---|---|---|---|
| | reported | comparable | reported | comparable | reported |
| Europe | 4,693 | 4,249 | 4,304 | + 10.4% | + 9.0% |
| United States | 1,912 | 1,439 | 1,689 | + 32.9% | + 13.2% |
| Other countries | 1,443 | 1,276 | 1,455 | + 13.1% | – 0.8% |
| **Total** | **8,048** | **6,964** | **7,448** | **+ 15.6%** | **+ 8.1%** |

- In Europe, net sales were 4,693 million euros, up 10.4% on a comparable basis and 9% on a reported basis. This level of growth was achieved despite measures taken to contain healthcare costs, especially in France and Germany. Europe accounted for 58.3% of total consolidated sales in 2003, compared with 57.8% in 2002.
- In the United States, net sales were 1,912 million euros, up 32.9% on a comparable basis. Reported-basis growth was 13.2% due to the adverse impact of movements in the dollar/euro exchange rate. Sales of Eloxatin® reached 460 million euros, compared with 100 million euros in 2002 (comparable basis). Sales of Ambien® totaled 1,124 million euros, up 10.6% on a comparable basis, and taking account of a sharp reduction in inventory levels relative to end 2002. The United States accounted for 23.8% of total consolidated sales in 2003, compared with 22.7% in 2002.
- In other countries, net sales amounted to 1,443 million euros, up 13.1% on a comparable basis but down 0.8% on a reported basis. The dip in reported-basis sales reflected the weakness of some Latin American and Asian currencies, and the change from full consolidation to 51% proportionate consolidation of the Sanofi-Synthélabo Fujisawa joint venture (Taiwan). Other countries accounted for 17.9% of consolidated sales in 2003, compared with 19.5% in 2002.

## Consolidated net sales by product

Consolidated net sales generated by the Group's top 10 products rose by 26.9% on a comparable basis to 5,420 million euros, and accounted for 67.3% of total consolidated net sales, against 61.3% in 2002.
This strong growth was driven by very fine performances from Plavix®, Aprovel®, Stilnox® and Eloxatine®, combined sales of which were 34.9% higher on a comparable basis than in the previous year at 4,177 million euros. These four products now account for 51.9% of total consolidated net sales, compared with 44.5% in 2002, on a comparable basis.

| In millions of euros | | 2003 | 2002 | 2002 | Change (%) | |
|---|---|---|---|---|---|---|
| | | reported | comparable | reported | comparable | reported |
| **Product** | **Indication** | | | | | |
| Stilnox® | Insomnia | 1,345 | 1,218 | 1,424 | + 10.4% | – 5.5% |
| Plavix® | Atherothrombosis | 1,325 | 964 | 987 | + 37.4% | + 34.2% |
| Eloxatine® | Colorectal cancer | 824 | 365 | 389 | + 125.8% | + 111.8% |
| Aprovel® | Hypertension | 683 | 549 | 562 | + 24.4% | + 21.5% |
| Fraxiparine® | Thrombosis | 319 | 314 | 324 | + 1.6% | – 1.5% |
| Dépakine® | Epilepsy | 277 | 258 | 267 | + 7.4% | + 3.7% |
| Xatral® | Benign prostatic hyperplasia | 222 | 178 | 182 | + 24.7% | + 22.0% |
| Solian® | Schizophrenia | 148 | 133 | 135 | + 11.3% | + 9.6% |
| Cordarone® | Arrhythmia | 146 | 154 | 162 | – 5.2% | – 9.9% |
| Tildiem® | Angina, hypertension | 131 | 138 | 141 | – 5.1% | – 7.1% |
| **Sub-total for the top 10 products** | | **5,420** | **4,271** | **4,572** | **+ 26.9%** | **+ 18.5%** |
| Other products | | 2,628 | 2,693 | 2,876 | – 2.4% | – 8.6% |
| **Total** | | **8,048** | **6,964** | **7,448** | **+ 15.6%** | **+ 8.1%** |

- Stilnox®/Ambien®/Myslee® is the Group's no.1 product in terms of consolidated net sales (1,345 million euros). The difference between the 10.4% comparable-basis growth in Stilnox®/Ambien®/Myslee® sales (including a reduction in inventories in the United States equivalent to 0.8 of a month[1] of sales) and the 5.5% fall in reported-basis sales was due to unfavorable movements in the dollar/euro exchange rate, this being a product which generates most of its sales in the United States. In Japan, consolidated sales of Myslee® rose by 28.9% on a comparable basis to 49 million euros. Three years after its launch, Myslee® has become the leading product in its class in Japan measured in terms of sales revenues.
- Consolidated net sales of Plavix® were 1,325 million euros, an increase of 37.4% on a comparable basis. Since it was first launched in 1998, Plavix® has consistently achieved a very high growth rate both in Europe, where it was added to the refundable list in Italy and Portugal during 2003, and in the rest of the world.
- Consolidated net sales of Aprovel® came to 683 million euros, up 24.4% on a comparable basis. At end 2003, Aprovel® ranked second in the class of angiotensin II receptor antagonists (AIIRA) for hypertension in Europe, and ranked first in France, Belgium, Greece and Switzerland.

(1) Internal estimates of inventories (wholesalers, hospitals, pharmacies, etc) as of December 31, 2003.

- Consolidated net sales of Eloxatine® totaled 824 million euros, a rise of 125.8% on a comparable basis. This very strong growth rate illustrates the ongoing success of Eloxatin® in the United States since it was launched onto the American market on August 30, 2002, with sales reaching 460 million euros in 2003. The product also achieved 37.4% comparable-basis growth outside the United States (38.7% in Europe, 31.3% in the rest of the world).
- Consolidated net sales of Arixtra® were 19 million euros, reflecting the currently restricted indication of this product. The program to extend indications is proceeding as planned. The indication of Arixtra® in the long-term prevention of deep venous thrombosis in patients undergoing orthopedic surgery was obtained in the United States and Europe in 2003.
- Consolidated net sales generated by the other products in the portfolio (2,628 million euros) were 2.4% lower on a comparable basis. Stripping out the 67.0% decline in sales of Corotrope®/Primacor® following the introduction of generics in the United States in May 2002, and the 34.8% fall in sales of Ticlid® (replaced by Plavix®), other products recorded growth of 2.2%.

## Consolidated net sales by therapeutic area

Cardiovascular/Thrombosis net sales totaled 3,169 million euros in 2003 (39.4% of total consolidated net sales), an increase of 13.2% on a comparable basis and 9.1% on a reported basis. These increases were mainly due to the boom in sales of Plavix® and Aprovel®, which more than offset the decline in sales of Ticlid® and Corotrope®/Primacor®.
Central Nervous System net sales reached 2,319 million euros in 2003 (28.8% of total consolidated net sales), up 7.3% on a comparable basis but down 4.3% on a reported basis.
Internal Medicine net sales were 1,412 million euros in 2003 (17.5% of total consolidated net sales), up 5.3% on a comparable basis but down 1.1% on a reported basis.
Oncology net sales were 871 million euros in 2003 (10.8% of total consolidated net sales), up 130.4% on a comparable basis and 115.6% on a reported basis. This strong growth was due to Eloxatine®, sales of which more than doubled in 2003, rising by 125.6% on a comparable basis.
Net sales of other products were 277 million euros, a fall of 2.1% on a comparable basis and 8.9% on a reported basis.
The table below shows a split of consolidated net sales by therapeutic area:

| In millions of euros | 2003 | 2002 | 2002 | Change (%) | |
|---|---|---|---|---|---|
| | reported | comparable | reported | comparable | reported |
| Cardiovascular/Thrombosis | 3,169 | 2,800 | 2,904 | + 13.2% | + 9.1% |
| Central Nervous System | 2,319 | 2,162 | 2,409 | + 7.3% | – 3.7% |
| Internal Medicine | 1,412 | 1,341 | 1,427 | + 5.3% | – 1.1% |
| Oncology | 871 | 378 | 404 | + 130.4% | + 115.6% |
| Other | 277 | 283 | 304 | – 2.1% | – 8.9% |
| **Total** | **8,048** | **6,964** | **7,448** | **+ 15.6%** | **+ 8.1%** |

# Gross profit

Gross profit increased by 9.1% to 6,620 million euros. Gross margin was 82.3% of net sales in 2003, a further improvement of 0.8 of a percentage point relative to the previous year.
This advance in gross margin was achieved thanks to:
- a further improvement in the industrial cost of goods sold and the product mix, which generated a gain of 0.9 of a percentage point;
- positive trends in royalty income from Plavix® and Avapro®, which generated a gain of 0.3 of a percentage point;
- and despite a marked increase in pharmaceutical contributions in Europe, which generated a loss of 0.4 of a percentage point.

At 2002 exchange rates, the gross margin rate would have been 83.5%.

# Research and development expenses

Research and development expenses totaled 1,316 million euros, equivalent to 16.4% of net sales and 8.0% higher than in 2002. At 2002 exchange rates, the increase in research and development expenses would have been 14.7%.
The Group has continued its efforts in its four areas of expertise (Cardiovascular/Thrombosis, Central Nervous System, Immuno-Oncology and Internal Medicine).
The major ongoing clinical trials programs proceeded as planned, both in the life cycle management of products already on the market like Plavix®, Aprovel®/Avapro®, Eloxatine®, Xatral® and Arixtra® and on new molecules in phase III of development such as rimonabant (obesity, smoking cessation), dronedarone (atrial fibrillation), zolpidem MR (new formulation of Stilnox®/Ambien®), idraparinux (treatment and prevention of deep venous thrombosis, pulmonary embolism, atrial fibrillation), xaliprodene (Alzheimer's disease) and tirapazamine (head and neck cancer).

## Selling and general expenses

Selling and general expenses came to 2,477 million euros, 2.0% higher than in the previous year.
At 2002 exchange rates, selling and general expenses would have risen by 9.2%.
During 2003, sales efforts were very substantially strengthened in the United States to support the rapid growth in the Group's major products and prepare the launch of Uroxatral® (November 2003). Sales and marketing efforts were maintained in Europe. In other countries, sales and marketing resources were adapted to meet the opportunities and economic constraints encountered in each market.

## Other operating income/expense

Other operating income and expense mainly comprises transfers of profits in respect of joint operations with partners under collaboration agreements relating to product marketing and development, recorded as adjustments to operating profit.
In 2003, other operating income and expense, related mainly to operations with Bristol-Myers Squibb, represented a net gain of 248 million euros against 190 million euros in 2002, an increase of 30.5%.
At 2002 exchange rates, this line would have shown a rise of 71.1%.
The strong growth of Plavix® and Aprovel®/Avapro®, in both Europe and the United States, explains the net change in this line. In 2003, Sanofi-Synthélabo's share of profits generated by Plavix® and Avapro® in North America, the territory managed by Bristol-Myers Squibb, amounted to 436 million euros, against 348 million euros in 2002. Conversely, profits passed on to Bristol-Myers Squibb in respect of the territory managed by Sanofi-Synthélabo totaled 173 million euros in 2003, compared with 142 million euros in 2002.

## Operating profit

Operating profit includes profits and losses from joint venture operations, in particular with Bristol-Myers Squibb, which are shown on the line "Other operating income and expense". Amortization and impairment of intangible fixed assets, which are technically an operating item, are shown on a separate line below operating profit, in line with the definition used by the Group.
Operating profit for 2003 was 3,075 million euros, 17.6% higher than in the previous year.
After including foreign currency hedging, which is recognized as part of financial income/expense, the rise in operating profit would have been 19.4%.
Despite an unfavorable currency effect, operating profit ratio advanced by 3.1 percentage points to 38.2%, against 35.1% in 2002.
At 2002 exchange rates, the growth rate would have been 34.4%.
The table below shows the main components of operating profit for 2002 and 2003:

| In millions of euros | 2003 | | 2002 | | 2002/2003 |
|---|---|---|---|---|---|
| | | as % of sales | | as % of sales | Change (%) |
| **Net sales** | **8,048** | **100%** | **7,448** | **100%** | **+ 8.1%** |
| Cost of goods sold | (1,428) | (17.7%) | (1,378) | (18.5%) | + 3.6% |
| **Gross profit** | **6,620** | **82.3%** | **6,070** | **81.5%** | **+ 9.1%** |
| Research and development expenses | (1,316) | (16.4%) | (1,218) | (16.4%) | + 8.0% |
| Selling and general expenses | (2,477) | (30.8%) | (2,428) | (32.6%) | + 2.0% |
| Other operating income/(expense) | 248 | 3.1% | 190 | 2.6% | + 30.5% |
| **Operating profit** | **3,075** | **38.2%** | **2,614** | **35.1%** | **+ 17.6%** |

In geographical terms, operating profit advanced in all regions. However, as in 2002, the continuing fall of the US dollar against the euro checked growth in profits generated in the United States.
The table below gives a geographical split of operating profit for 2002 and 2003:

| In millions of euros | 2003 | 2002 | Change (%) |
|---|---|---|---|
| Europe | 1,874 | 1,633 | + 14.8% |
| United States | 2,025 | 1,781 | + 13.7% |
| Other countries | 561 | 522 | + 7.5% |
| Unallocated costs | (1,385) | (1,322) | + 4.8% |
| **Total operating profit** | **3,075** | **2,614** | **+ 17.6%** |

The United States contributed 45.4% of consolidated operating profit before unallocated costs, against 45.2% in 2002.
Europe contributed 42.0% of consolidated operating profit before unallocated costs, against 41.5% in 2002.
Other countries contributed 12.6% of consolidated operating profit before unallocated costs, against 13.3% in 2002.
Unallocated costs, which increased by 4.8%, mainly comprise fundamental research and worldwide development of pharmaceutical molecules, and part of the cost of support functions.

## Intangibles - amortization and impairment

Charges for the amortization and impairment of intangibles were unchanged from 2002 to 2003. The increase due to the amortization over 12 months of the United States rights to Ambien®, acquired on April 16, 2002, was canceled out by the depreciation of the dollar against the euro.

## Financial income/expense

Net financial income rose from 85 million euros in 2002 to 155 million euros in 2003.
The main factors in this increase were as follows:

- gains arising on foreign currency hedging, which were significantly boosted by the relentless fall of the dollar against the euro, came to 103 million euros in 2003, against 48 million euros in 2002;
- the reversal during 2003 of 2 million euros of impairment provisions against treasury shares held in connection with stock option plans, compared with a net increase of 46 million euros in the provision during 2002.

Income from the investment of surplus cash fell due to the combined effect of lower interest rates (down 1 percentage point on average), and a reduction in the average amount of cash invested as a result of the share repurchase program initiated in 2002.

## Income before tax and exceptional items

Income before tax and exceptional items came to 3,101 million euros, up 20.7% on the previous year.
At 2002 exchange rates, the growth rate would have been 34.7%.

## Exceptional items

Exceptional items for the period showed a net gain of 24 million euros, compared with a net gain of 10 million euros in 2002. The main item in 2003 was additional purchase consideration for Sylachim, a company divested by Sanofi-Synthélabo in 2001.

## Income taxes

Income taxes totaled 1,058 million euros, compared with 746 million euros in 2002.
The effective tax rate (income taxes as a percentage of net income before tax) was 28.9% for the year ended December 31, 2002 and 33.9% for the year ended December 31, 2003.
The Group's effective tax rate was abnormally low in 2002 due to the reversal of 53 million euros of provisions for taxes and the absence of any tax on the share of profits from the Lorex Pharmaceuticals joint venture profits paid over to Pharmacia in April 2002.
The effective tax rate for 2003 reflects the profit contribution generated in the United States, driven by the fine performance of the Group's major products in the American market, together with further tax provisions booked by the Group on the basis of a reassessment of tax inspections in certain countries.

## Income from equity investees

The share of net income from equity investees for the year ended December 31, 2003 amounted to 20 million euros, mainly comprising the share of 2002 profits to which Sanofi-Synthélabo is entitled via its interest in the Yves Rocher group. Both the treatment and the amount are unchanged from 2002.

## Minority interests

Minority interests in net income for the year ended December 31, 2003 totaled 3 million euros, against 87 million euros for the year ended December 31, 2002. The 2002 figure mainly comprised the share of profits from the Lorex Pharmaceuticals joint venture reverting to Pharmacia in respect of the period from January 1, 2002 through April 16, 2002.

## Net income

Consolidated net income was 2,076 million euros, 18.0% higher than the 2002 figure of 1,759 million euros. At 2002 exchange rates, the rate of growth would have been 31.6%.
Earnings per share came to 2.95 euros, compared with 2.42 euros for 2002, an increase of 21.9%.
Consolidated net income before exceptional items and goodwill amortization was 17.7% higher than in the previous year at 2,069 million euros.
Earnings per share before exceptional items and goodwill amortization was 2.94 euros, compared with 2.42 euros for 2002, an advance of 21.5%.

## Consolidated statement of cash flows

Operating cash flow before changes in working capital came to 2,428 million euros in 2003, a rise of 7.4% compared with the 2002 figure of 2,260 million euros. This low rate of growth was attributable largely to the inclusion in operating cash flow during the first half of 2002 of the minority interests paid to Pharmacia.
Working capital needs increased by 163 million euros, against an increase of 584 million euros in the year ended December 31, 2002. The increase recorded in 2003 was in line with growth in sales, and was due mainly to a rise in accounts receivable.
Total investment during the year was 381 million euros, compared with 1,435 million euros in 2002, a figure which included the acquisition of Pharmacia's 51% interest in the Lorex Pharmaceuticals joint venture in the United States.
Proceeds from disposals of assets, net of income taxes, came to 27 million euros, against 22 million euros in 2002.
Dividends paid to Sanofi-Synthélabo shareholders amounted to 579 million euros, compared with 473 million euros in 2002, an increase of 22.4%. The dividend per share rose by 27.2% to 0.84 euros (against 0.66 euros). Treasury shares are not entitled to dividend, reducing the total dividend payout.
The movement in other financing activities corresponds to the implementation of the share repurchase programs authorized by the General Meetings of May 22, 2002 and May 19, 2003, which resulted in the purchase during the period of 20,192,769 shares for a total of 1,018 million euros. These shares are netted off consolidated shareholders' equity in the balance sheet. In addition, disposals of shares amounting to 13 million euros were made in connection with stock option plans.
After all these cash flows, the amount of cash and cash equivalents (defined as liquid assets, excluding treasury shares classified as short-term investments) shown in the statement of cash flows rose by 300 million euros during the year ended December 31, 2003.

## Consolidated balance sheet

The balance sheet total was 9,749 million euros as of December 31, 2003, 290 million euros higher than the figure as of December 31, 2002.
Shareholders' equity was 6,323 million euros, 288 million euros higher than at the previous year-end. Shares purchased in connection with share repurchase programs and netted off shareholders' equity represented a total of 1,980 million euros, including 1,017 million euros arising in 2003.
As of December 31, 2003, the Group held 36.6 million shares under these programs, representing 4.99% of the share capital.
Main balance sheet items showing material movements relative to December 31, 2002 were as follows:

- intangible assets (excluding goodwill), which fell by 264 million euros due to amortization and the fall in the US dollar;
- accounts receivable, which increased by 180 million euros in line with the expansion of the Group's business, especially in the United States.

The Group had a net cash position of 3,010 million euros as of December 31, 2003, compared with 2,672 million euros as of December 31, 2002, after taking account of 613 million euros of treasury shares held in connection with stock option plans at end December 2003.

## Off balance sheet commitments

The Group does not use off balance sheet vehicles, and all the Group's operations are reflected in the consolidated financial statements.
All the Group's material off balance sheet commitments are identified and disclosed in the consolidated financial statements.

## Outlook

In 2004, sales and profits should continue to show further strong growth, driven by:

- the fine performance expected from the flagship products Plavix®, Stilnox® and Aprovel®;
- expansion in sales of Eloxatine®, especially in the United States and Europe, after the new indications obtained in January 2004;
- growth in sales of Xatral®, especially in the United States following the November 2003 launch of Uroxatral®;
- further good performances from the rest of the portfolio.

Investment in research and development will be maintained at a high level, in particular via phase III clinical trials of rimonabant, dronedarone and idraparinux, and progress in Central Nervous System trials as molecules pass into phases IIb and III.

* * *

On January 7, 2004, Sanofi-Synthélabo reached agreement with Organon to acquire all Organon's rights relating to Arixtra®, idraparinux and other oligosaccharides.

On January 26, 2004, Sanofi-Synthélabo announced a share and cash offer for the shares of Aventis. This offer, driven by a compelling strategic rationale, will deliver strong, sustainable and profitable growth.

If the bid succeeds, it will create the no.1 in Europe and no.3 in the world in the pharmaceuticals industry.
The new group will benefit from a large portfolio of high-growth drugs and enjoy firmly established positions in key fast-growth therapeutic fields such as cardiovascular, thrombosis, cancer, diabetes, central nervous system, urology, internal medicine and human vaccines.
Annual synergies are expected to be 1.6 billion euros before tax, with 10% achievable in 2004, 60% in 2005 and 100% from 2006.
Integration and restructuring costs are forecast at around 2 billion euros.
The offer was approved unanimously by the Board of Directors of Sanofi-Synthélabo on January 25, 2004 and is fully supported by Total and L'Oréal, Sanofi-Synthélabo's principal shareholders.
The principal terms of the offer are as follows:

- a standard entitlement of 5 Sanofi-Synthélabo shares(1) and 69 euros in cash for 6 Aventis shares(1);
- an all stock election: 35 Sanofi-Synthélabo shares(1) for 34 Aventis shares(1);
- an all cash election: 60.43 euros in cash for each Aventis share(1);
- Aventis shareholders can opt for either or a combination of the above, provided that, in aggregate, 81% of the Aventis shares tendered will be exchanged for Sanofi-Synthélabo shares and 19% of the Aventis shares tendered will be exchanged for cash.

The offer is conditional on obtaining over 50% of the issued share capital and voting rights of Aventis on a fully diluted basis, as well as completion of the review by the American Antitrust Authorities.
A General Meeting of Sanofi-Synthélabo shareholders will be convened to approve the issuance of the new shares to be exchanged for the Aventis shares tendered.
Sanofi-Synthélabo estimates that the offer should be completed during the second quarter of 2004.
In connection with this offer, Sanofi-Synthélabo announced that it had begun the process of divesting its interests in Arixtra® and Fraxiparine®.

On January 30, 2004, the Sanofi-Synthélabo Group reached an agreement with Taisho Pharmaceutical Co. Ltd. to acquire the latter's 49% interest in the Sanofi-Synthelabo-Taisho Pharmaceutical Co. Ltd. joint venture. This joint venture markets the anti-arrhythmic Ancaron® (amiodarone hydrochloride) in Japan.

(1) Dividend attached.

# Sanofi-Synthélabo parent company

The main features of the Sanofi-Synthélabo parent company financial statements for the year ended December 31, 2003 are as follows:

## Balance sheet

The balance sheet total as of December 31, 2003 was 10,090 million euros, against 8,980 million euros as of December 31, 2002.
On the assets side, the balance sheet included long-term investments (investments in and advances to subsidiaries and affiliates) of 5,082 million euros, representing 92% of total fixed assets (5,547 million euros). Current assets (4,517 million euros) mainly comprised amounts receivable from Group companies (1,019 million euros as of December 31, 2003) and short-term investments and deposits (3,172 million euros as of December 31, 2003, compared with 2,856 million euros at end 2002).
On the liabilities and equity side, shareholders' equity amounted to 8,167 million euros, or 81% of the balance sheet total. The decrease in current liabilities was due to a reduction in an accrued liability relating to a license agreement.

## Statement of income

Operating profit for the year ended December 31, 2003 came to 356 million euros, against 396 million euros in 2002. This difference was due mainly to an increase in research services carried out for Sanofi-Synthélabo (920 million euros in 2003, against 802 million euros in 2002), higher royalty income (1,547 million euros in 2003, against 1,276 million euros in 2002), and the recognition of accrued expense of 99 million euros in respect of a commercial subsidy payable to a subsidiary.
Net financial income was 1,273 million euros, against 793 millions in 2002, and mainly comprised dividends received from subsidiaries (1,128 million euros).
Exceptional items showed a net gain of 228 million euros, against a net gain of 327 million euros in 2002.
After an income tax charge of 173 million euros, net income for the year ended December 31, 2003 came to 1,684 million euros, compared with 1,323 million euros for the previous financial year.

## Acquisitions of participating interests

During the year, Sanofi-Synthélabo acquired 1,299,896 shares in Sanofi-Synthélabo Del Peru (Peru), taking its interest to 100%, and 54,600 shares representing the entire capital of Sanofi-Synthélabo SP Zoo (Poland).

# Additional information

## Share capital

The share capital as of December 31, 2003 totaled 1,465,696,144 euros, divided into 732,848,072 shares all entitled to dividend in respect of the 2003 financial year, except for treasury shares. These figures include 480,565 new shares issued on the exercise of options to subscribe for share.

## Sanofi-Synthélabo voting rights and share ownership

Share ownership of Sanofi-Synthélabo as of December 31, 2003

| | Shares | | Voting rights | | |
|---|---|---|---|---|---|
| | Number | % | Number* | % actual* | % published** |
| Total | 178,476,513 | 24.35 | 356,953,026 | 35.04 | 34.80 |
| L'Oréal | 143,041,202 | 19.52 | 286,082,404 | 28.09 | 27.89 |
| Treasury shares | 49,990,262 | 6.82 | – | – | – |
| Employees | 8,119,446 | 1.11 | 14,920,482 | 1.46 | 1.45 |
| Public | 353,220,649 | 48.20 | 360,668,420 | 35.41 | 35.86 |
| **Total** | **732,848,072** | **100.00** | **1,018,624,332** | **100.00** | **100.00** |

* Based on the total number of voting rights as of December 31, 2003.
** Based on the total number of voting rights published subsequent to the Ordinary General Meeting of May 19, 2003, i.e. 1,025,799,407.

During the year, the interest held by the Total group, both directly and indirectly via Elf Aquitaine and its subsidiary Valorisation et Gestion Financière, based on the total number of voting rights published, changed from 24.52% of the capital and 33.74% of the voting rights as of December 31, 2002 to 24.35% of the capital and 34.80% of the voting rights as of December 31, 2003.
No company controlled by Sanofi-Synthélabo owns any Sanofi-Synthélabo shares.

## Dividends in respect of the last three financial years

| Year | Net dividend paid (euros) | Tax already paid to the French Treasury (tax credit: 50% rate) (euros) | Total income (euros) | Tax already paid to the French Treasury (tax credit)* (euros) | Total income (euros) |
|---|---|---|---|---|---|
| 2000 | 0.44 | 0.22 | 0.66 | 0.11 | 0.55 |
| 2001 | 0.66 | 0.33 | 0.99 | 0.10 | 0.76 |
| 2002 | 0.84 | 0.42 | 1.26 | 0.08 | 0.92 |

* Rate: 10% in 2002, 15% in 2001 and 25% in 2000.

## Proposed dividend in respect of the 2003 financial year

The Board of Directors will propose to the General Meeting of May 24, 2004 that a net dividend of 1.02 euro per share be declared in respect of the year ended December 31, 2003, representing a rise of 21.4% relative to the 2002 dividend of 0.84 euros.

## Transactions relating to stock option plans

On December 10, 2003, the Board of Directors of Sanofi-Synthélabo granted 4,217,700 options to subscribe for shares to 1,349 grantees at a price of 55.74 euros per share.
The tables provided in note D.12.6 to the consolidated financial statements show for each outstanding plan the date of grant, the total number of options granted, the exercise date and the exercise price.
During 2003, 480,565 new Sanofi-Synthélabo shares were subscribed for by grantees of stock options at a price of 14.56 euros per share, increasing shareholders' equity by 7 million euros.
In 2003, 1,031,447 shares were subscribed for or purchased by grantees of stock options.
The information required by article L.225-184 of the Commercial Code is contained in a special report of the Board of Directors.

## Employee share ownership

As required by article L 225-102 of the Commercial Code, it is disclosed that as of December 31, 2003, employees of Sanofi-Synthélabo and of related companies owned 8,119,446 Sanofi-Synthélabo shares, representing 1.11% of the share capital, via the Group employee savings plan.

## Authorization to buy and sell the company's shares on the stock market

In the year ended December 31, 2003, Sanofi-Synthélabo used the authorizations given on May 22, 2002 and May 19, 2003 to buy the company's shares on the stock market in the light of market conditions.
A total of 20,192,769 shares were bought at an average price of 50.43 euros per share. Trading costs on these purchases amounted to 2,422,416 euros excluding taxes, or 0.12 euros per share.
During the same period, 550,882 shares were sold to grantees of options to purchase shares at an average price of 23.41 euros, and 28,000 shares were sold on the market at an average price of 65.84 euros.
At end December 2003, Sanofi-Synthélabo held 13,413,698 treasury shares classified under "Short-term investments", and 36,576,564 treasury shares classified under "Long-term investments", at a total gross value of 2,662,494,920 euros, representing 6.82% of the share capital. Of these shares, 13,183,948 were allocated to pre-existing stock option plans.

## Authorization to issue securities with or without preemptive rights

No use has been made since the General Meeting of May 19, 2003, of the authorizations allowing the Board of Directors to issue, at its sole discretion, securities leading to an increase in the company's share capital with or without preemptive rights.

## Remuneration of corporate officers

Total remuneration paid to Mr Jean-François Dehecq, Chairman and Chief Executive Officer, by Sanofi-Synthélabo: € 2,104,404, comprising a fixed component of € 1,004,404 and a variable component of € 1,100,000
Total remuneration paid to Mr Gérard Le Fur, Senior Executive Vice-President, by Sanofi-Synthélabo: € 1,354,092 comprising a fixed component of € 754,092 and a variable component of € 600,000
Remuneration of Board members other than the Chairman and Chief Executive Officer
The table below shows attendance fees for each member of the Board of Directors in respect of the year ended December 31, 2002, as paid in 2003 either to the Board member in question or to the main company in which he holds office.

| Name | Total in €'000 |
|---|---|
| Mr Robert Castaigne | 23.00 |
| Mr Pierre Castres St Martin | 27.00 |
| Mr Pierre Gilles de Gennes | 33.00 |
| Mr René Barbier de la Serre | 79.00 |
| Mr Thierry Desmarest | 39.00 |
| Lord Douro | 31.25 |
| Elf Aquitaine | 31.00 |
| Mr Hervé Guerin | 31.00 |
| L'Oréal | 51.00 |
| Mr Lindsay Owen-Jones | 35.00 |
| Mr Bruno Weymuller | 47.00 |
| Mr Régis Dufour (Observer) | 15.50 |
| Mr René Sautier (Observer) | 13.50 |

# Employee data

Employee data are consolidated worldwide on the basis of figures for subsidiaries included in the scope of consolidation.

## Employee headcount

### Registered employees

| | Total | | Europe | | United States | | Other countries* | |
|---|---|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| **Registered employees at December 31** | **33,086** | **32,436** | **21,438** | **21,478** | **4,162** | **3,595** | **7,486** | **7,363** |
| **Split by type of contract** | | | | | | | | |
| – permanent | 31,406 | 30,621 | 20,684 | 20,536 | 4,160 | 3,595 | 6,562 | 6,490 |
| – fixed-term | 1,680 | 1,815 | 754 | 942 | 2 | 0 | 924 | 873 |
| **Split by gender** | | | | | | | | |
| – Female | 16,738 | 16,339 | 11,076 | 11,112 | 2,138 | 1,861 | 3,524 | 3,366 |
| – Male | 16,348 | 16,097 | 10,362 | 10,366 | 2,024 | 1,734 | 3,962 | 3,997 |
| **Split by category** | | | | | | | | |
| – managers | 7,776 | 7,772 | 5,552 | 5,526 | 1,163 | 1,032 | 1,061 | 1,214 |
| – sales force | 11,364 | 10,475 | 5,011 | 4,845 | 2,652 | 2 256 | 3,701 | 3,374 |
| – other | 13,946 | 14,189 | 10,875 | 11,107 | 347 | 307 | 2,724 | 2,775 |

* Other countries = Africa, Latin America, Asia/Oceania, China/Japan, Central & Eastern Europe, Canada, Puerto Rico.

As of December 31, 2003, the Sanofi-Synthélabo Group had a total of 33,086 registered employees, an increase of 2% relative to the end-2002 figure on a comparable structure basis.
This increase was due mainly to the following zones: China/Japan (+33%), Central & Eastern Europe (+18%) and North America (+16%).
The sales force comprises 35% of total Group headcount and is very actively deployed in the United States, where 396 new sales representatives were hired.
Industrial activities account for 24% of total headcount. Of those employed in industrial activities, 79% are located in Europe, and 45% in France.
Research and development accounts for 21% of total headcount, with R&D staff based mainly in France (4,435 people), the United States (863 people) and Hungary (330 people).
Support functions account for 20% of total headcount.
Just under two-thirds of Group employees are located in Europe (65% of total headcount, including 36% in France). The United States accounts for a growing share of headcount, with 4,162 employees, representing 12.6% of total Group headcount (against 11% in 2002).
The Group has maintained gender parity, with women representing 50.6% of headcount.

### Changes in employee headcount

| | Total | | Europe | | United States | | Other countries | |
|---|---|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| **Total number of new recruits** | **5,066** | **5,297** | **2,180** | **2,958** | **1,184** | **733** | **1,702** | **1,606** |
| – permanent contracts | 3,479 | 3,464 | 1,201 | 1,689 | 1,183 | 733 | 1,095 | 1,042 |
| - of which female | 1,800 | 1,759 | 620 | 826 | 600 | 423 | 580 | 510 |
| - of which male | 1,679 | 1,705 | 581 | 863 | 583 | 310 | 515 | 532 |
| – fixed-term contracts | 1,587 | 1,833 | 979 | 1,269 | 1 | 0 | 607 | 564 |
| **Total number of leavers** | **4,336** | **4,089** | **2,160** | **2,244** | **620** | **361** | **1,556** | **1,484** |
| – permanent contracts | 3,079 | 2,609 | 1,110 | 1,063 | 620 | 361 | 1,349 | 1,185 |
| – fixed-term contracts | 1,257 | 1,480 | 1,050 | 1,181 | 0 | 0 | 207 | 299 |
| **Total number of dismissals** | **922** | **762** | **424** | **338** | **119** | **41** | **379** | **383** |
| – for personal reasons | 765 | 640 | 329 | 255 | 119 | 40 | 317 | 345 |
| – redundancies | 157 | 122 | 95 | 83 | 0 | 1 | 62 | 38 |

The 5,066 new recruits to the Group comprised 3,479 hired on permanent contracts (34% of them in the United States) and 1,587 hired on fixed-term contracts (21% of them in China, where fixed-term contracts are the normal way of recruiting).
The Group-wide recruitment ratio (permanent and fixed-term combined) in 2003 was 15.3%, against 16% in 2002.
The recruitment ratio (permanent and fixed-term combined) was particularly high in two zones: the United States (28.5%) and "Other countries" (22.7%).
Most new recruits were to the sales force, which accounted for 59.5% of those hired on permanent contracts.
Women accounted for 51.7% of new recruits on permanent contracts over the Group as a whole (51.6% in Europe, 50.7% in the United States and 53.0% in "Other countries").

# Working time organization

Employee data about working time organization, absenteeism and training do not include figures from West Africa or Kenya.

## Working time

| | Total | | Europe | | United States | | Other countries | |
|---|---|---|---|---|---|---|---|---|
| | **2003** | **2002** | **2003** | **2002** | **2003** | **2002** | **2003** | **2002** |
| **Theoretical average annual working hours** | 1,718 | 1,703 | 1,638 | 1,629 | 1,889 | 1,856 | 1,854 | 1,865 |
| **Part-time** | | | | | | | | |
| – Number of registered employees at December 31 | 1,541 | 1,516 | 1,515 | 1,476 | 0 | 0 | 26 | 40 |
| – Full time equivalent* | 1,226 | 1,192 | 1,208 | 1,169 | 0 | 0 | 18 | 23 |
| **Temporary agency staff** | | | | | | | | |
| – Number of hours | 2,939,834 | 2,547,265 | 1,493,980 | 1,638,340 | 520,916** | 23,433 | 403,110 | 885,492 |
| – Full time equivalent* | 1,649 | 1,497 | 863 | 1,001 | 280** | 13 | 221 | 483 |

* Full time equivalent = hours paid / theoretical hours.
** 2003 figures for temporary agency staff in the United States are an estimate, as a system for tracking such staff is currently being installed.

Part-time staff account for 5% of worldwide registered headcount; 85% of them are located in France.
Total overtime worked in France, paid at uplifted rates and recorded in the payroll in the year ended December 31, 2003, amounted to 13,952 hours; just under 1,100 employees were involved.

## Absenteeism

| | Total | | Europe | | United States | | Other countries | |
|---|---|---|---|---|---|---|---|---|
| | **2003** | **2002** | **2003** | **2002** | **2003** | **2002** | **2003** | **2002** |
| **Total number of days' absence** | 368,402 | 343,928 | 287,705 | 271,574 | 26,185 | 15,500 | 54,512 | 56,854 |
| **Split by reason** | | | | | | | | |
| – Sick leave | 204,975 | 203,970 | 169,511 | 168,332 | 12,456 | 8,889 | 23,008 | 26,749 |
| – Accidents (industrial or while travelling) | 11,172 | 8,034 | 9,083 | 6,665 | 276 | 103 | 1,813 | 1,266 |
| – Maternity leave | 90,981 | 75,455 | 66,100 | 55,071 | 7,159 | 3,956 | 17,722 | 16,428 |
| – Other* | 61,274 | 56,469 | 43,011 | 41,506 | 6,294 | 2,552 | 11,969 | 12,411 |
| **Rate of industrial accidents**** | 4.3 | 4.1 | 4.7 | 4.6 | 2.4 | 2.4 | 4.3 | 3.7 |

* Other includes family events, unpaid leave, parental leave, sabbatical leave, etc.
** Rate of industrial accidents (based on Health, Safety & Environment data): number of industrial accidents requiring more than one day's absence from work occurring in a 12-month period, per million hours worked. These data are consolidated across virtually all Group companies (99.6% of total employee headcount) and relate to employees of the Group.

The total number of days' absence for the Group as a whole during 2003 was 368,402, split as follows: 56% sick leave, 25% maternity leave, 3% industrial/travel accidents, 16% other reasons.

## Training

| | Total | | Europe | | United States | | Other countries | |
|---|---|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Number of employees receiving training | 27,253 | 26,288 | 18,277 | 17,699 | 3,081 | 3,170 | 5,895 | 5,419 |
| Total number of training hours | 1,460,458 | 1,149,814 | 778,125 | 718,796 | 338,252 | 129,253 | 344,081 | 301,765 |
| Total number of Health, Safety & Environment* training hours | 84,342 | 303,896 | 66,124 | 285,634 | 5,422 | 1,897 | 12,797 | 16,365 |

* Health, Safety & Environment training hours relate solely to industrial sites (chemicals, pharmaceuticals, distribution) and research sites worldwide.

Training was provided to 81% of the average workforce in 2003. The number of hours devoted to training rose by 27%, and was equivalent to an average of 6 days of training per employee in 2003.

# Subcontracting

Sanofi-Synthélabo aims to handle the bulk of its core business in-house. However, like all industrial groups, it outsources some of its functions, and consequently makes use of subcontractors to provide specialist services or additional capacity. In order to minimize the risk of stockouts and to enhance the Group's performance in terms of quality, safety, environment and ethical principles, procurement of subcontracted services is handled by a network of trained buyers, working closely with the relevant in-house managers. The Group uses subcontractors in the following areas: research and development (clinical trials), manufacturing (chemical preparation by manufacturers of raw materials and active ingredients, production of drugs), distribution, marketing (external sales networks).

# Humanitarian activities

Sanofi-Synthélabo has been investing in humanitarian activities since 1986, with a particular emphasis on children in need. The Group is also very active in helping populations which face difficulties in accessing drugs. By actively supporting small-scale credit bodies, it helps many people to start up or continue a business, contributing to local economic development and sustainably improving their standard of living. In more than 100 countries, the Group expresses its commitment and solidarity in areas that reflect its core business in health. The Group provides humanitarian organizations with financial, technical and human resources to help solve problems relating to health, social deprivation, disease prevention, social exclusion and childhood trauma, through effective and sustainable international programs.
Sanofi-Synthélabo also provides help, including financial support, to children of Group employees who experience health or educational difficulties, via a not-for-profit organization called "Nos enfants, c'est essentiel" (Our Children Matter), founded in 1992.

# Employee information: France, 2003

## Remuneration

### *Individual remuneration*

| In euros | 2003 | 2002 |
|---|---|---|
| Average annual basic gross salary* | 39,322 | 38,322 |
| Minimum annual gross salary after 1 year's service | 18,600 | 18,000 |

* Average annual basic gross salary: average of December 2003 basic salary multiplied by the number of months' pay for full-time, permanent staff employed from January 1 through December 31.

Sanofi-Synthélabo has applied a consistent remuneration policy.
Effective January 1, 2003, there was a collective pay rise of 1.7%, accompanied by a catch-up pay award of 0.2% relating to 2002. These collective rises were supplemented in some cases by individual rises.
In 2003, as has been the case since 2001, special attention was focused on the minimum annual salary, which was upgraded by 2%, taking the cumulative increase over the past three years to 10%.

*Collective remuneration*

| | In millions of euros |
|---|---|
| **Statutory profit-sharing scheme** | |
| 2002 entitlement paid in 2003 | **49.3** |
| % of total payroll | 9.5% |
| 2001 entitlement paid in 2002 | **50.6** |
| % of total payroll | 10.3% |
| **Group voluntary profit-sharing scheme*** | |
| 2002 entitlement paid in 2003 | **14.1** |
| % of total payroll | 2.7% |
| 2001 entitlement paid in 2002 | **23.7** |
| % of total payroll | 4.8% |

* In addition, specific individual company profit shares were paid in 2002 and 2003.

The formula for distributing collective remuneration is designed to favor lower-paid employees. As a result, for the 2002 financial year, an employee with an annual salary of 18,000 euros received the equivalent of 3.35 months of salary in profit-sharing and savings plan top-up contributions.

## Industrial relations

In France, negotiations conducted in 2003 with the five French national trade unions represented in the Sanofi-Synthélabo Group (CFTC, CFDT, CFE-CGC, CGT, CGT-FO) led to the signature of four new agreements on collective variable remuneration (statutory profit-sharing, voluntary profit-sharing, Group employee savings scheme and top-up contributions). These agreements replace those signed in 2000. Management also put forward an agreement on the introduction of an employee retirement savings scheme, backed by a top-up contribution, on which employee representatives are due to state their position in 2004.
An amendment to the welfare and healthcare scheme, adjusting the amount of contributions (especially those made by retirees) was also signed in 2003.
The European Works Council, established under the agreement signed in 2001, met twice in 2003, one of these meetings being held jointly with the French Group Works Council. The European Works Council is made up of 34 representatives from the European Union and six candidate countries, and discusses the current operation and future prospects of the Sanofi-Synthélabo Group.

## Disabled employees

In France, Sanofi-Synthélabo reinforced its Disabled Persons Program, based on three key objectives: keeping disabled people in their jobs, recruitment of new disabled employees, and subcontracting to sheltered workshops.
Pre-recruitment initiatives continue to be developed, such as intern programs and work experience in the form of apprenticeship or qualification contracts for both young people and adults.
An additional full-time member of staff has been hired to develop and implement training initiatives for on-site human resource managers. The aim is to transfer the skills and resources needed to apply the Group's Disabled Persons Program at local operational level. This project has received financial support from AGEFIPH, the French government agency dedicated to finding work for the disabled.
Sanofi-Synthélabo also helps the disabled by chairing "Tremplin", a not-for-profit organization which brings together companies that supports disabled people in pre-employment training.
The Group is also represented at various nationwide conferences and forums, and participated in the forums held in November 2003 as part of the "Disabled Persons Employment Week".

## Employment policies

In the event of a site closure or relocation, the Group provides a range of support packages intended to minimize the impact on the employees affected. These packages reflect the Group's continuing commitment to uphold the principles and values that have always underpinned its human resources policy, by keeping redundancies to a minimum and ensuring that everyone has help in finding new employment.
In 2003, no restructuring with an impact on employment was carried out.
The Group's concern for the safety and physical and moral welfare of children is reflected by its application of ILO conventions no. 138 (1973) and no. 182 (1999) prohibiting the employment of children.
Sanofi-Synthélabo participates in regional employment initiatives via specially-formed not-for-profit and other organizations. In the same spirit, the Group has for more than 15 years operated a "spin-off unit" for employees who wish to set up their own business.
In all the countries in which it operates, Sanofi-Synthélabo adopts integration policies which strive to preserve local identities and cultures. For example, host country nationals are favored for recruitment and promotion, including for management posts, subject to the constraints of the local labor market.
All the Group's commitments are contained in a Social Charter distributed worldwide late in 2003, and which will be sent to each of its employees in the first few months of 2004.

# Environmental data

Environmental data are consolidated at Group level from data for industrial units and research centers. Comments are supplied on material differences relative to 2002, the first year for which environmental disclosures were required under French NRE law.

## Consumption, waste and pollution

Water used for production and thermal purposes is supplied mainly from available groundwater, mostly in France. Consumption is being steadily reduced by a rolling program to install closed loop cooling systems and by accurate monitoring of usage.

| $m^3$ | 2003 | 2002 |
|---|---|---|
| Water | 6,304,078 | 6,430,892 |

Energy is used for processes, air conditioning of buildings in line with pharmaceutical good manufacturing practices (GMP), and the operation of environmental protection installations. Compared with other industries, the pharmaceutical industry generally does not require large amounts of energy.

| mWh (megawatt hours) | 2003 | 2002 |
|---|---|---|
| Gas | 408,930 | 408,156 |
| Electricity | 397,994 | 374,005 |
| Liquid hydrocarbons | 14,488 | 20,218 |
| Other (steam) | 116,764 | 115,201 |

## Raw materials

Of our raw materials, solvents – used mainly for synthesizing our active ingredients – are the resource with the greatest potential secondary effects for the environment. Process optimization, reprocessing (where possible) and thermal utilization are promoted in order to cut consumption of non-renewable raw materials. The criteria for selection or replacement of these materials include the reduction of any adverse effects on safety, health and the environment.

| Tonnes used* | 2003 | 2002 |
|---|---|---|
| Solvents | 44,186 | 48,444 |

* "Tonnes used" includes solvents reprocessed at Group factories. This means that the amount bought in from outside is a smaller figure.

## Emissions, effluents and deposits

Emissions of Volatile Organic Compounds (VOC) from our synthesis and manufacturing of pharmaceuticals have been declining for several years. Our chemical R&D teams are reducing usage and selecting less toxic and environmentally-damaging solvents, while our pharmaceutical R&D teams are developing solvent-free processes. Our technical teams are installing solvent vapor recovery or thermal oxidation systems at our major chemical sites (Aramon, Budapest and Sisteron) and our major pharmaceutical sites (Ambarès and Fawdon).

| Tonnes | 2003 | 2002 |
|---|---|---|
| COV | 1,267 | 1,736 |

The combustion of natural gas and small quantities of liquid hydrocarbons releases carbon dioxide into the air (direct emissions). Electricity consumption involves emissions at the premises of our electricity suppliers (indirect emissions), which are calculated using Greenhouse Gas Protocol Initiative data.
Not included in this total are emissions due to steam purchased externally or to the transport of our goods. The effect of other greenhouse gases is not significant.
For the first time, an estimate has been made of emissions generated by our medical rep vehicle fleet, based on fuel consumption in 2002.

| Equivalent tonnes of $CO_2$ | 2003 | 2002 |
|---|---|---|
| Fuel (direct) | 78,027 | 79,485 |
| Electricity production (indirect) | 75,844 | 72,032 |
| Medical rep vehicle fleet (estimated) | NA | 80,000 |

Industrial effluent discharge is processed either by our water treatment units or by municipal treatment works under agreements with their operators. The main environmental impact of our effluents is COD (Chemical Oxygen Demand). Use is made of innovative technologies (membrane bioreactors) or more traditional technologies (biological and physico-chemical stations).

| Tonnes | 2003 | 2002 |
|---|---|---|
| COD | 550 | 481 |

The nitrogen contained in industrial effluents also has an environmental impact. The figures show a 38% increase of a non-recurring nature: an upgrade at the site in question is expected to bring about a return to normal levels.

| Tonnes | 2003 | 2002 |
|---|---|---|
| Nitrogen | 43.6 | 31.6 |

The Group has no landfill sites or slurry spreading areas at its units. One of our units regularly reinjects its aqueous liquid effluents under license at great depth; the corresponding tonnage is not accounted for in this report.

## Waste

A very high proportion of hazardous wastes is reutilized, either by recycling or reprocessing, or in the form of energy.
Two non-recurring events in 2002 resulted in an increase in tonnage. The 2003 figure is in line with historical trends.
Where incineration treatment infrastructures are not available, a very small and constantly-declining proportion of wastes continues to be disposed of at agreed landfills.

| Hazardous, tonnes | 2003 | 2002 |
|---|---|---|
| Recycled or utilized | 44,895 | 57,939 |
| Not utilized | 1,839 | 1,754 |
| **Total** | **46,734** | **59,693** |

Four-fifths of non-hazardous wastes are now reused, recycled or thermally utilized.

| Non-hazardous, tonnes | 2003 | 2002 |
|---|---|---|
| Utilized | 21,645 | 21,342 |
| Processed (not utilized) | 5,568 | 6,254 |
| **Total** | **27,213** | **27,596** |

## Soil

We have instituted a long-term program of preventive monitoring and study of topsoils and subsoils at our sites. Four remediation projects are currently under way or scheduled.

## Specific protection of the natural environment

Only one of our sites is located in an area where there is specific protection of the natural environment: Csanyikvölgy in Hungary. Its activities are marginally polluting to the environment, and it is specifically monitored in this connection.

## Environmental evaluation and certification

Five sites – the research centers at Alnwick and Labège, the chemical plant at Aramon, and the pharmaceutical plants at Amilly and Veresegyhaz – have ISO 14 001 certification.
A further ten sites are scheduled to work towards certification in the 2004-2006 period.

## Regulatory compliance

Environmental law monitoring policies are applied for all industrial and scientific activities in France. Subsidiaries in other countries with industrial or scientific activities apply their own environmental law monitoring policies. An audit program assesses the effectiveness of these policies and compliance with the relevant administrative and regulatory provisions. Over the 2000-2002 period, all sites were subject to either a general health, safety and environment audit or a specific environmental, health & safety or fire protection audit, except for two sites with fewer than 100 staff. In 2003, 18 sites were subject to a full health, safety and environment audit by our internal audit team, and 29 sites were subject to specific audits, 21 of which were conducted by external auditors.

## Expenditure incurred in monitoring and controlling the impact of the company's activities on the environment

Investment with an industrial health, safety, working conditions, process safety or environmental dimension amounted to 20 million euros in 2003. In addition, new developments are designed with built-in preventive mechanisms, the associated investment being impossible to quantify specifically. Expenditure on health, safety and environment, comprising HSE personnel costs, consumables, energy, labor, waste processing and recycling, environmental taxes, studies and audit services, totaled 44 million euros in 2003, 10% higher than in 2002.

## Group HSE Department

The central HSE (Health-Safety-Environment) Department comprises 14 experts in environmental technologies, industrial safety, industrial toxicology, safety at work, fire safety, industrial risks, life sciences and work-related medicine. The department is active at all the Group's sites. It is responsible for formulating HSE policy and general objectives, managing and coordinating implementation, maintaining and developing competencies and reporting overall performances to divisional heads using reports and audits. It is supported by:

- 59 HSE officers on site, implementing central guidance and directives;
- 71 other officers, complementing our Group HSE management services;
- 10 full-time or part-time company doctors employed by the Group, and interprofessional doctors providing medical services on site. They are assisted in their work by company nurses.

The three European sites classified as Seveso II have dedicated first-aiders, backed up by highly-trained second-line staff.
Each site has instituted and maintains its own emergency plan setting out the risks incurred and the internal and external resources to be mobilized or called upon as a result.

## Amount of provisions and guarantees relating to environmental risks

Detailed assessments of topsoil and subsoil pollution risks have been carried out at 3 sites or former sites which are to be cleaned up. In association with other corporate site-users, we are participating in a rolling program of in-depth investigations and preliminary works at a former hazardous waste dump. In all, 20 million euros have been accrued for cleanup costs.

## Amount of compensation

We were not ordered to pay any compensation of an environmental nature through the enforcement of any judicial decision in 2003.

## Objectives set for foreign subsidiaries

The programs, resources and results of foreign subsidiaries are included in the above report.

## Prevention of technological risks and compensation for loss

Under new French legislation on the prevention of technological risks, our two French chemical production sites at Sisteron and Aramon are subject to a heightened level of safety inspections due to the toxic or inflammable materials stored and used in processes. We believe that both of these sites satisfy legal requirements regarding safety management systems, hazard surveys, risk control mechanisms and insurance policies to cover the potential risk of material damage to third parties.

# Directorships and other positions held by members of the Board of Directors and the Senior Executive Vice-President in all companies in France and abroad during the year ended December 31, 2003

## René Barbier de la Serre

**In France**

- Director of Crédit Lyonnais, Sanofi-Synthélabo and Schneider Electric
- Member of the Supervisory Board of Compagnie Financière Edmond de Rothschild Banque (subsidiary of Compagnie Financière Saint Honoré), Compagnie Financière Saint-Honoré and Pinault-Printemps-Redoute
- Observer of Fimalac and Nord-Est

**Abroad**

- Chairman of Tawa UK Ltd (United Kingdom)
- Delegated Director of Harwanne Compagnie de Participations Industrielles et Financières SA (Switzerland)
- Member of the Supervisory Board of Euronext NV (Netherlands)

## Robert Castaigne

**In France**

- Chief Financial Officer of Total SA
- Chairman and Chief Executive Officer of Total Chimie and Total Nucléaire (subsidiary of Total Chimie)
- Director of Atofina (subsidiary of Elf Aquitaine), Compagnie Générale de Géophysique, Elf Aquitaine (subsidiary of Total SA), Hutchinson (subsidiary of Total Chimie), Sanofi-Synthélabo, Société Financière d'Auteuil and Total Gestion Filiales

**Abroad**

- Director of Omnium Insurance & Reinsurance Company Ltd (Bermuda), Petrofina (Belgium), Total Holdings UK (United Kingdom) and Total Gabon (Gabon)

## Pierre Castres Saint Martin

**In France**

- Chairman of the Supervisory Board of Groupe Marc de Lacharrière
- Chairman of Le Portefeuille Diversifié (mutual fund)
- Director of Fimalac (subsidiary of Groupe Marc de Lacharrière), SEB and Sanofi-Synthélabo
- Member of the Supervisory Board of Arc International

## Jean-François Dehecq

**In France**

- Chairman and Chief Executive Officer of Sanofi-Synthélabo
- Director of Air France, Finance et Management and Société Financière des Laboratoires de Cosmétologie Yves Rocher

**Abroad**

- Chairman and Director of Sanofi-Synthelabo Daiichi Pharmaceuticals Co Ltd (Japan)
- Director of Sanofi-Synthelabo Inc. (United States) and Fujisawa Sanofi-Synthelabo (Japan)

## Thierry Desmarest

**In France**

- Chairman and Chief Executive Officer of Total SA and Elf Aquitaine (subsidiary of Total SA)
- Director of Sanofi-Synthélabo
- Member of the Supervisory Board of Areva and L'Air Liquide

## Lord Douro

**In France**

- Director of Pernod Ricard and Sanofi-Synthélabo

**Abroad**

- Chairman of Richemont Holdings UK (United Kingdom)
- Chairman of Framlington Group (United Kingdom)
- Director of Compagnie Financière Richemont AG (Switzerland) and GAM Worldwide (United Kingdom)

## Elf Aquitaine

**In France**

- Director of Total E & P France, Elf Exploration Production, Elf Neftegaz, Elf Petroleum Irak (until June 18, 2003), Elf Petroleum Iran, Total Union Océane, Eurotadia International, Safrep (until June 3, 2003), Sanofi-Synthélabo, Sofrea and Total Lubrifiants

**Abroad**

- Director of Elf Aquitaine Algérie (Algeria), Total E & P Congo (Congo), Total Gabon (Gabon) (until June 10, 2003), GPL (Gabon), Reachim SA (Luxembourg), SAR (Senegal), SIR (Côte d'Ivoire), Sogara (Gabon), Sonara (Cameroon) and Total E & P (Cameroon)

**represented by Jean-Paul Léon**

**In France**

- Director of Société Financière des Laboratoires de Cosmétologie Yves Rocher
- Permanent representative of Elf Aquitaine as Director of Sanofi-Synthélabo

## Pierre-Gilles de Gennes

**Nobel Prize for Physics (1991)**

**In France**

- Professor at the Collège de France
- Director of Rhodia and Sanofi-Synthélabo
- Member of the Supervisory Board of L'Air Liquide

## Hervé Guérin

**In France**

- Director of Sanofi-Synthélabo

### Gérard Le Fur

**In France**

- Executive Vice-President, Scientific Affairs
- Senior Executive Vice-President (non-Director) of Sanofi-Synthélabo

**Abroad**

- Director of Sanofi-Synthelabo Inc. (United States)

### L'Oréal

**In France**

- Director of Ecopar, Genfa, Galderma International, Regefi, Sanofi-Synthélabo and Semercli

**Abroad**

- Director of Biotherm (Monaco), L'Oreal Hong Kong (Hong Kong) and Sofamo (Monaco)

### represented by Michel Somnolet

**(until Nov 15, 2003)**

**In France**

- Adviser to the Chairman of L'Oréal
- Chairman and Director of Regefi (until March 3, 2003)
- Director of Eramet
- Permanent representative of L'Oréal as Director of Sanofi-Synthélabo (until Nov 15, 2003)

**Abroad**

- Chairman and Director of Geral Inc. (United States)
- Director of L'Oreal USA Inc. (United States)
- Member of the Supervisory Board of L'Oréal Maroc (Morocco)

### represented by Christian Mulliez

**(from Nov 15, 2003)**

**In France**

- Vice-President of L'Oréal in charge of General Management, Administration and Finance
- Chairman and Director of Regefi
- Director of DG 17 Invest
- Permanent representative of L'Oréal as Director of Sanofi-Synthélabo (from Nov 15, 2003)

**Abroad**

- Director of L'Oreal USA Inc. (United States)

### Lindsay Owen-Jones

**In France**

- Chairman and Chief Executive Officer of L'Oréal
- Director of BNP PARIBAS, Gesparal and Sanofi-Synthélabo
- Vice-President and member of the Supervisory Board of L'Air Liquide

**Abroad**

- Chairman and Director of Galderma-Pharma S.A. (Switzerland)
- Director of L'Oreal USA Inc. (United States) and L'Oreal UK Ltd (United Kingdom)

### Gérard Van Kemmel

**In France**

- President of Novell for Europe the Middle East and Africa
- Director of Sanofi-Synthélabo

### Bruno Weymuller

**In France**

- Executive Vice-President Strategy and Risk Assessment of Total SA
- Director of Elf Aquitaine, Sanofi-Synthélabo and Technip-Coflexip

## Observers

### Régis Dufour

**In France**

- Chairman of Mercure Pharmacie (mutual fund)
- Member of the Supervisory Board of Chevrillon Associés
- Observer of Sanofi-Synthélabo

### René Sautier

**In France**

- Observer of Sanofi-Synthélabo

# Report of the Chairman of the Board of Directors

## (Article 117 of the Loi de Sécurité Financière Article 225-37 paragraph 6 of the Commercial Code)

This report has been prepared and submitted to the shareholders in accordance with article 117 of the Loi de Sécurité Financière of August 1, 2003, as incorporated into article 225-37 paragraph 6 of the Commercial Code (applicable in France).

## Preparation and organization of the work of the Board of Directors

### Board of Directors

The following participated in meetings of the Board of Directors:

- the thirteen members of the Board, who include four independent members;
- the Senior Executive Vice-President;
- the two observers;
- the director of legal affairs, as secretary to the Board;
- four representatives of the Group's employees in France, who sit on the Board under the terms of the constitution of the Group Works Council.

The agendas for Board meetings are prepared by the secretary after discussion with the Chairman, and take account of the agendas of specialist committees and of suggestions put forward by Board members.
Within a reasonable period before each meeting, Board members are sent the agenda, with as much supporting documentation as possible containing the information needed for them to consider the issues.
Board members therefore have sufficient time to examine this supporting documentation in advance of meetings of the Board and of the committees on which they sit, and to request any further information they believe is necessary for them to fulfil their assignment.
Board members act in compliance with corporate governance laws and regulations (Viénot and Bouton reports). In 2003, the Board of Directors has introduced its own internal code of conduct, supplementing the Directors' Code that has applied within the Group since 1999.
In 2003, the Board of Directors met four times.
Board members were assiduous in attending meetings, with an overall attendance rate of 90%. They participated actively and candidly in the Board's deliberations, and brought their expertise and professional competence to bear in the broader interest of the shareholders and of the Group.
The main issues covered by Board meetings were the examination and adoption of the consolidated and parent company financial statements, the appropriation of profits, the reconciliation of French GAAP and US GAAP financial statements, strategic priorities and major transactions, issues relating to share repurchases and corporate governance, the compensation of corporate officers and key executive managers, the granting of stock options (2003 plan), the allocation of directors' attendance fees, the calling of the Annual General Meeting, and a review of the documents submitted to that meeting.
All decisions taken by the Board of Directors were passed by unanimous vote of those members present or represented.
The Board of Directors also set the powers of the Chairman and Chief Executive Officer and of the Senior Executive Vice-President to commit the Group in respect of investments and acquisitions:

- for the Chairman and Chief Executive Officer, a limit of 500 million euros was set for commitments made within an approved strategy, and a limit of 150 million euros for commitments made outside an approved strategy;
- for the Senior Executive Vice-President, a limit of 100 million euros was set for commitments made within an approved strategy.

These are the only limits imposed on the powers of the Chairman and Chief Executive Officer and the Senior Executive Vice-President.
In 1999, the Board of Directors set up three specialist committees tasked with providing specialist input to assist the Board in its decision-making.

## Specialist committees

- Audit Committee
- Compensation and Appointments Committee
- Scientific Committee

Members of these committees are chosen by the Board from among its members, based on their experience. Each committee is chaired by an independent Board member.
Depending on the agenda for Board meetings, these committees may be asked to carry out preparatory work by examining specific issues in advance. A report is drafted, approved by those involved, and submitted to the Board so as to ensure that the Board is well informed when reaching decisions.
Committee decisions are taken by a simple majority, with the committee chairman having a casting vote in the event of a tie.

### *Audit Committee*

The Audit Committee met four times, one or two days before Board meetings. Also invited to attend were the Chief Financial Officer and the statutory auditors, and where appropriate the Head of Internal Audit and other Group executives to explain technical issues.
Ahead of these meetings, certain independent Board members who sit on the Committee contacted the secretary to the Board, the Chief Financial Officer and the Chairman and Chief Executive Officer to obtain additional information on the matters for discussion.
The Committee also had separate meetings with the Head of Internal Audit and the statutory auditors.
Meetings related principally to the financial statements, including specific issues such as off balance sheet commitments, pension commitments, foreign exchange risk management, the share repurchase program, internal audit, and the impact of new legislation such as the Sarbanes-Oxley Act in the United States and the Financial Security Law in France.

### *Compensation and Appointments Committee*

The Compensation and Appointments Committee met in advance of the Board meetings held on February 17 and December 10, 2003.
The main topics covered by the meetings were compensation of corporate officers and key executive managers, the granting of stock options (2003 plan), the allocation of directors' attendance fees, and ongoing discussion of corporate governance issues.
Committee members met certain Sanofi-Synthélabo executives, so that issues on the agenda could be discussed before the Committee put forward proposals.

### *Scientific Committee*

In 2003, the Scientific Committee met once, at the end of the year, to review all the Group's research and development programs.

**Throughout the year ended December 31, 2003, the Sanofi-Synthélabo Board of Directors worked closely with the specialist committees. At all times, the Board ensured that its work was prepared and organized in a spirit of transparency and efficiency.**

# Internal control procedures

## Objective and definition of internal control

Internal controls are developed and implemented at all levels, from senior and middle management to Group employees, with the aim of providing reasonable assurance that the following objectives are met:

- reliability of accounting and financial information;
- effectiveness and efficiency of conduct of operations;
- compliance with applicable laws and regulations;
- security of corporate assets.

Sanofi-Synthélabo operates a decentralized structure based on autonomous units in the form of key directorates, enabling genuine decision-making powers to be delegated to the front line. At the same time, strategy is developed and overseen centrally.

- The Scientific Affairs Directorate is responsible for the Research and Development, Pharmacovigilance, Medical and Regulatory activities. It also works with the Marketing Department on the launch of new products, and handles life cycle management for products already on the market.
- The Industrial Affairs Directorate is arranged in four specialist divisions: Chemicals, Industrial Pharmaceuticals (Europe), Industrial Pharmaceuticals (Intercontinental), and Logistics/Distribution.
- The Operations Directorate is split into three geographic zones (Europe; North America; and Intercontinental, covering the rest of the world). It also houses the Strategic Marketing Department.
- The central support functions are made up of Human Resources, Finance, Legal Affairs, Communication, Strategy, General Secretariat, Internal Audit.

Three types of process operate across these various structures:

- management processes: Senior Management, Strategy, Communication
- operational processes: Research and Development (discovery, development and registration), Production/Distribution, Sales, Pharmacovigilance, Regulatory, Quality Assurance and Quality Control, Maintenance
- support processes: Finance, Information Systems, Procurement, Human Resources, Legal Affairs, Health Safety & Environment, Security.

Sanofi-Synthélabo has dedicated in-house teams with responsibility for internal control. They manage these processes and sub-processes, and "own" internal control procedures. The internal control system as a whole contributes to the overall management of the risks to which Sanofi-Synthélabo is exposed.

## General organization of internal control

Many participants within Sanofi-Synthélabo deal with internal control. All draw upon shared standards that apply across the entire Sanofi-Synthélabo Group.

## Participants in internal control

### *Board of Directors and committees of the Board of Directors*

The structure of the Group's senior management, together with the composition of the Board of Directors and the specialist committees, help deliver efficiency and transparency in the way that Sanofi-Synthélabo conducts its activities (refer to the first part of the report).

### *Managerial committees*

The Executive Committee, chaired by the Chairman and Chief Executive Officer, meets at least once a month. It is attended by all the heads of the Group's key directorates.
The Executive Committee defines strategic priorities, and assesses latest developments in the business and in industrial relations.
The Product Committee is chaired by the Senior Executive Vice-President, and meets at least once a month.
It deals with the development and marketing of products, and is attended by key managers from the Scientific Affairs, Operations and Strategy Directorates.
The Operations Committee, chaired by the Executive Vice-President Operations, meets once a month, and is attended by the regional managers.
It deals with performance issues such as sales figures and local/regional performances.

### *Published Information Review Committee*

The Published Information Review Committee, made up of Executive Committee members and senior executives, is tasked with reviewing and validating key documents intended for shareholders and the public (French-language and English-language annual reports, press releases), and with assessing procedures and controls used in preparing such documents.

### *Accounts Committee*

The aim of this committee is to review the accounts of all Group companies as part of the process of finalizing both the Sanofi-Synthélabo consolidated financial statements and the statutory accounts of individual companies. The participants, for each entity reviewed, are:

- the Chief Financial Officer of the subsidiary;
- representatives from the finance department at Region or Division level;
- representatives from expert functions within the Group Finance Directorate (such as tax, consolidation, treasury and financing);
- representatives from the Legal Affairs Directorate.

On the basis of accounts to end September, the Accounts Committee is tasked with reviewing the company's position as regards tax, legal, treasury and financing issues, and ensuring that Group accounting policies are applied.

### *Other key participants*

**Pharmacovigilance**

The Pharmacovigilance Department has a role in the evaluation of products in clinical development and products already marketed. This evaluation involves establishing and monitoring the product's clinical safety profile. The Unit also monitors legislation and recommendations in its sphere of competence, in order that specific procedures can be implemented to ensure compliance with all regulatory requirements.
An information-sharing network has been developed between the Pharmacovigilance Department at Group level, the subsidiaries, and Sanofi-Synthélabo's partners in product development and marketing.
Operating procedures have been established defining the roles and responsibilities of each participant as regards collection, documentation (hard copy or electronic), evaluation, input and archiving of pharmacovigilance data, and for the immediate or periodic reporting of such data to the healthcare authorities and/or Ethics Committees and/or investigators (in serious cases, periodic reports, etc.).

### Health, Safety & Environment, Sustainable Development

The Strategy-Risk Assessment Directorate is in charge of the Health, Safety & Environment (HSE) Department and the Sustainable Development Department.
The responsibilities of the central HSE Department are:

- defining the objectives and guiding principles of the Group's HSE policy;
- issuing directives and standards in application of this policy, devising HSE reporting procedures, and consolidating HSE reports received from around the Group;
- planning and conducting HSE audits, and providing assistance and expertise.

Each site has its own HSE unit.
The Sustainable Development Department is in charge of:

- developing the Group's sustainable development policy, and devising sustainable development reporting procedures;
- centralizing data provided by the network of internal correspondents;
- the sustainable development sections of the annual report;
- relations with rating agencies, in liaison with the Finance Directorate.

### Insurance

The Insurance and Risk Management Department, which forms part of the Legal Affairs Directorate, carries out the following tasks at Group level:

- identifying and reducing insurable risks, and ensuring there is adequate financial cover;
- monitoring insurance claims;
- providing support to subsidiaries in establishing local insurance policies.

### Audit

Three types of audit exist within the Group:

- internal audit assignments;
- expert audits, integral to some of the Group's functions;
- organizational audits conducted by the Operations Directorate.

These audits take place across all regions and functions within the Group.
The Group is also subject to regular audit by:

- the statutory auditors;
- the healthcare authorities;
- national bodies responsible for controlled sites (e.g. SEVESO).

*Group Internal Audit*

The Group's Internal Audit department is independent and objective, reporting directly to the Chairman. It has neither authority nor responsibility on the operations audited, and has a complete freedom of action.
Internal Audit has the responsibility to provide senior management, and the Board of Directors through the Audit Committee, with accurate information on the internal control system.

The permanent assignment Internal Audit is to:

- evaluate quality and effectiveness of internal control,
- improve the level of internal control, through recommendations.

It works throughout the entire Group (fully consolidated entities).
In order to fulfil this role properly, and in line with its independent status, Internal Audit may on its own initiative, or at the request of senior management, central department managers or operational managers, intervene in all accounting, financial, support and operational areas or processes, where it has the necessary competencies.
It has unrestricted access to all the information, documents, assets and employees needed for its work, and may not be subject to any internal restrictions on the scope or timing of its work.
Audit assignments are conducted on the basis of an annual program, which is presented to the Audit Committee and then approved by the Chairman and Chief Executive Officer.

The following criteria are used in devising the program:

- date of the last audit;
- extent to which the previous audit's recommendations have been implemented;
- nature and extent of changes that have affected the audited entity (legal, business, organizational and system changes);
- integration of new entities into the Group.

Audit assignments are conducted on site, and are based on a work program that includes familiarization phases, followed in all cases by testing procedures.
The report is the starting point for the internal control improvement process. It presents the findings of the assignment, including any weaknesses, and relevant recommendations.
The audited entity is responsible for implementing the recommendations. The Internal Audit Department systematically monitors implementation, six to twelve months after the report is issued.
Monitoring is based on declarations by the audited entity, and is reviewed and evaluated for each assignment individually.
If implementation of the recommendations is deemed inadequate (using an internal rating scale based on 3 criteria), the Internal Audit Department issues reminders, and has the option of conducting follow-up assignments on site.

*Expert audits*

The Information Systems, Quality and Security departments each draw up an annual audit plan within their sphere of competence, and conduct on-site audits in accordance with a pre-prepared work program.
A report containing recommendations for corrective action to address any weaknesses is then sent to the audited entity and/or function.
Implementation of the recommendations is systematically monitored, in particular through subsequent site visits.

*Organizational audits conducted by the Operations Directorate*

The quality of organizational structures within subsidiaries (Marketing, Sales and Support Functions) is an important factor in performance and productivity.
For this reason, the Operations Directorate conducts organizational audits of subsidiaries.
The aim of these audits is to adapt organizational structures to anticipated environmental, competition or product portfolio changes.
For each of the subsidiary's key functions (sales, marketing, etc), an analysis is made of processes, resources, operating procedures and structures.
The pre-audit phase includes the preparation of a framework study and an analysis of the organizational structures to be audited.
The audit report (conclusions, recommendations, action plan) is prepared on site, and reviewed with the Managing Director of the subsidiary before being presented to regional management.
Regional management monitors implementation of the recommendations, with assistance from the audit team as required.

## Standards

### *Powers*

Sanofi-Synthélabo adopts organizational structures which enable the Group to ensure the security and effectiveness of its operations, while at the same time taking account of the regulatory, business and employment imperatives specific to the pharmaceutical industry.
Operations are conducted through legal and managerial structures involving the delegation of powers both internally and externally.
Managers of Group entities must apply these principles and structures within their own entity, and must ensure that the following are in place:

- organization charts, showing hierarchical and functional reporting lines;
- job descriptions, showing individual roles and responsibilities;
- delegations of powers: roles and responsibilities delegated by the manager of the entity;
- procedures: roles and responsibilities for each process;

and must also ensure that the above are:

- consistent and appropriate to the entity;
- distributed within the entity;
- applied in information systems.

### *Code of Ethics*

A Code of Ethics was drawn up in 2003 by a working group comprising representatives from various departments. This code was submitted to the Executive Committee, and approved by all its members. At the request of the Chairman and Chief Executive Officer, the code is distributed to every member of staff worldwide.
The Code of Ethics draws upon the code of good conduct applied in the Sanofi Group since 1996. It sets out the obligations of the Group and its employees, and incorporates the guiding principles of the OECD and the United Nations Global Compact in the fields of human rights, working practices and environmental practices.
It reflects Sanofi-Synthélabo's unswerving commitment to improving the health of the many while complying with fundamental ethical principles.

### *Code of Financial Ethics*

Sanofi-Synthélabo has adopted a Code of Financial Ethics which applies to the Chairman and Chief Executive Officer, the Chief Financial Officer and the Chief Accounting Officer, pursuant to United States securities legislation. The list of signatories may be extended to include other key Group executives.

### *Social Charter*

The Social Charter affirms the principles comprising the common foundation upon which all the Group's human resources actions are built.
Starting in 2003, the Charter is gradually being distributed to all staff worldwide. From 2004, it will form part of the information pack handed to all new recruits.

### *Internal Audit Charter*

The Internal Audit Charter sets out the legitimacy, responsibilities, objectives and role of the Internal Audit Department within the Group.
It stipulates the professional and ethical standards to which internal auditors must refer.
It also defines the methodological framework, and is an essential tool in the performance of audit engagements.

### *Procurement Function Code of Conduct*

The Procurement Function Code of Conduct lays down the rules to be followed for optimal decision-making, and applies to all Group employees involved regularly or occasionally in procurement activities. The Code states that whenever expenditure is incurred on behalf of the Group, there must be consultation, plus a selection process for suppliers of goods or services.

## Brief description of internal control procedures associated with processes

The formation of the Sanofi-Synthélabo Group was accompanied by the introduction of internal rules, standards and procedures, which have been updated and supplemented to reflect subsequent internal reorganizations and legal restructuring operations.
The Group's internal and external commitments are subject to internal control procedures which apply to all directorates, departments and operational units.
No commitment may be entered into without the necessary authorizations.
As part of the decentralization policy favored by the Group's senior management, a system of delegations has been established allowing selected employees to carry out certain specific acts in the name of Sanofi-Synthélabo.
Directorates and departments have authority to adapt procedures to their specific needs, subject to prior approval from the directorate which issued the basic procedure. Procedures may not under any circumstances be adapted in such a way that they become less restrictive.
In addition, a number of specific procedures have been introduced within operational entities in order to ensure the smooth running of their activities.

### *Procedures associated with steering processes*

#### Organization

The organization process covers the structure and governance of the Group:

- The first part of this report describes the action taken via the Board of Directors and the specialist committees to address governance issues.
- In terms of the structure of the Group, the Legal Affairs Directorate monitors all Group subsidiaries for compliance with local company law and regulations. As part of this role, it centralizes all minutes of corporate decision-making bodies. It is also required to give prior approval for any proposal to create new entities or wind up existing entities, and for any decision regarding the capital or corporate decision-making bodies of subsidiaries. A list of all subsidiaries in France and the rest of the world, showing key data for each company, is produced twice a year and distributed to key Group employees.
  An organization chart showing the Group's subsidiaries is updated on a regular basis and distributed internally.
  Finally, a list of powers, which may be partially delegated by the chairmen of the French entities to their close colleagues, has been established. The aim of this list is to ensure that those acting with delegated powers have authority in dealings with third parties.
  These documents are updated on a regular basis.

#### Strategy

Group strategy is based on three processes: Planning, Business Development and Alliance Management.
Each year, a long term plan is put together based on assumptions about the economic and pharmaceutical industry environment.
All projections prepared by subsidiaries are adjusted and consolidated before being reviewed by senior management.
This process, in which all Group entities participate, is governed by a procedure which inter alia sets out a timetable and precise instructions for deliverables.
Business Development identifies and manages acquisitions and divestitures of companies, businesses and licenses. It evaluates opportunities in accordance with the procedures for the authorization of financial investments.
Ongoing alliance agreements with Sanofi-Synthélabo's strategic partners are handled by the Alliance Management unit. Procedures are in place for the exchange of information at meetings of bipartite decision-making bodies and for the preparation of forecasts.

#### Corporate Communications

The corporate communications process, whether aimed at internal or external users, aims to enhance the profile and clarity of the Group so as to project and defend the brand image of Sanofi-Synthélabo.
The process requires systematic validation of all press releases and publications, including all financial information messages and documents.
It is based on:

- a graphics charter, governing the graphics rules for all documents issued by the Group, both in hard copy and multimedia format;
- a procedure governing donations, adverts, grants and sponsorship.

The product communication process coordinates worldwide advertising and communication for the Group's products, and specific objectives for each subsidiary.

## *Procedures associated with operational processes*

The pharmaceutical industry is subject to very strict constraints at both national and supra- national level.
A large body of laws and regulations governs each stage of operations, from the evaluation and selection of molecules to standards applied in manufacturing, packaging, distribution and marketing.

### Research and Development

The objective of the Research and Development process is to discover, develop and register drugs.
Fundamental research has its own Quality co-ordination unit, in charge of documentation (directives and operating methods) setting out guidelines designed to ensure the accuracy, tracability and integrity of data collected about compounds being studied.
Products are developed and registered in compliance with operating procedures that build in laboratory and manufacturing best practice, clinical best practice, and promotional best practice.
The regulatory activities of the Scientific Affairs Directorate are covered by a quality system designed to ensure that best practice is applied.
Certification procedures are used in the training and accreditation of operational staff, and in the accreditation of equipment and premises.
The Pharmacovigilance Department implements specific procedures aimed at ensuring compliance with regulatory requirements, in particular as regards identifying undesirable side-effects and reporting them to the healthcare authorities.

### Production

The Industrial Affairs Directorate has implemented quality management systems to ensure that all products are manufactured, tested and distributed in accordance with Group quality standards and the relevant regulatory requirements.
This means that procedures are in place relating to the management of:

- procurement: validation of sales forecasts, calculation of raw materials needed to fulfil production programs;
- production: validation of manufacturing methods and processes (best manufacturing practice, regulatory compliance, product review, treatment of any anomalies identified);
- distribution: fulfillment of customer orders in accordance with quantity, quality and lead-time criteria, transfer of products and packaging (best distribution practice);
- quality control: validation of analytical methods, management of sample banks, batch release;
- subcontracting: approval of third parties, use of quality contracts;
- employees: job descriptions and responsibilities, supervision of operations and delegated powers, recruitment, staff health and safety training, occupational health;
- premises: compliance with standards and certification, processing of emissions, water treatment and waste processing.

Audits are conducted using a standard work program, the principles of which are enshrined in a policy covering industrial audit, post-inspection follow-ups, and reviews of corrective action plans.

### Sales

The sales process is based on:

- strategic marketing, drawing on information provided by the Scientific Affairs Directorate on products developed in-house, together with strategic product dossiers distributed to subsidiaries for them to devise their sales policy, and life cycle management programs;
- product portfolio/territory strategies (products to be promoted, medical representatives resources, prescribers);
- a full range of medical representatives networks, organized by prescriber type (general practitioners, specialists, hospitals, pharmacies, etc.).

Specific procedures have also been implemented, in particular for:

- the authorization of product selling prices;
- the organization of medical conferences;
- audits of promotional materials;
- product recalls.

## *Procedures associated with support processes*

A number of key processes feed directly into the production and processing of financial information.

### Finance process

The Finance Directorate is structured so as to enable it to fulfill its various roles across the full range of the Group's activities:

- it prepares the consolidated financial statements of the Group in accordance with the accounting policies summarized in the Financial Report.
  The Group's financial system is built on the principle that the same results are used for statutory disclosure purposes and for management accounting purposes. This requires (i) use of the same scope of consolidation for management accounting and for statutory disclosures, and (ii) standardization of accounting methods across the Group.
- it handles all financial markets transactions centrally, so as to exercise strict control and constantly monitor opportunities and risks.

A number of systems have been put in place to ensure the accuracy and completeness of accounting and financial information, especially in the light of the decentralization of functions to operational units.
Written procedures play an important role in these systems.

*Financial Investment Authorization Procedure*

This procedure was introduced as a control over Business Development transactions.
A file is prepared which includes a summary memorandum describing the proposal and its strategic benefits.
A business and financial assessment is presented, accompanied by an analysis of the operational, financial and legal risks and an analysis of the impact of the transaction on the consolidated financial statements.

*Expense Commitment Authorization Procedure*

The objective of this procedure is to ensure the proper functioning of routine transactions, to assess whether a transaction is appropriate independently of the forecasting process, and then to collect the authorizations needed for the commitment to be made.
A summary memorandum describes the main opportunities and risks of the proposal, the financial impact, other options examined, and the reasons for the decision.
In order to guarantee the quality of decision-making, some of the Group's expert functions may, if the nature of the proposed commitment requires, be directly involved in preparing and analyzing the proposal.

*Financing/Treasury Procedures*

The Annual Treasury Plan procedure covers cash flow forecasts for Group subsidiaries. The policy of pooling surplus cash and treasury needs makes it possible to determine a net Group-wide position, used for the centralized management of short-term investments or financing needs.
There is a specific procedure (currency risk management/high level documentation) which governs the consolidation of net currency positions and the centralized management of foreign exchange risk hedging.
These centralized treasury management procedures are governed by contracts, validated by the Group's Legal Affairs Directorate.

*Accounting and financial statement preparation procedures*

Accounting procedures address the key objectives of completeness and compliance with local rules in the recording of transactions, and of consistency with Group rules in the recording of transactions and the preparation of local financial statements.
Specific procedures cover the recording of entries impacting the principal balance sheet, statement of income and off balance sheet lines.
Consolidation procedures have been introduced so that all entities using financial data generate consistent information complying with the same rules.
These procedures specify the chart of accounts to be used in the compilation of financial statements, together with principles and definitions relating to each line in the accounts.
Standardized accounting formats, and consistency between performance measurement systems (internal reporting and management accounts) and statutory disclosure systems (financial accounting and consolidation), are achieved by the use of the Reporting Manual, which sets out the rules to be used in preparing financial information.

*Management control procedures*

Management control function uses specific consolidation procedures to prepare actual and projected management accounts. It quality-controls the information it receives, carries out consistency checks and simulations, and identifies risks and opportunities.
It also manages the budget consolidation process, based on information supplied by the various directorates, departments and entities.

**Information systems**

This process covers all Group information and telecommunications systems worldwide.
The procedures in place are designed to ensure:

- the reliability of processing and telecommunications resources;
- continuity in IT services and data availability;
- confidentiality of data and security of IT infrastructures.

The Information Systems Directorate determines the policies which govern the operation, security and compatibility of the information systems in use by the Group.

**Procurement**

Procedures exist governing the various types of purchases and supplies, in order to protect against the risks to which Sanofi-Synthélabo is exposed, such as stockouts or failure to deliver on the part of a supplier.
Major suppliers are subject to regular audit as regards quality and working practices.

**Human Resources**

The Human Resources process covers recruitment, career and skills management, internal mobility and industrial relations.
It is based on procedures covering recruitment, training and career development, and on a staff remuneration policy.
The involvement of employees through the various European and national works councils, and meetings with employee representatives, are governed by written agreements.

### Legal Affairs

The Legal Affairs Directorate provides assistance to Group entities in the management of contractual commitments, the drafting and negotiation of contracts, and the analysis of legal disputes. It also provides a full range of advice in the main areas of corporate law.
A Contracts procedure is applied. This sets out general principles, scopes of application and terms and conditions for contractual commitments within the Group.
In conjunction with the financial statement preparation process, a systematic review of all outstanding litigation is conducted centrally, so as to enable appropriate provisions to be recorded on or off the balance sheet.
In the field of intellectual property protection, procedures are in place to identify inventions and file the necessary patent applications. A market watch is used to spot potential threats to Sanofi-Synthélabo's patents.
Procedures are also in place relating to the management of the database containing all the Group's patents and trademarks, intended for approved internal users.

### Health, Safety & Environment (HSE)

The aim of the Health, Safety & Environment process is to identify and manage exposure to hazards arising from substances handled by the Group, as well as occupational health risks and environmental risks.
The HSE Department has developed accident prevention systems and procedures for each site.
Specific road accident prevention procedures are in place for the medical representatives network.
An internal standards and directives manual applies to all Group sites worldwide.
Post-accident feedback is distributed to the relevant sites. A monthly report consolidates a range of HSE indicators for operational sites and the medical rep network.

### Security

The Security department, tasked with the protection of people, assets and data, apply a common set of standards and working practices worldwide.

**Sanofi-Synthélabo and its management team have always attached the utmost importance to implementing, maintaining and constantly improving reliable and effective internal control.**
**In 2003, a program was initiated to enhance certain aspects of the documentation and assessment of internal control. This program also enables Sanofi-Synthélabo to comply with new legal requirements in France and the United States, and will be continued and rolled out into the Group's subsidiaries during 2004.**

# Statutory auditors' report, prepared in accordance with the final paragraph of article L.225-235 of the French commercial code, relating to the report of the chairman of Sanofi-Synthélabo's Board of Directors concerning internal control procedures used for the preparation and processing of accounting and financial information

## Year ended December 31, 2003

*Free translation of the original French language report.*

Gentlemen,

In our capacity as Statutory Auditors of Sanofi-Synthelabo and in accordance with the final paragraph of article L.225-235 of the French Commercial Code (Code de Commerce), we hereby present our report on the report prepared by the Chairman of the Board of Directors of your company in accordance with article L.225-37 of the Code de Commerce for the year ended December 31, 2003.

Under the responsibility of the Board of Directors, the company's management must define and implement adequate and efficient internal control procedures. In his report, the Chairman of the Board of Directors is required to comment on the conditions applicable for the preparation and organization of the work carried out by the Board of Directors and the internal control procedures implemented within the company.

Our responsibility is to provide you with our comments on the information and declarations contained in the Chairman's report concerning the internal control procedures relating to the preparation and processing of accounting and financial information.

In accordance with the professional guidelines applicable in France, we have examined the objectives and the general organization of the company's internal control procedures and the internal control procedures relating to the preparation and processing of accounting and financial information, as presented in the Chairman's report.
As this is the first year of application for the provisions introduced by Act no. 2003-706 of August 1, 2003 and as there are no established practices in relation to the content of the report prepared by the Chairman, the said report does not contain any assessment of the adequacy and efficiency of the internal control procedures relating to the preparation and processing of accounting and financial information. Therefore, this limitation also applies to the scope of our work and to the contents of our report.

However, we did examine the steps implemented by the Group to progressively evaluate its internal control procedures, as presented in the Chairman's report.

Taking into account the above-mentioned limitation and based on our work mentioned above, we have no comments to make on the information and declarations concerning the company's internal control procedures relating to the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Board of Directors, prepared in accordance with the final paragraph of article L.225-37 of the Code de Commerce.

Paris, February 13, 2004

The Statutory Auditors

PricewaterhouseCoopers Audit — Jacques Denizeau, Jean-Christophe Georghiou

Ernst & Young Audit — Jean-Claude Lomberget, Valérie Quint

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# Consolidated financial statements year ended December 31, 2003

# Report of the statutory auditors on the consolidated financial statements

## Year ended December 31, 2003

*An English translation of the statutory auditors' report issued originally in French has been included solely for the convenience of English speaking readers. The statutory auditors report on the consolidated financial statements includes for the information of the reader explanatory paragraphs discussing the assessment of major accounting policies and significant accounting estimates performed as part of reaching their audit opinion on the consolidated financial statements taken as a whole. Such explanatory paragraphs included in "JUSTIFICATION OF OUR APPRECIATIONS" shall be construed in accordance with French law and French auditing professional standards.*

Gentlemen,

In compliance with the assignment entrusted to us by our shareholders' meeting, we have audited the accompanying consolidated financial statements of Sanofi-Synthelabo presented in euros for the year ended December 31, 2003.
These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

### Opinion on the consolidated financial statements

We conducted our audit in accordance with French auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sanofi-Synthelabo and its subsidiaries as of December 31, 2003, and the results of their operations for the year then ended, in accordance with accounting principles generally accepted in France.

### Justification of our appreciations

In accordance with the requirements of Article L.225-235 of French Company Law which took effect this year, we performed the following procedures to enable us to express our opinion on the financial statements taken as a whole.
Intangible assets are amortized and reviewed for impairment as described in Notes B.5 and B.6 to the financial statements. We have reviewed the methodology and the assumptions used for these impairment tests. Intangible assets do not include research and development costs which are expensed as incurred in accordance with the applicable accounting principle.
In 2002 and 2003, the Company implemented share repurchase programs under which the repurchased shares could be either held in treasury, sold, transferred or cancelled. Shares repurchased in 2003 under these programs represent an amount of M€ 1 980 as of December 31, 2003, and are presented as a reduction in shareholders' equity in the consolidated financial statements. The Company also holds shares in treasury for its employee-purchase option plans for a net amount of M€ 613 as of December 31, 2003. These shares are presented in the balance sheet under the heading "Short term investments and deposits" and have been valued as described in Notes B.10 and D.10 to the financial statements.
As indicated in Note B.2 to the financial statements, the adoption in 2003 of the CRC 2002-10 rule relating to the depreciation and amortization of assets had no material impact on the consolidated financial statements.
As part of our appreciation of the accounting principles applied by your Company, and of the assumptions referred to above, we ensured that the accounting principles, as stated above, were appropriate, as applied and described in the Notes to the financial statements, and that the assumptions made and the estimations based on these assumptions were reasonable.

### Specific verification

We have also reviewed the information contained in the Directors' report. We have nothing to report with respect to the fairness of such information or its consistency with the consolidated financial statements.

Paris, February 13, 2004

The Statutory Auditors

| PricewaterhouseCoopers Audit | | Ernst & Young Audit | |
|---|---|---|---|
| Jacques Denizeau | Jean-Christophe Georghiou | Jean-Claude Lomberget | Valérie Quint |

# Consolidated balance sheets
before appropriation of profit

## Assets

| In millions of euros | Note | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|---|
| **Intangible assets, net** | **D.2** | | | |
| Goodwill | | 124 | 134 | 141 |
| Other intangible assets | | 897 | 1,161 | 668 |
| | | 1,021 | 1,295 | 809 |
| **Property, plant and equipment** | **D.3** | | | |
| Gross | | 2,230 | 1,989 | 1,630 |
| Accumulated depreciation | | (781) | (594) | (401) |
| Net | | 1,449 | 1,395 | 1,229 |
| **Long-term investments** | | | | |
| Investments in/advances to equity investees | **D.5** | 126 | 109 | 100 |
| Investments in/advances to non-consolidated companies | **D.6** | 8 | 27 | 110 |
| Other long-term investments | **D.6** | 108 | 73 | 48 |
| **Total fixed assets** | | **2,712** | **2,899** | **2,296** |
| Deferred income taxes | **D.11** | 472 | 484 | 471 |
| Inventories | **D.7** | 799 | 823 | 805 |
| Accounts receivable | **D.8** | 1,491 | 1,311 | 1,566 |
| Other current assets | **D.9** | 897 | 854 | 540 |
| Short-term investments and deposits | **D.10** | 3,226 | 2,944 | 4,166 |
| Cash | | 152 | 144 | 123 |
| **Total assets** | | **9,749** | **9,459** | **9,967** |

The accompanying notes on pages 39 to 69 are an integral part of the consolidated financial statements.

## Liabilities and shareholders' equity

| In millions of euros | Note | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|---|
| **Shareholders' equity** | **D.12** | | | |
| Share capital (December 31, 2003: 732,848,072 shares; December 31, 2002: 732,367,507 shares; December 31, 2001: 732,005,084 shares) | | 1,466 | 1,465 | 1,464 |
| Additional paid in capital and reserves | | 3,185 | 2,971 | 2,736 |
| Net income for the period | | 2,076 | 1,759 | 1,585 |
| Cumulative translation adjustment | | (404) | (160) | (17) |
| **Total shareholders' equity** | | **6,323** | **6,035** | **5,768** |
| **Minority interests** | | **18** | **17** | **21** |
| Long-term debt | **D.13** | 53 | 65 | 119 |
| Provisions and other long-term liabilities | **D.14** | 754 | 786 | 1,053 |
| Deferred income taxes | **D.11** | 9 | 10 | 10 |
| Accounts payable | | 657 | 596 | 717 |
| Other current liabilities | **D.15** | 1,620 | 1,599 | 1,994 |
| Short-term debt | **D.16** | 315 | 351 | 285 |
| **Total liabilities and shareholders' equity** | | **9,749** | **9,459** | **9,967** |

The accompanying notes on pages 39 to 69 are an integral part of the consolidated financial statements.

# Consolidated statements of income

| In millions of euros | Note | Year ended December 31, 2002 | Year ended December 31, 2001 | Year ended December 31, 2000 |
|---|---|---|---|---|
| Net sales | D.27-D.28 | 8,048 | 7,448 | 6,488 |
| Cost of goods sold | | (1,428) | (1,378) | (1,253) |
| **Gross profit** | | **6,620** | **6,070** | **5,235** |
| Research and development expenses | | (1,316) | (1,218) | (1,031) |
| Selling and general expenses | | (2,477) | (2,428) | (2,306) |
| Other operating income/(expense), net | D.21 | 248 | 190 | 208 |
| **Operating profit** | B.15-D.28 | **3,075** | **2,614** | **2,106** |
| Intangibles – amortization and impairment | | (129) | (129) | (68) |
| Financial income/(expense), net | D.22 | 155 | 85 | 102 |
| **Income before tax and exceptional items** | | **3,101** | **2,570** | **2,140** |
| Exceptional items | D.23 | 24 | 10 | 281 |
| Income taxes | D.24 | (1,058) | (746) | (842) |
| **Net income before income from equity investees, goodwill amortization and minority interests** | | **2,067** | **1,834** | **1,579** |
| Income from equity investees, net | D.5 | 20 | 20 | 14 |
| Goodwill amortization | | (8) | (8) | (7) |
| **Net income before minority interests** | | **2,079** | **1,846** | **1,586** |
| Minority interests | D.25 | (3) | (87) | (1) |
| **Net income** | | **2,076** | **1,759** | **1,585** |
| Weighted average shares outstanding | | 702,745,208 | 727,686,372 | 731,711,225 |
| **Earnings per share, basic and diluted (in euros)** | | **2.95** | **2.42** | **2.17** |

The accompanying notes on pages 39 to 69 are an integral part of the consolidated financial statements.

# Consolidated statements of cash flows

| In millions of euros | Note | Year ended december 31, 2003 | Year ended December 31, 2002 | Year ended December 31, 2001 |
|---|---|---|---|---|
| **Net income** | | **2,076** | **1,759** | **1,585** |
| Minority interests | | 3 | 87 | 1 |
| Share in undistributed earnings of equity investees | | (20) | (20) | (14) |
| Depreciation and amortization | | 390 | 379 | 301 |
| Gains on disposals of fixed assets, net of income taxes | | (15) | (9) | (216) |
| Provisions, long-term deferred taxes and other | | (6) | 64 | 75 |
| **Operating cash flow before changes in working capital** | | **2,428** | **2,260** | **1,732** |
| Dividends received from equity investees | | – | 11 | – |
| (Increase)/decrease in inventories | | (55) | (78) | (105) |
| (Increase)/decrease in accounts receivable | | (206) | (18) | (235) |
| Increase/(decrease) in accounts payable | | 65 | (77) | 70 |
| Change in other operating assets and liabilities (net) | | 33 | (422) | 356 |
| **Net cash provided by operating activities (A)** | | **2 265** | **1 676** | **1 818** |
| Acquisitions of property, plant & equipment and intangibles | **D.4** | (371) | (1,403) | (565) |
| Acquisitions of investments | | (10) | (32) | (54) |
| Proceeds from disposals of fixed assets, net of income taxes | | 27 | 22 | 492 |
| Net change in loans, long-term advances and other investing cash flows | | 4 | 4 | 14 |
| **Net cash used in investing activities (B)** | | **(350)** | **(1,409)** | **(113)** |
| Issuance of Sanofi-Synthélabo shares | **D.12** | 7 | 4 | 7 |
| Capital contribution from minority shareholders | | 3 | 5 | – |
| Dividends paid: | | | | |
| – to Sanofi-Synthélabo shareholders | | (579) | (473) | (317) |
| – to minority shareholders of subsidiaries | | (3) | (3) | (6) |
| Additional long-term borrowings | | 1 | 1 | 9 |
| Repayments of long-term borrowings | | (57) | (9) | (12) |
| Net change in short-term borrowings | | 33 | 54 | (1) |
| Acquisitions of treasury shares net of disposals, including disposals made in connection with stock option plans | | (1,003) | (1,170) | (163) |
| **Net cash used in financing activities (C)** | | **(1,598)** | **(1,591)** | **(483)** |
| Impact of exchange rates on cash and cash equivalents (D) | | (17) | (16) | 3 |
| **Net change in cash and cash equivalents (A) + (B) + (C) + (D)** | | **300** | **(1,340)** | **1,225** |
| **Cash and cash equivalents, beginning of period** | **B.10** | **2,465** | **3,805** | **2,580** |
| **Cash and cash equivalents, end of period** | **B.10** | **2,765** | **2,465** | **3,805** |

The accompanying notes on pages 39 to 69 are an integral part of the consolidated financial statements.

# Consolidated statements of shareholders' equity

| In millions of euros | Number of shares | Share capital | Additional paid in capital and reserves | Cumulative translation adjustment | Total |
|---|---|---|---|---|---|
| **Balance, December 31, 2000** | **731,441,746** | **1,463** | **2,871** | **(30)** | **4,304** |
| Dividends paid out of 2000 earnings (€ 0.44 per share) | – | – | (317) | – | (317) |
| Issuance of shares on exercise of stock options | 563,338 | 1 | 6 | – | 7 |
| **Net income for the year ended December 31, 2001** | **–** | **–** | **1,585** | **–** | **1,585** |
| Adjustments related to the Sanofi-Synthélabo merger (note D.12.4.) | – | – | 176 | – | 176 |
| Movement in cumulative translation adjustment | – | – | – | 13 | 13 |
| **Balance, December 31, 2001** | **732,005,084** | **1,464** | **4,321** | **(17)** | **5,768** |
| Dividends paid out of 2001 earnings (€ 0.66 per share) | – | – | (473) | – | (473) |
| Issuance of shares on exercise of stock options | 362,423 | 1 | 3 | – | 4 |
| **Net income for the year ended December 31, 2002** | **–** | **–** | **1,759** | **–** | **1,759** |
| Adjustments related to the Sanofi-Synthélabo merger (note D.12.4.) | – | – | 59 | – | 59 |
| Change in accounting method (note D.12.3.) | – | – | 24 | – | 24 |
| Repurchase of shares (note D.12.5.) | – | – | (963) | – | (963) |
| Movement in cumulative translation adjustment | – | – | – | (143) | (143) |
| **Balance, December 31, 2002** | **732,367,507** | **1,465** | **4,730** | **(160)** | **6,035** |
| Dividends paid out of 2002 earnings (€ 0.84 per share) | – | – | (579) | – | (579) |
| Issuance of shares on exercise of stock options | 480,565 | 1 | 6 | – | 7 |
| **Net income for the year ended December 31, 2003** | **–** | **–** | **2,076** | **–** | **2,076** |
| Adjustments related to the Sanofi-Synthélabo merger (note D.12.4.) | – | – | 45 | – | 45 |
| Repurchase of shares (note D.12.5.) | – | – | (1,017) | – | (1,017) |
| Movement in cumulative translation adjustment | – | – | – | (244) | (244) |
| **Balance, December 31, 2003** | **732,848,072** | **1,466** | **5,261** | **(404)** | **6,323** |

The accompanying notes on pages 39 to 69 are an integral part of the consolidated financial statements.

# Notes to the consolidated financial statements

Year ended December 31, 2003

## A. Basis of preparation

The consolidated financial statements of Sanofi-Synthélabo and its subsidiaries (the "Group") have been prepared in accordance with Rule 99-02 of the Comité de la Réglementation Comptable ("CRC") issued April 29, 1999 and applicable with effect from January 1, 2000. Under the option allowed by this rule, acquisitions of companies occurring prior to January 1, 2000 have not been restated.

Pursuant to CRC Rule 2000-06, which took effect on January 1, 2002, the Group reviewed all its liabilities as of that date for compliance with the new rule (see notes B.2.b and D.12.3).

The accounting policies and methods used are identical to those applied in the preparation of the consolidated financial statements for the year ended December 31, 2002, except for the new CRC Rule 2002-10 on the depreciation, amortization and impairment of assets, which Sanofi-Synthélabo Group has applied with effect from January 1, 2003 (see note B.2.a).

### Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that may affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements, and the disclosures of contingent assets and liabilities as of the balance sheet date. Examples include provisions for returns, bad debts, product claims reserves, inventory obsolescence and length of product life cycles, provisions associated with restructuring activities, income tax exposures, environmental liabilities, estimated useful lives of goodwill and intangible assets and fair values of derivative financial instruments. Actual results could vary from these estimates.

## B. Summary of significant accounting policies

### B.1. Basis of consolidation

The consolidated financial statements include the accounts of Sanofi-Synthélabo and subsidiaries which it controls, using the full consolidation method. The existence of effectively exercisable or convertible potential voting rights is taken into account in determining whether control exists.

Companies in which Sanofi-Synthélabo and outside shareholders exercise joint control over significant financial and operational policies are accounted for using the proportionate consolidation method. For such companies, the Group recognizes in its financial statements its share of assets and liabilities, revenues and expenses, and cash flows on the same lines as used for fully-consolidated subsidiaries, in proportion to the percentage interest held by the Group.

The Group defers recognition of its share of the margin generated by the purchase of products from within the Group until such products are resold to independent third parties. However, if it is probable that the loss on a transaction will result in a reduction in the net realizable value of such products or in other-than-temporary impairment, the loss is recognized immediately in the Group's financial statements.

Companies over which Sanofi-Synthélabo exercises significant influence are accounted for under the equity method.

All material intercompany balances and transactions have been eliminated in the consolidated financial statements. Profits or losses arising on transactions with consolidated companies or equity investees are eliminated in proportion to the percentage interest held by the Group in the company, until the assets are resold to an independent third party.

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

A list of companies included in the consolidation is presented in section F. of the notes to the consolidated financial statements. The main non-consolidated companies are presented in note D.6.

## B.2. Changes in accounting method

### *a) CRC Rule 2002-10*

Sanofi-Synthélabo has taken steps to comply with the new CRC Rule 2002-10 requiring a more detailed analysis of fixed assets. A review conducted by the Group showed that the only assets for which more detailed analysis was required were buildings and fixtures. As a result, the depreciation period for these assets has been adjusted from an average period of 20 years to periods ranging between 10 and 30 years.
Adoption of CRC Rule 2002-10 had no material impact on the Group's financial statements.

### *b) CRC Rule 2000-06*

Pursuant to the new CRC Rule 2000-06, which became effective as of January 1, 2002, the Group reviewed all its liabilities as of that date for compliance with the new rule.
In 2002, the impact of applying this new rule was an adjustment to shareholders' equity of 24 million euros net of income taxes (see note D.12.3).
Adoption of CRC Rule 2000-06 had no material impact on net income for the years presented.

## B.3. Foreign currency translation

Each foreign subsidiary measures its results in the currency that is most representative of its economic environment (the functional currency).

### *a) Accounting for transactions in foreign currencies in individual company accounts*

Fixed assets 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 or, where hedging instruments have been contracted in the market, at the hedged rate. The resulting gains and losses are recorded in the statement of income. However, foreign exchange gains and losses arising from the translation of capitalizable advances made to consolidated subsidiaries are reflected directly in the "Cumulative translation adjustment" line in shareholders' equity.

### *b) Foreign currency translation of the financial statements of foreign subsidiaries*

All assets and liabilities are translated into euros using the exchange rate of the subsidiary's functional currency prevailing at the balance sheet date. The statements of income are translated using a weighted-average exchange rate for the period. The resulting translation difference is shown as a separate component of shareholders' equity and is recognized in the statement of income when the subsidiary is sold. By exception to this general rule, when a subsidiary operates in a hyper-inflationary environment with inflation exceeding 100% over a three-year period, fixed assets and inventories are translated using the exchange rate prevailing at the date of acquisition. Related statement of income items, such as depreciation expense, are translated using the same exchange rate as for the corresponding asset, and the resulting translation adjustment is recorded in the statement of income under "Financial income/(expense), net."

## B.4. Goodwill

When the Group acquires control of a company, the separately identifiable assets and liabilities of the acquired company are included in the consolidated balance sheet at their fair value to the Group at the date of first consolidation.
The excess of the purchase price, including transaction-related expenses, over the fair value of the Group's share of the identifiable assets and liabilities as of the acquisition date is recorded as goodwill.
Goodwill is amortized over periods which do not exceed 40 years. Individual amortization periods are determined after considering the nature of the acquired business and the geographical location in which the acquired company operates. Goodwill is subject to an impairment review when events or circumstances indicate that an 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.5. Other intangible assets

Patents are amortized over the shorter of the period of legal protection or their estimated useful life.
Licenses are amortized over the shorter of the duration of the agreement or their estimated useful life.
Trademarks, leasehold rights and other intangible assets are recorded at their acquisition cost and are amortized on a straight-line basis over their estimated useful lives, net of any provision for impairment if deemed necessary. Provisions for impairment are measured on the basis of the same objective criteria that were used for the initial valuation.
Rights to pharmaceutical products that are acquired from third parties prior to receipt of regulatory approval to market the products are expensed immediately as research and development expenses. However, amounts attributable to patents or other intellectual property rights relating to molecules are capitalized if they have a market value. In such cases, they are amortized on a straight-line basis over their estimated useful lives, net of any provision for impairment if their value in use is less than net book value.

## B.6. Impairment of intangible assets

The value of intangible assets is reviewed regularly once a risk of impairment has been identified. The impairment review involves a comparison of the net book value of the asset with the future cash flows from the asset.
Future cash flows are estimated by the Group on the basis of the medium-term plans for each business activity.
If net book value exceeds the value of the undiscounted cash flows, a provision for impairment is recorded equal to the difference between the discounted cash flows and net book value. The discounting rate used is determined with reference to the risks inherent in the business activities in question and to the economic situation in the country in which they operate.

## B.7. Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost to the Group or estimated value on the date of first consolidation and are depreciated on a straight-line basis over their estimated useful lives.
Interest charges incurred on the financing of property, plant and equipment during the construction period are capitalized.
Leased assets are recorded as a fixed asset with a related liability when the terms of the lease effectively transfer the risks and rewards of ownership of the asset to the Group.
Property, plant and equipment are depreciated over the following estimated useful lives:

| | |
|---|---|
| Buildings and fixtures | 10 to 30 years |
| Plant and equipment | 8 to 10 years |
| Other tangible fixed assets | 4 to 10 years |

## B.8. Investments in/advances to non-consolidated companies

Investments in and advances to non-consolidated companies are recorded at acquisition cost. A provision for impairment is recorded when the value in use to the Group as of the balance sheet date is less than acquisition cost, after taking account of various factors including the share held in the company's net assets, its future earnings prospects, its position in the market, and, if listed, the current market price.

## B.9. Inventories

Inventories are valued 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. Returned goods are recorded at the standard cost of the accounting period in which the return occurs. Expected returns are provided for at the end of the accounting period based on the Group's past experience.

## B.10. Short-term investments and deposits

Short-term investments are valued at the lower of cost or market value. They include treasury shares acquired and held in connection with stock option plans and allocated to these plans over the term of the plan. The valuation method used depends on the probability that the option will be exercised:

- where exercise is probable, because the exercise price is lower than the stock market price at the balance sheet date, the shares are valued plan by plan at the lower of acquisition cost or exercise price;
- where exercise is improbable, because the exercise price is higher than the stock market price at the balance sheet date, and in the case of shares not yet allocated to plans or allocated to options that have lapsed, the shares are valued at the lower of the average acquisition cost of all these shares or the average stock market price for the last month of the financial year.

Cash and cash equivalents in the statement of cash flows comprise all liquid assets, including petty cash, bank accounts, short-term deposits with an original maturity of three months or less and short-term investment securities other than treasury shares.

## B.11. Revenue recognition

The Group derives the majority of its revenues from the sale of pharmaceutical products. Revenue is recognized when all of the following criteria are met: persuasive evidence exists of agreement between the parties; delivery has occurred or services have been rendered; and the price is fixed or determinable. Revenue from product sales is recognized when the risk and rewards of ownership pass to the customer. Licensing income is reflected in gross profit over the period during which it is earned. Sales of pharmaceutical product rights are recorded as exceptional income upon disposal of the rights, when no further obligation exists and there is no continuing commitment on the part of the Group. Non-refundable up-front payments received in respect of research and development and/or marketing agreements are recognized immediately in the statement of income under "Research and development expenses".
Provisions for discounts, rebates to customers and product returns are recorded at the time the related sales are recognized, and are classified as adjustments to consolidated net sales.

## B.12. Cost of goods sold

Cost of goods sold consists primarily of the industrial cost of goods sold, licensing income and charges, distribution costs, and specific government levies related to the pharmaceuticals sector paid in certain countries.

## B.13. Research and development

Research and development costs are expensed as incurred.

## B.14. Other operating income/(expense), net

"Other operating income/(expense), net" relates primarily to profit sharing arrangements with partners under joint venture and alliance agreements. The effects of these profit sharing arrangements are reflected in operating profit (note C.).

## B.15. Operating profit

Operating profit includes profits and losses from joint venture operations, in particular with Bristol-Myers Squibb, which are shown on the line "Other operating income and expense" (see notes B.14 and C.1). Amortization and impairment of intangible fixed assets, which are technically an operating item, are shown on a separate line below operating profit, in line with the definition used by the Group.

## B.16. Intangibles – amortization and impairment

"Intangibles – amortization and impairment" includes all amortization and impairment relating to intangible assets other than software and goodwill. Amortization of software is reflected in operating profit.

## B.17. Financial income/(expense), net

"Financial income/(expense), net" comprises interest received and paid and foreign exchange gains and losses. It excludes commercial discounts, which are recorded as a reduction of consolidated net sales.

## B.18. Exceptional items

Exceptional items consist of gains and losses on disposals of tangible and intangible fixed assets and of long-term investments, costs associated with strategic restructuring programs, and significant costs or provisions relating to litigation.

## B.19. Income taxes

Income taxes include current and deferred taxation of consolidated companies.
Withholding taxes on intra-group and third-party royalties are recorded as current taxes.
Provision is also made for unrecoverable taxes payable on distributions of reserves by subsidiaries, unless such distributions are not probable.
The Group accounts for deferred taxes using the liability method, whereby deferred income taxes are recognized on:

- differences between the tax and carrying amounts of assets and liabilities; and
- tax loss carryforwards.

Deferred tax assets and liabilities are calculated using enacted tax rates applicable for the years during which the temporary differences are expected to reverse. A provision is recorded when it is more likely than not that the realization of the deferred tax assets will not occur.
In accordance with CRC Rule 99-02, deferred taxes are presented using a net position for each fiscal entity, aggregated as an asset or a liability in the consolidated balance sheet.

## B.20. Employee benefits

Sanofi-Synthélabo's pension and retirement benefit commitments are recognized as liabilities on the basis of an actuarial estimate of the potential rights vested in employees and retirees as of the balance sheet date, net of the valuation of funds available to meet these obligations.
This estimate is prepared annually, and takes into account assumptions regarding life expectancy, staff turnover, salary inflation, and discounting of the amounts payable.
Other post-employment benefits (healthcare and life insurance) granted by Group companies to their employees are also recognized as liabilities on the basis of an actuarial estimate of the potential rights vested in employees as of the balance sheet date.
Actuarial gains and losses less than 10% of the higher of the future obligation or the market value of invested funds are not recognized.

## B.21. Financial instruments

The Group applies a hedging policy based on the use of diversified, liquid financial instruments to reduce its exposure to risks arising from fluctuations in exchange rates and interest rates and to protect operating margins. Derivative financial instruments are entered into only with counterparties having a high credit rating. The Group does not require collateral with respect to these transactions.

Derivative instruments used to meet the Group's hedging objectives may include forward foreign currency exchange contracts, foreign currency options and interest rate swaps. These instruments relate to assets and liabilities existing at the balance sheet date and, in some cases, to commitments related to future transactions as determined from the Group's annual forecasting process. Gains and losses arising on hedging transactions are calculated and recognized symmetrically with the recognition of gains and losses on the hedged item. Gains and losses arising from the mark-to-market at the balance sheet date of instruments not qualifying as hedges are recognized in the statement of income.

## B.22. Earnings per share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the accounting period, adjusted on a time-weighted basis from the acquisition date to reflect the number of Sanofi-Synthélabo shares held by the Group and acquired in the light of market conditions. In the event of a stock split or bonus issue of shares, earnings per share for prior periods is adjusted accordingly.

Diluted earnings per share is calculated assuming (i) the exercise of all outstanding options and warrants and (ii) the conversion of any financial instruments giving access to the capital, after taking account of the theoretical impact of these transactions on the Group's net income.

# C. Alliances

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

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

Sanofi-Synthélabo is paid, as inventor of the two molecules, a royalty on all sales generated by these products. This royalty is recorded as a reduction in cost of goods sold.

As co-developers of the products, Sanofi-Synthélabo 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 network, composed of the affiliates of both groups. These licensees operate in two separate territories: (i) Europe, Africa and Asia, under the operational management of Sanofi-Synthélabo; and (ii) other countries (excluding Japan), under the operational management of BMS. In Japan, Sanofi-Synthélabo has granted a license for irbesartan to BMS and Shionogi, a Japanese pharmaceutical company. The alliance agreement does not cover the distribution of Plavix in Japan.

The products are marketed in different ways in different countries.

Co-promotion consists of a pooling of sales resources under a single brand name. Co-promotion 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-Synthélabo or by BMS.

In the territory managed by Sanofi-Synthélabo, operations are recognized by the Group as follows:

(i) In most countries of Western Europe and Asia for clopidogrel (Plavix®/Iscover®) (excluding Japan), 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-Synthélabo recognizes all the revenue associated with the sale of the drugs, as well as the corresponding expenses. The share of net income reverting to BMS subsidiaries is recorded in "Other operating income/(expense), net".

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

(iii) In Eastern Europe, Africa, Asia and the Middle East, where products are marketed exclusively by Sanofi-Synthélabo, the Group recognizes revenues and expenses generated by its own operations.

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 which are majority-owned by and under the operational leadership of BMS. Sanofi-Synthélabo does not recognize revenues; rather, it invoices the entity for its promotion expenses, accounts for royalties in gross profit and records its share of net income in "Other operating income/(expense), net".

(ii) In Brazil, Mexico, Argentina, Colombia for clopidogrel (Plavix®/Iscover®) and Australia, co-marketing is used, and Sanofi-Synthélabo recognizes revenues and expenses generated by its own operations.

(iii) In certain other countries of Latin America, where products are marketed exclusively by Sanofi-Synthélabo, the Group recognizes revenues and expenses generated by its own operations.

The presentation of these transactions in the Sanofi-Synthélabo financial statements, in accordance with the legal nature of the agreements, results in the inclusion of Sanofi-Synthélabo's share of the results of operations in its consolidated operating profit.

## C.2. Alliance agreements with Pharmacia-Searle

**Through December 29, 2001:**

The hypnotic drug zolpidem (Ambien) was sold in the US through the Lorex Pharmaceuticals joint venture, owned 49% by Sanofi-Synthélabo and 51% by Pharmacia-Searle.

This joint venture was accounted for under the proportionate consolidation method, as the two groups had signed an agreement under which they exercised joint control over financial and operational policy. Sanofi-Synthélabo also received royalties from Lorex Pharmaceuticals, the non-Group portion of which was accounted for as an addition to gross profit.

Under the profit-sharing agreement, Sanofi-Synthélabo was entitled to 47% of the profits in 2001 (against 53% for Pharmacia-Searle). The difference between the net income of Lorex Pharmaceuticals and the share to which Sanofi-Synthélabo was contractually entitled was recorded in the statement of income on the line "Other operating income/(expense), net".

The profit-sharing agreement also provided for the acquisition by Sanofi-Synthélabo of the 51% interest owned by Pharmacia-Searle on April 16, 2002.

**As from December 30, 2001:**

On December 30, 2001, the partners signed an amendment to the profit-sharing agreement pursuant to which Pharmacia-Searle transferred control of Lorex Pharmaceuticals to Sanofi-Synthélabo as of that date. Consequently, the Lorex Pharmaceuticals balance sheet was fully consolidated as of December 31, 2001. With effect from January 1, 2002, Sanofi-Synthélabo fully consolidated the Lorex Pharmaceuticals statement of income. Pharmacia-Searle retained its 51% interest in Lorex Pharmaceuticals' net income until April 16, 2002, on which date Sanofi-Synthélabo exercised its rights to acquire Pharmacia-Searle's interest. These rights are shown as intangible assets in the balance sheet at a gross value of 697 million dollars.

## C.3. Alliance agreements with Organon

The alliance with Organon, a subsidiary of Akzo Nobel, defined by the agreement of June 28, 2000, governs the arrangements for the marketing of Arixtra® and for the sharing of profits worldwide. Arixtra® was launched in America and Europe in 2002. Marketing arrangements vary depending on the region involved:

(i) North America: In the United States, Mexico and Canada, Arixtra® is sold by companies controlled jointly with Organon. Sales and expenses relating to Arixtra® are recorded using the proportionate consolidation method based on the 50% interest held by Sanofi-Synthélabo in the joint venture.

(ii) Europe and the rest of the world (excluding Japan): Sanofi-Synthélabo markets and sells Arixtra® in the same way as its other products, and includes all sales in these countries in consolidated net sales. Sanofi-Synthélabo has an exclusive license to market Arixtra® in these territories. The royalty paid to Organon on the basis of these sales is accounted for in cost of goods sold.

As of December 31, 2003, the financial statements of the entities which market Arixtra® in the United States, Canada and Mexico are consolidated using the proportionate consolidation method.

On January 7, 2004, Sanofi-Synthélabo reached agreement with Organon to acquire all Organon's rights relating to Arixtra®, idraparinux and other oligosaccharides.

Sanofi-Synthélabo will make payments to Organon based largely on future sales, and will bear all research and development costs. Sanofi-Synthélabo will also buy at net book value the interests held by Organon in the entities dedicated to this activity.

Consequently, the financial statements of these entities will be consolidated by Sanofi-Synthélabo using the full consolidation method with effect from January 1, 2004 (see note E).

# D. Detailed notes to the financial statements

## D.1. Changes in the scope of consolidation

### *Significant changes in 2003*

**Acquisitions**

During 2003, the Group acquired minority interests held by third parties in companies located in Colombia and Peru, plus 20% of a joint venture in China.
The acquisitions made during the year resulted in the recognition of goodwill with a gross value of 7 million euros as of December 31, 2003.

**Divestitures**

These were no significant divestitures in the year ended December 31, 2003.

### *Significant changes in 2002*

**Acquisitions**

The three main acquisitions during the period were:
- Acquisition on April 16, 2002 of the 51% interest held by Pharmacia-Searle in the Lorex Pharmaceuticals joint venture (note C.2). With effect from this date, Sanofi-Synthélabo has been entitled to 100% of this entity's profits.
- Acquisition on January 1, 2002 of 100% of Institut Médical Algérien.
- The Group also acquired the minority interests held by third parties in two companies in India and Greece.

The acquisitions made during the period resulted in the recognition of goodwill with a gross value of 13 million euros as of December 31, 2002.

**Divestitures**

These were no significant divestitures in the year ended December 31, 2002.

**Change in method of consolidation**

The Fujisawa Sanofi-Synthélabo (Japan) joint venture is proportionately consolidated at a rate of 51%, in order to reflect new agreements that took effect in 2002. This entity was accounted for using the full consolidation method at a rate of 51% in the year ended December 31, 2001.

### *Significant changes in 2001*

**Acquisitions**

Further to an agreement signed by Sanofi-Synthélabo and Pharmacia-Searle on December 30, 2001 (note C.2), the Lorex Pharmaceuticals balance sheet was fully consolidated as of December 31, 2001.
On a 100% basis, Lorex Pharmaceuticals generated net sales of 905 million dollars and net income before taxes of 576 million dollars in 2001.
In 2001, the Group also acquired the minority interests held by third parties in four companies in Sweden, Turkey, Chile and Algeria, as well as a majority interest in a company in Colombia. These acquisitions resulted in the recognition of goodwill with a gross value of 59 million euros as of December 31, 2001.

**Divestitures**

The principal divestitures during the period were as follows:
- On February 8, 2001, the Group signed an agreement to sell its Sylachim fine chemicals subsidiary to Dynamit Nobel, a subsidiary of the German group MG Technologies. The sale was priced at 99 million euros on an enterprise value basis (selling price excluding the debt of the divested company).
- On February 9, 2001, the Group signed an agreement to sell the urological bio-medical devices company Porgès and its subsidiaries to Mentor Corporation. The sale was priced at 35 million euros on an enterprise value basis (selling price excluding the debt of the divested sub-group).
- On March 15, 2001, the Group signed an agreement to sell the cardiological medical devices company Ela Medical and its subsidiaries to the Snia Group. The sale was priced at 138 million euros on an enterprise value basis (selling price excluding the debt of the divested sub-group).

Amounts related to these divested businesses reflected in the consolidated statements of income are summarized below:

| In millions of euros | Year ended December 31, 2001 |
|---|---|
| Net sales | 39 |
| Operating profit | (8) |
| Net income | (10) |

- The interest in Laboratoires de Biologie Végétale Yves Rocher was sold at end December 2001 for 316 million euros. The sale generated a consolidated net gain for Sanofi-Synthélabo of 125 million euros, recognized in the year ended December 31, 2001.
  After this sale, and based on available information as of December 31, 2002, the Group owns 39.1% of Financière des Laboratoires de Cosmétologie Yves Rocher, the parent company of the Yves Rocher cosmetics group. This holding company in turn holds a direct interest of 48.8% in Laboratoires de Biologie Végétale Yves Rocher.

## D.2. Intangible assets

Intangible assets as of December 31, 2003, 2002 and 2001 comprise:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| **Goodwill** | **148** | **153** | **153** |
| Trademarks | 66 | 53 | 51 |
| Patents, concessions, licenses and other | 1,091 | 1,282 | 697 |
| Software | 171 | 135 | 103 |
| **Sub-total – other intangible assets** | **1,328** | **1,470** | **851** |
| **Gross** | **1,476** | **1,623** | **1,004** |
| Amortization and impairment | (455) | (328) | (195) |
| **Net** | **1,021** | **1,295** | **809** |

The increase in "Patents, concessions, licenses and other" in the year ended December 31, 2002 was principally due to the purchase of the rights to Ambien® in the United States.
The decrease in this line during 2003 was related to the fall in the dollar, the currency in which the US rights to Ambien® are expressed.

## D.3. Property, plant and equipment

Property, plant and equipment as of December 31, 2003, 2002 and 2001 comprise:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Land | 50 | 52 | 50 |
| Buildings | 692 | 611 | 507 |
| Plant and equipment | 942 | 797 | 679 |
| Fixtures, fittings and other | 341 | 311 | 249 |
| Fixed assets in progress | 205 | 218 | 145 |
| **Gross** | **2,230** | **1,989** | **1,630** |
| Depreciation and impairment | (781) | (594) | (401) |
| **Net** | **1,449** | **1,395** | **1,229** |

Depreciation expense for the year ended December 31, 2003 amounted to 225 million euros, against 217 million euros for the year ended December 31, 2002 and 194 million euros for the year ended December 31, 2001.

Included in property, plant and equipment are the following balances relating to capitalized leases as of December 31, 2003, 2002 and 2001:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Land | 9 | 9 | 9 |
| Buildings | 105 | 105 | 107 |
| Plant and equipment | – | – | – |
| **Gross** | **114** | **114** | **116** |
| Depreciation and impairment | (61) | (56) | (51) |
| **Net** | **53** | **58** | **65** |

## D.4. Acquisitions of property, plant and equipment and intangible assets

Acquisitions of property, plant and equipment and intangible assets as shown in the consolidated statement of cash flows comprise:

| In millions of euros | Year ended December 31, 2003 | Year ended December 31, 2002 | Year ended December 31, 2001 |
|---|---|---|---|
| Acquisitions of intangible assets | 33 | 980 | 282 |
| Acquisitions of property, plant & equipment | 338 | 423 | 283 |
| **Total** | **371** | **1,403** | **565** |

In 2003, acquisitions of intangible assets comprised purchases of software (24 million euros) and purchases of pharmaceutical products (9 million euros).
In 2002, acquisitions of intangible assets mainly comprised the purchase of the rights to Ambien® in the United States resulting from the acquisition of Pharmacia-Searle's 51% interest in Lorex Pharmaceuticals (see note C.2), and payment of the balance for the rights to Avapro® in the United States.
In 2001, they included the payment made in connection with the increase in the Group's share in profits arising from the marketing of Avapro® in the United States.
Acquisitions of property, plant and equipment relate mainly to industrial facilities (chemicals and drugs manufacturing) and to research sites.
The accelerated level of investment in property, plant and equipment in 2002 was related to increases in production capacity for new products.

## D.5. Investments in/advances to equity investees

Investments in and advances to equity investees as of December 31, 2003, 2002 and 2001 comprise:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Financière des Laboratoires de Cosmétologie Yves Rocher | 108 | 92 | 84 |
| Other investments and advances | 18 | 17 | 16 |
| **Total** | **126** | **109** | **100** |

As of December 31, 2003, investments in and advances to equity investees mainly comprised the 39.1% interest in Financière des Laboratoires de Cosmétologie Yves Rocher. This holding company has a direct interest of 48.8% in Laboratoires de Biologie Végétale Yves Rocher.

## D.6. Investments in/advances to non-consolidated companies and other long-term investments

| In millions of euros | Country | Gross | Provision | Net | Financial interest % | Business |
|---|---|---|---|---|---|---|
| **Investments in/advances to non-consolidated companies** | | | | | | |
| Laboratoires Goemar | France | 5 | (2) | 3 | 20% | Personal hygiene products |
| Tersan Insaat Ve Ticaret As | Turkey | 1 | – | 1 | 100% | Real estate |
| Adwya S.A. | Tunisia | 1 | – | 1 | 10% | Pharmaceuticals |
| Barberet Blanc Italia | Italy | 2 | (2) | – | 100% | Dormant |
| Barberet Blanc Talee | Italy | 1 | (1) | – | 100% | Dormant |
| Other investments and advances | | 7 | (4) | 3 | | |
| **Total investments in/advances to non-consolidated companies** | | **17** | **(9)** | **8** | | |

Most non-consolidated companies controlled by the Group are dormant companies.
The aggregate balance sheet total of these companies is less than 15 million euros, and their aggregate sales are less than 5 million euros.

| In millions of euros | Country | Gross | Provision | Net | Financial interest % | Business |
|---|---|---|---|---|---|---|
| **Long-term investment securities** | | | | | | |
| Viropharma Inc | USA | 19 | (18) | 1 | 3% | Pharmaceuticals |
| Atrix Inc | USA | 12 | – | 12 | 4% | Pharmaceuticals |
| IDM (see note D.18) | France | 21 | – | 21 | 12.5% | Research & development |
| **Other items** | | | | | | |
| Long-term loans [1] | | 5 | – | 5 | | |
| Pre-funded pension and other benefits (see note D.14.1) | | 52 | – | 52 | | |
| Other [2] | | 32 | (15) | 17 | | |
| **Total other long-term investments** | | **141** | **(33)** | **108** | | |

(1) Mainly loans to employees.
(2) Including funds deposited as security under insurance policies (5 million euros) and other security deposits (10 million euros).

As of December 31, 2001, investments in/advances to non-consolidated companies included receivables relating to operations with joint venture and alliance partners. These items were included in "Other current assets" as of December 31, 2002 and December 31, 2003 (see note D.9).

## D.7. Inventories

Inventories as of December 31, 2003, 2002 and 2001 comprise:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Raw materials | 236 | 288 | 305 |
| Work in process | 201 | 144 | 113 |
| Finished goods | 463 | 474 | 442 |
| **Gross** | **900** | **906** | **860** |
| Provision | (101) | (83) | (55) |
| **Net** | **799** | **823** | **805** |

Given the diversity of the activities carried on by the Group, some products sold within the Group and to third parties may be classified alternatively as raw materials, work in process or finished goods, depending on the circumstances. The inventory split shown above uses the classifications adopted by the subsidiary holding the inventory.

The table below shows the movement in inventory provisions for the years ended 2003, 2002 and 2001.

| In millions of euros | Year ended December 31, 2003 | Year ended December 31, 2002 | Year ended December 31, 2001 |
|---|---|---|---|
| **Balance, beginning of period** | **(83)** | **(55)** | **(33)** |
| Movement in provisions recognized in net income for the period | (48) | (85) | (66) |
| Provisions utilized | 23 | 53 | 37 |
| Change in scope of consolidation | – | (2) | 8 |
| Effect of exchange rates | 7 | 6 | (1) |
| **Balance, end of period** | **(101)** | **(83)** | **(55)** |

## D.8. Accounts receivable

Accounts receivable as of December 31, 2003, 2002 and 2001 comprise:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Gross | 1,556 | 1,348 | 1,585 |
| Provision | (65) | (37) | (19) |
| **Net** | **1,491** | **1,311** | **1,566** |

## D.9. Other current assets

Other current assets as of December 31, 2003, 2002 and 2001 comprise:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Taxes recoverable | 249 | 335 | 215 |
| Other receivables | 584 | 462 | 282 |
| Prepaid expenses | 64 | 57 | 43 |
| **Total (net)** | **897** | **854** | **540** |

Other current assets as of December 31, 2003 and December 31, 2002 include receivables relating to operations with joint venture and alliance partners, shown in 2001 under "Investments in/advances to non-consolidated companies" (see note D.6). The reclassification of these balances as of January 1, 2002 amounted to 83 million euros.

## D.10. Short-term investments and deposits

Surplus cash is invested in money-market mutual funds and term deposits with counterparties having high credit ratings.
As of December 31, 2003 Sanofi-Synthélabo held treasury shares, mainly allocated to employee stock option plans, with a net value of 613 million euros, after taking account of a reversal of provisions of 2 million euros in 2003. The value of treasury shares held was 623 million euros as of December 31, 2002, after taking account of additional provisions of 46 million euros booked in 2002, and 462 million euros as of December 31, 2001. The market value of treasury shares was 769 million euros as of December 31, 2003, against 813 million euros as of December 31, 2002, compared with 957 million euros as of December 31, 2001. These shares are included in "Short-term investments and deposits". As of December 31, 2003, the 13,413,698 treasury shares held by the Group and recorded on this line represented 1.83% of the capital, and 13,183,948 of these shares were allocated to employee stock option plans.
In the light of the listed market price of the shares on the balance sheet date and during the 20 days preceding the balance sheet date, this line includes a provision for impairment of 44 million euros as of December 31, 2003.

## D.11. Deferred income taxes

Net deferred tax assets as of December 31, 2003, 2002 and 2001 comprise:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Deferred income taxes on: | | | |
| • Consolidation adjustments | 275 | 237 | 207 |
| • Provision for pensions & other employee benefits | 39 | 35 | 55 |
| • Other non-deductible provisions & other items | 149 | 202 | 199 |
| **Total net deferred tax assets** | **463** | **474** | **461** |

Deferred tax assets not recognized because of uncertainty as to their future recovery amounted to 182 million euros as of December 31, 2003, against 243 million euros as of December 31, 2002 and 313 million euros as of December 31, 2001.
As of December 31, 2003, the Group had total tax loss carryforwards of 233 million euros, which are due to expire as follows:

| In millions of euros | Loss |
|---|---|
| 2004 | 5 |
| 2005 | 3 |
| 2006 | 4 |
| 2007 | 13 |
| 2008 | 3 |
| 2009 and thereafter | 205 |
| **Total** | **233** |

Use of these tax loss carryforwards is limited to the entity in which they arose. In jurisdictions where tax consolidations are applied, carryforwards are able to be netted against taxable income generated by the entities in the consolidated tax group.
In certain countries, withholding taxes are paid by the Group when dividends are distributed. Due to local investment needs, distribution of a portion of these earnings is considered unlikely. No provision has been made for deferred income taxes on this portion of earnings, which amounted to 294 million euros as of December 31, 2003.

## D.12. Shareholders' equity

### *D.12.1. Share capital*

The share capital comprises 732,848,072 shares with a par value of 2 euros per share.

Treasury shares held by Sanofi-Synthélabo are as follows:

| Balance sheet date | Number of shares | % |
|---|---|---|
| December 31, 2003 | 49,990,262 | 6.82% |
| December 31, 2002 | 30,376,375 | 4.15% |
| December 31, 2001 | 11,419,291 | 1.56% |

### *D.12.2. Reserves subject to restrictions on distribution*

As of December 31, 2003, 742 million euros of the Group's consolidated reserves were non-distributable. Of this amount, 186 million euros constitutes a legal reserve which is restricted as to distribution. The remaining 556 million euros principally represents a portion of net long-term gains on disposals whose distribution would be subject to supplementary taxation.

### *D.12.3. Change in accounting method*

In application of the new CRC Rule 2000-06, non-compliant provisions totaling 24 million euros net of taxes were reversed as of January 1, 2002 by crediting shareholders' equity.

## *D.12.4. Adjustments to shareholders' equity related to the merger between Sanofi and Synthélabo*

As a result of the merger between Sanofi and Synthélabo, adjustments of 45 million euros, 59 million euros and 176 million euros were made to shareholders' equity in 2003, 2002 and 2001 respectively.
These adjustments include the portion of provisions recorded in the opening balance sheet no longer required due to favorable changes in the relevant risks during the period. The 2001 adjustment also included the offset of a portion of the goodwill related to the merger (initially recorded as a reduction of equity) against the capital gain on the main businesses divested in that year.
The adjustments are summarized as follows:

| In millions of euros | 2003 | 2002 | 2001 |
|---|---|---|---|
| Change in provision for risks and deferred income taxes recorded in the opening balance sheet | 44 | 59 | 90 |
| Allocation of goodwill to divestitures | – | – | 34 |
| Revaluation of commitments to employees | 1 | – | 52 |
| **Total** | **45** | **59** | **176** |

In 2003, 2002 and 2001, the change in provisions for risks and deferred income taxes related mainly to the settlement of tax litigation, primarily in France and the United States.

## *D.12.5. Repurchase of shares*

The Annual General Meetings of May 22, 2002 and May 19, 2003 authorized the implementation of share purchase programs amounting to 10% of Sanofi-Synthélabo shares. Under these authorizations, the Group continued in 2003 with a policy of purchasing its own shares with a view to holding, selling, transferring or canceling them. Shares purchased are netted off shareholders' equity at purchase price. Gains and losses on transactions in these shares, net of taxes, are also taken to shareholders' equity.
Under these programs, the Group repurchased 20,192,769 shares in 2003 for 1,018 million euros, and 16,520,795 shares in 2002 for 970 million euros.
As of December 31, 2003 the Group held 36,576,564 shares under these programs, amounting to 1,979 million euros.

## *D.12.6. Stock-based compensation*

### a) Plans pre-dating the May 18, 1999 merger

**Options to purchase Group shares**

Sanofi and Synthélabo operated several stock option plans which allow grantees to purchase a fixed number of shares at a predetermined price over a specified period. Options generally cliff vest over two to five years from the date of grant and expire seven to twenty years from the date of grant. Shares acquired under these plans generally may not be disposed of prior to the fifth anniversary of the date of grant.
Details of the stock purchase options granted under the Group's various plans are presented below (in Sanofi-Synthélabo equivalent shares):

| Origin | Date of grant | Options granted | Start date of vesting period | Expiration date | Exercise price (in euros) | Options exercised as of 12/31/03 |
|---|---|---|---|---|---|---|
| Synthélabo | 12/15/1993 | 364,000 | 12/15/1998 | 12/15/2013 | 6.36 | 348,400 |
| Synthélabo | 10/18/1994 | 330,200 | 10/18/1999 | 10/18/2014 | 6.01 | 305,200 |
| Synthélabo | 12/15/1995 | 442,000 | 12/15/2000 | 12/15/2015 | 8.50 | 387,900 |
| Synthélabo | 01/12/1996 | 208,000 | 01/12/2001 | 01/12/2016 | 8.56 | 149,230 |
| Synthélabo | 04/05/1996 | 228,800 | 04/05/2001 | 04/05/2016 | 10.85 | 141,034 |
| Sanofi | 09/22/1997 | 1,120,000 | 09/23/1999 | 09/22/2004 | 21.46 | 450,280 |
| Synthélabo | 10/14/1997 | 262,080 | 10/14/2002 | 10/14/2017 | 19.73 | 105,868 |
| Synthélabo | 06/25/1998 | 296,400 | 06/26/2003 | 06/25/2018 | 28.38 | 124,880 |
| Sanofi | 12/10/1998 | 1,200,000 | 12/11/2000 | 12/10/2005 | 34.95 | 72,020 |
| Synthélabo | 03/30/1999 | 716,040 | 03/31/2004 | 03/30/2019 | 38.08 | 6,240 |

Shares offered under these plans are acquired in the stock market. Consequently, these plans have no impact on shareholders' equity as of December 31, 2003.

### Options to subscribe to Group shares

The Sanofi shareholders' meeting of May 21, 1992 authorized a stock option plan, which allows grantees to subscribe to a fixed number of shares at a pre-determined price over a specified period. Options granted under this plan cliff vested one year from the date of grant and expired seven years from the date of grant.
Details of the options granted under this plan are presented below (in Sanofi-Synthélabo equivalent shares):

| Origin | Date of grant | Options granted | Start date of vesting period | Expiration date | Exercise price (in euros) | Options exercised as of 09/18/03 |
|---|---|---|---|---|---|---|
| Sanofi | 09/18/1996 | 1,056,000 | 09/19/1997 | 09/18/2003 | 14.56 | 1,020,240 |

Exercise of options under this plan resulted in the creation of 480,565 shares in 2003 (each with a par value of 2 euros per share) and aggregate proceeds of 7 million euros.
This stock subscription option plan ended on September 18, 2003.

## b) Plans post-dating the May 18, 1999 merger

The Sanofi-Synthélabo Annual General Meeting of May 18, 1999 authorized the Board of Directors to grant options to subscribe to new Sanofi-Synthélabo shares to be issued by way of capital increases, or to purchase existing Sanofi-Synthélabo shares bought in the market by Sanofi-Synthélabo.

The maximum number of shares that may be subscribed to or purchased under these plans is 14,611,740.

The options may not be exercised, and the corresponding shares may not be sold, prior to the fourth anniversary of the date of grant.

### Options to purchase Group shares

The terms of the stock purchase options granted under this authorization are as follows:

| Origin | Date of grant | Options granted | Start date of vesting period | Expiration date | Exercise price (in euros) | Options exercised as of 12/31/03 |
|---|---|---|---|---|---|---|
| Sanofi-Synthélabo | 05/24/2000 | 4,292,000 | 05/25/2004 | 05/24/2010 | 43.25 | 8,000 |
| Sanofi-Synthélabo | 05/10/2001 | 2,936,500 | 05/11/2005 | 05/10/2011 | 64.50 | – |
| Sanofi-Synthélabo | 05/22/2002 | 3,111,850 | 05/23/2006 | 05/22/2012 | 69.94 | – |

Shares offered under these plans are acquired in the stock market. Consequently, these plans have no impact on shareholders' equity as of December 31, 2003.

### Options to subscribe to Group shares

The terms of the stock subscription options granted under this authorization are as follows:

| Origin | Date of grant | Options granted | Start date of vesting period | Expiration date | Exercise price (in euros) | Options exercised as of 12/31/03 |
|---|---|---|---|---|---|---|
| Sanofi-Synthélabo | 12/10/2003 | 4,217,700 | 12/11/2007 | 12/10/2013 | 55.74 | – |

The exercise of the stock options outstanding at December 31, 2003 would result in an increase of approximately 235 million euros in shareholders' equity.

### Summary of stock-based compensation plans

A summary of stock options outstanding at December 31, 2003, 2002 and 2001 and of changes during those years, is presented below:

| | | Exercise price (in euros) | |
|---|---|---|---|
| | Number of options | Weighted average per share | Aggregate (in millions of euros) |
| **Outstanding – January 1, 2001** | **10,179,046** | **31.21** | **318** |
| Granted | 2,936,500 | 64.50 | 189 |
| Exercised | (881,313) | 10.98 | (10) |
| Expired/Forfeited | (76,260) | 43.71 | (3) |
| **Outstanding – December 31, 2001** | **12,157,973** | **40.64** | **494** |
| Granted | 3,111,850 | 69.94 | 218 |
| Exercised | (847,018) | 13.27 | (11) |
| Expired/Forfeited | (71,300) | 36.87 | (3) |
| **Outstanding – December 31, 2002** | **14,351,505** | **48.63** | **698** |
| Granted | 4,217,700 | 55.74 | 235 |
| Exercised | (1,031,447) | 19.28 | (20) |
| Expired/Forfeited | (136,110) | 47.29 | (6) |
| **Outstanding – December 31, 2003** | **17,401,648** | **52.10** | **907** |

As of December 31, 2003, there were 2,351,068 exercisable options outstanding, with a weighted average exercise price of 27.05 euros per share. As of December 31, 2003, there remained 53,690 options available for grant. The following table summarizes information concerning outstanding and exercisable options as of December 31, 2003:

| | Outstanding | | | Exercisable | |
|---|---|---|---|---|---|
| Range of exercise prices per share | Number of options | Weighted average remaining life (years) | Weighted average exercise price per share (in euros) | Number of options | Weighted average exercise price per share (in euros) |
| From 6.01 to 10.85 euros per share | 236,036 | 11.89 | 9.03 | 236,036 | 9.03 |
| From 19.73 to 28.38 euros per share | 991,252 | 5.10 | 22.39 | 991,252 | 22.39 |
| From 34.95 to 69.94 euros per share | 16,174,360 | 7.95 | 54.55 | 1,123,780 | 34.95 |
| **Total** | **17,401,648** | **7.84** | **52.10** | **2,351,068** | **27.05** |

## D.13. Long-term debt (portion due after more than one year)

The Group's long-term debt as of December 31, 2003, 2002 and 2001 comprises:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Capital lease obligations | 43 | 51 | 57 |
| Other long-term debt | 10 | 14 | 62 |
| **Total** | **53** | **65** | **119** |

The Group's long-term debt agreements do not contain any covenants which impose significant restrictions on the Group's activities, including its ability to pay dividends, acquire or divest other businesses or incur additional borrowings. There are no specific contractual provisions associated with this debt liable to modify the repayment terms or interest charge.

The table below presents the maturity of long-term debt as of December 31, 2003, 2002 and 2001:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| 2003 | - | - | 55 |
| 2004 | - | 11 | 11 |
| 2005 | 8 | 8 | 9 |
| 2006 | 7 | 7 | 8 |
| 2007 | 4 | 4 | 4 |
| 2008 | 5 | 4 | 5 |
| Thereafter | 29 | 31 | 27 |
| **Total** | **53** | **65** | **119** |

The table below presents an analysis of long-term debt by interest rate as of December 31, 2003, 2002 and 2001, after taking into account hedging instruments. The split is based on interest rates at year-end.

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Less than 5% | 7 | 8 | 54 |
| From 5% to 7.5% | 43 | 51 | 53 |
| From 7.5% to 10% | 3 | 6 | 12 |
| **Total** | **53** | **65** | **119** |
| Of which: | | | |
| – Fixed rate | 11 | 15 | 21 |
| – Variable rate | 42 | 50 | 98 |

The table below presents an analysis of long-term debt by currency as of December 31, 2003, 2002 and 2001, after taking into account hedging instruments:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Euro | 48 | 58 | 110 |
| US dollar | 2 | 2 | 2 |
| Other currencies | 3 | 5 | 7 |
| **Total** | **53** | **65** | **119** |

The table below summarizes interest paid on the short-term and long-term portion of debt and on credit lines during each accounting period:

| In millions of euros | Year ended December 31, 2003 | Year ended December 31, 2002 | Year ended December 31, 2001 |
|---|---|---|---|
| Interest paid | 16 | 22 | 18 |

## D.14. Provisions and other long-term liabilities

Provisions and other long-term liabilities as of December 31, 2003, 2002 and 2001 comprise:

| In millions of euros | Provisions for pensions & other benefits (D.14.1) | Restructuring provisions (D.14.2) | Other provisions for risks (D.14.3) | Other long-term liabilities (D.14.4) | Total |
|---|---|---|---|---|---|
| **December 31, 2001** | **474** | **46** | **431** | **102** | **1,053** |
| Charged during the period | 92 | – | 126 | 1 | 219 |
| Reversals of provisions in application of CRC Rule 2000-06 | – | (15) | (11) | – | (26) |
| Reversals of provisions recorded in the opening balance sheet | – | – | (32) | – | (32) |
| Provisions utilized | (144) | (11) | (14) | (1) | (170) |
| Reversals of unutilized provisions | – | – | (38) | – | (38) |
| Transfers | 29 | (10) | (92) | (97) | (170) |
| Effect of exchange rates | (24) | (2) | (23) | (1) | (50) |
| **December 31, 2002** | **427** | **8** | **347** | **4** | **786** |
| Charged during the period | 78 | – | 111 | 5 | 194 |
| Reversals of provisions recorded in the opening balance sheet | (2) | (1) | (36) | – | (39) |
| Provisions utilized | (52) | (1) | (30) | (1) | (84) |
| Reversals of unutilized provisions | (1) | – | (60) | – | (61) |
| Transfers | (2) | (1) | 1 | – | (2) |
| Effect of exchange rates | (19) | – | (21) | – | (40) |
| **December 31, 2003** | **429[1]** | **5** | **312** | **8** | **754** |

(1) 380 million euros in respect of long-term pension obligations and 49 million euros in respect of post-employment benefits (see note D.14.1).

## *D.14.1. Provisions for pensions and other benefits*

The Group and its subsidiaries have a significant number of benefit 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 regulations and laws in the particular country in which the employees are located. Several benefit plans are defined benefit plans and cover besides employees, certain members of the Board of Directors.

Actuarial valuations of the Group's benefit obligations were computed as of December 31, 2003, 2002 and 2001. The calculations incorporate:

- assumptions on staff turnover, life expectancy and salary inflation;
- a retirement age of 60 to 65 for a total working life allowing for full rate retirement rights for French employees, and retirement assumptions reflecting local economic and demographic factors specific to foreign employees;
- discounting rates used to determine the actuarial present value of the projected benefit obligations as follows:
  - Euro zone plans: 5.15% as of December 31, 2003; 5.25% as of December 31, 2002 and 2001
  - US plans: 6% as of December 31, 2003; 6.75% as of December 31, 2002; 7% as of December 31, 2001
  - UK plans: 5.30% as of December 31, 2003; 5.50% as of December 31, 2002; 5.75% as of December 31, 2001
  - other plans: 1.5%-11.5% as of December 31, 2003; 2%-12% as of December 31, 2002; 2.5%-14.5% as of December 31, 2001;
- expected long-term rates of return for plan assets ranging from 5% to 10% for the year ended December 31, 2003; 4% to 15% for the year ended December 31, 2002; and 5.15% to 15% for the year ended December 31, 2001. The majority of the fund assets are invested in the United States and the United Kingdom. The long-term rates of return used are as follows:
  - for American pension plans: 8.5% for the year ended December 31, 2003; 8.75% for the years ended December 31, 2002 and 2001,
  - for UK pension plans: 6.50% for the years ended December 31, 2003 and 2002; 7% for the year ended December 31, 2001.

The main assumptions used in the actuarial valuations are summarized below:

| | Pensions and similar benefits | | | Post-employment benefits other than pensions | | |
|---|---|---|---|---|---|---|
| | **2003** | **2002** | **2001** | **2003** | **2002** | **2001** |
| Assumptions (weighted averages): | | | | | | |
| Discounting rate | 5.25% | 5.34% | 5.60% | 6.01% | 6.75% | 7.00% |
| Salary inflation rate | 3.86% | 3.79% | 3.92% | – | – | – |
| Expected long-term rate of return on plan assets | 7.27% | 7.23% | 7.56% | – | – | – |

In calculating the pension cost for the period, the Group recognizes actuarial gains and losses if at the beginning of the period the net unrealized actuarial gain or loss exceeds 10% of the greater of the projected obligation or the market value of plan assets.

The table below reconciles the net obligation under Group pension plans with the amounts recognized in the consolidated financial statements as of December 31, 2003, 2002 and 2001:

| In millions of euros | Pensions and similar benefits | | | Post-employment benefits other than pensions | | |
|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| **Valuation of obligations** | | | | | | |
| Beginning of period | 1,108 | 1,069 | 910 | 53 | 61 | 53 |
| Service cost | 49 | 51 | 42 | 2 | 1 | 1 |
| Interest cost | 61 | 60 | 56 | 3 | 4 | 4 |
| Actuarial (gain)/loss | 34 | 43 | 29 | 28 | 3 | 5 |
| Contributions from plan members | 3 | 2 | 2 | – | – | – |
| Modifications to plans | – | 37 | 63 | – | – | – |
| Effect of exchange rates | (87) | (75) | 26 | (11) | (10) | 3 |
| Changes in Group structure | – | – | (9) | – | – | – |
| Benefits paid | (51) | (79) | (50) | (6) | (6) | (5) |
| **Obligation at period-end** | **1,117** | **1,108** | **1,069** | **69** | **53** | **61** |
| **Market value of plan assets:** | | | | | | |
| Beginning of period | 431 | 477 | 533 | – | – | – |
| Actual return on assets | 62 | (37) | (59) | – | – | – |
| Effect of exchange rates | (57) | (49) | 20 | – | – | – |
| Contributions from plan members | 3 | 2 | 2 | – | – | – |
| Employers' contributions | 93 | 105 | 16 | – | – | – |
| Changes in Group structure | – | – | – | – | – | – |
| Benefits paid | (29) | (67) | (35) | – | – | – |
| **Market value of plan assets at period-end** | **503** | **431** | **477** | **–** | **–** | **–** |
| **Net amount shown in balance sheet:** | | | | | | |
| Net obligation | 614 | 677 | 592 | 69 | 53 | 61 |
| Transitional liability | 1 | 9 | 18 | – | – | – |
| Unrecognized past service cost | (82) | (90) | (61) | 2 | 3 | 4 |
| Unrecognized actuarial gain/(loss) | (191) | (224) | (136) | (21) | 8 | 10 |
| Benefits/contributions, final quarter | (14) | (32) | (12) | (1) | (3) | - |
| **Net provision in the balance sheet** | **328** | **340** | **401** | **49** | **61** | **75** |
| **Amounts recognized in the balance sheet:** | | | | | | |
| Pre-funded obligations (D.6) | (52) | (27) | (8) | – | – | – |
| Obligations provided (long-term portion) | 380 | 366 | 399 | 49 | 61 | 75 |
| Obligations provided (short-term portion) | – | 1 | 10 | – | – | – |
| **Net amount recognized** | **328** | **340** | **401** | **49** | **61** | **75** |
| **Pension cost for the period:** | | | | | | |
| Service cost | 49 | 50 | 42 | 2 | 1 | 1 |
| Interest cost | 61 | 60 | 56 | 3 | 4 | 4 |
| Expected return on plan assets | (31) | (34) | (44) | – | – | – |
| Recognition of transitional liability | (8) | (8) | (8) | – | – | – |
| Amortization of past service cost | 7 | 8 | 3 | (1) | (1) | – |
| Recognition of actuarial losses/(gains) | 12 | 8 | – | – | – | (1) |
| **Pension cost for the period** | **90** | **84** | **49** | **4** | **4** | **4** |
| **Gross obligation based on period-end salaries** | **960** | **944** | **898** | | | |

As of December 31, 2003, 2002 and 2001, the impact on the financial statements of a 1% change in assumptions regarding future healthcare costs is not material.

## *D.14.2. Restructuring provisions*

The following table summarizes movements in restructuring provisions, classified under "Other long-term liabilities" and "Other current liabilities" (note D.15), for each of the years ended December 31, 2003, 2002 and 2001:

| In millions of euros | Year ended December 31, 2003 | Year ended December 31, 2002 | Year ended December 31, 2001 |
|---|---|---|---|
| **Balance, beginning of period** | **27** | **82** | **149** |
| Of which: | | | |
| – Classified under "Other long-term liabilities" | 8 | 46 | 61 |
| – Classified under "Other current liabilities" | 19 | 36 | 88 |
| Movement in provisions recognized in net income for the period | 6 | 1 | 6 |
| Reversals of provisions in application of CRC Rule 2000-06 | – | (20) | – |
| Reversals of provisions recorded in the opening balance sheet | (2) | (4) | (16) |
| Provisions utilized | (11) | (30) | (57) |
| Transfers | 1 | – | – |
| Effect of exchange rates | (1) | (2) | – |
| **Balance, end of period** | **20** | **27** | **82** |
| Of which: | | | |
| – Classified under "Other long-term liabilities" | 5 | 8 | 46 |
| – Classified under "Other current liabilities" | 15 | 19 | 36 |

Following the merger of Sanofi and Synthélabo in 1999, the Group developed a restructuring plan, which consisted of a combination of actions designed to integrate head offices worldwide, reorganize the sales forces and close or re-size industrial sites throughout the world. Implementation of these restructuring plans commenced in 1999 and was substantially completed in 2000 and 2001. In France, the restructuring program related to a reduction in workforce was carried out principally through a program of voluntary early retirement for people aged 55 as of December 31, 1999.
Expenses incurred in 2003, 2002 and 2001 and charged against the provision, shown on the line "Provisions utilized", relate principally to employee termination costs (4, 11 and 56 million euros respectively), mainly in western Europe.

## *D.14.3. Other provisions for risks*

The table below shows movements in other provisions for risks, including environmental risks and litigation, tax exposures, commercial risks, product liability risks and intellectual property risks, for each of the years ended December 31, 2003, 2002 and 2001:

| In millions of euros | Year ended December 31, 2003 | Year ended December 31, 2002 | Year ended December 31, 2001 |
|---|---|---|---|
| **Balance, beginning of period** | **347** | **431** | **469** |
| Movement in provisions recognized in net income for the period | 51 | 88 | 77 |
| Reversals of provisions in application of CRC Rule 2000-06 | – | (11) | – |
| Reversals of provisions recorded in the opening balance sheet | (36) | (32) | (96) |
| Provisions utilized | (30) | (14) | (35) |
| Reclassifications between accounts | 1 | (92) | 12 |
| Effect of exchange rates | (21) | (23) | 4 |
| **Balance, end of period** | **312** | **347** | **431** |
| Tax risks | 206 | 217 | 260 |
| Intellectual property risks | 16 | 37 | 18 |
| Environmental risks | 20 | 21 | 30 |
| Product liability risks | 17 | 20 | 25 |
| Other risks | 53 | 52 | 98 |
| **Total** | **312** | **347** | **431** |

The Group is involved in a number of legal proceedings and claims. These include commercial and intellectual property litigation, tax audits and other matters relating to the normal conduct of its business.
Provisions for tax exposures are recorded if the Group considers that the tax authorities might challenge a tax position taken by the Group or a subsidiary.
An assessment of these risks has been performed with the assistance of the Group's legal advisers, and provisions have been recorded where circumstances required.
In 2002, reclassifications mainly comprised the transfer of provisions to current liabilities, under "Other liabilities".

### *D.14.4. Other long-term liabilities*

As of December 31, 2001, other long-term liabilities included liabilities on operations with joint venture and alliance partners, which were included in "Other current liabilities" as of December 31, 2002 and December 31, 2003 (see note D.15).

## D.15. Other current liabilities

Other current liabilities as of December 31, 2003, 2002 and 2001 comprise:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Taxes payable | 370 | 472 | 597 |
| Employee-related liabilities | 424 | 384 | 418 |
| Restructuring provisions (D.14.2) | 15 | 19 | 36 |
| Other liabilities | 811 | 724 | 943 |
| **Total** | **1,620** | **1,599** | **1,994** |

In 2001, "Other liabilities" included the unpaid portion of the purchase price of acquisitions made in the period, and the impact of the full consolidation of the Lorex Pharmaceuticals balance sheet.
In 2002, "Other liabilities" also included the reclassification of the balance as of January 1, 2002 of liabilities on operations with joint venture and alliance partners, totaling 85 million euros.
The unpaid portion of the purchase price of acquisitions made in the period, which is included in "Other liabilities", amounted to 37 million euros as of December 31, 2003, 24 million euros as of December 31, 2002 and 170 million euros as of December 31, 2001.

## D.16. Short-term debt

Short-term debt as of December 31, 2003, 2002 and 2001 comprises:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Current portion of long-term debt | 10 | 55 | 9 |
| Other short-term debt | 117 | 146 | 156 |
| Bank overdrafts | 188 | 150 | 120 |
| **Total** | **315** | **351** | **285** |

## D.17. Derivative financial instruments

The table below presents the notional amounts of the Group's outstanding derivative financial instruments as of December 31, 2003, 2002 and 2001:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Interest rate swaps | - | 46 | 46 |
| Currency swaps – puts written [1] | 59 | 51 | 24 |
| Currency swaps – calls written [2] | 708 | 758 | 705 |
| Currency swaps – puts purchased [3] | 357 | 448 | 413 |
| Currency swaps – calls purchased [4] | 100 | 90 | 40 |
| Forward foreign currency exchange contracts written – financial [5] | 1,224 | 1,033 | 1,016 |
| Forward foreign currency exchange contracts purchased – financial [6] | 318 | 131 | 254 |

(1) Including 36 million euros on the Norwegian krone and 23 million euros on the Hungarian forint as of December 31, 2003; 51 million euros on the Norwegian krone as of December 31, 2002; 18 million euros on the US dollar as of December 31, 2001.
(2) Including 555 million euros on the US dollar and 101 million euros on the yen as of December 31, 2003; 568 million euros on the US dollar and 163 million euros on the yen as of December 31, 2002; 527 million euros on the US dollar and 157 million euros on the yen as of December 31, 2001.
(3) Including 284 million euros on the US dollar and 49 million euros on the yen as of December 31, 2003; 321 million euros on the US dollar and 96 million euros on the yen as of December 31, 2002; 326 million euros on the US dollar and 77 million euros on the yen as of December 31, 2001.
(4) Including 46 million euros on the US dollar, 22 million euros on the yen and 21 million euros on the Norwegian krone as of December 31, 2003; 45 million euros on the US dollar, 19 million euros on the yen and 26 million euros on the Norwegian krone as of December 31, 2002; 16 million euros on the yen, 10 million euros on the US dollar and 9 million euros on the Norwegian krone as of December 31, 2001.
(5) Including 981 million euros on the US dollar, 70 million euros on the yen, 45 million euros on the British pound, 23 million euros on the Canadian dollar, 13 million euros on the Czech koruna, 13 million euros on the Canadian dollar and 14 million euros on the Polish zloty as of December 31, 2003; 798 million euros on the US dollar, 79 million euros on the yen, 60 million euros on the British pound, 26 million euros on the Canadian dollar, 16 million euros on the Czech krona and 10 million euros on the Norwegian krone as of December 31, 2002; 812 million euros on the US dollar, 87 million euros on the yen, 45 million euros on the British pound and 29 million euros on the Canadian dollar as of December 31, 2001.
(6) Including 130 million euros on the US dollar, 92 million euros on the Swiss franc, 35 million euros on the Norwegian krone and 57 million euros on the Hungarian forint as of December 31, 2003; 68 million euros on the Swiss franc, 33 million euros on the Norwegian krone and 10 million euros on the British pound as of December 31, 2002; 118 million euros on the US dollar, 88 million euros on the Swiss franc, 30 million euros on the Norwegian krone as of December 31, 2001.

### *Fair value of financial instruments*

The carrying values and estimated fair values of certain of the Group's financial instruments outstanding as of December 31, 2003, 2002 and 2001 are presented below:

| In millions of euros | 2003 | | 2002 | | 2001 | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| Long-term debt (excluding capital lease obligations) | 10 | 10 | 14 | 14 | 62 | 62 |
| Forward foreign currency exchange contracts - written | 30 | 117 | 23 | 48 | 2 | 23 |
| Forward foreign currency exchange contracts - purchased | (4) | (6) | 1 | 4 | 2 | 3 |
| Currency options - puts written | 1 | 2 | 1 | – | – | – |
| Currency options - calls written | 16 | 2 | 19 | 3 | 17 | 10 |
| Currency options - puts purchased | 23 | 36 | 21 | 36 | 17 | 20 |
| Currency options - calls purchased | 1 | 1 | 1 | 2 | – | 2 |

Asset positions positive, liability positions negative.

The Group considers that for cash and cash equivalents, accounts receivable, bank overdrafts, accounts payable and other short-term debt, carrying value is a reasonable estimate of fair value due to their short-term maturities and the readily available market for these types of instruments.
The following methods and assumptions were used by the Group in estimating the fair values of financial instruments:

- Long-term debt (excluding capital lease obligations) – The carrying value of the Group's variable-rate long-term debt approximates to fair value. The fair value of long-term fixed rate debt has been estimated based on current interest rates available for debt instruments with similar terms, degrees of risk and maturities. Substantially all of the Group's long-term debt is variable rate.
- Forward foreign currency exchange contracts (written and purchased) – The fair value of forward foreign currency exchange contracts is based on the estimated amount at which they could be settled based on forward market exchange rates.
- Foreign currency option contracts (written and purchased) – The fair value of foreign currency option contracts is obtained from dealer quotes. These values represent the estimated net amount the Group would receive or pay to terminate the agreements.

## D.18. Contractual obligations and other commercial commitments

The Group's contractual obligations and other commercial commitments as of December 31, 2003 comprise:

### Contractual obligations given

| In millions of euros | Payments due by period | | | |
|---|---|---|---|---|
| | Total | Under 1 year | 1-5 years | Over 5 years |
| Long-term debt, excluding capital lease obligations (Notes D.13 and D.16) | 13 | 3 | 6 | 4 |
| Capital lease obligations (including interest) | 62 | 10 | 24 | 28 |
| Operating leases | 441 | 91 | 186 | 164 |
| Irrevocable purchase obligations | 150 | 138 | 12 | – |
| Other long-term obligations | 226 | 88 | 98 | 40 |
| **Total** | **892** | **330** | **326** | **236** |

### Other commercial commitments given

| In millions of euros | Commitments by period | | | |
|---|---|---|---|---|
| | Total | Under 1 year | 1-5 years | Over 5 years |
| Credit lines | – | – | – | – |
| Letters of credit | – | – | – | – |
| Guarantees: | | | | |
| – given | 64 | 14 | 5 | 45 |
| – received | (75) | (59) | (1) | (15) |
| Repurchase commitments | – | – | – | – |
| Other commercial commitments | – | – | – | – |
| **Total** | **(11)** | **(45)** | **4** | **30** |
| | | - | - | - |

*Leases*

### Capital leases

Future minimum payments related to capital leases as of December 31, 2003 totaling 62 million euros and including interest payments of 12 million euros are scheduled to be made as follows:

| In millions of euros | Interest portion | Principal portion | Total |
|---|---|---|---|
| 2004 | 3 | 7 | 10 |
| 2005 | 2 | 6 | 8 |
| 2006 | 1 | 5 | 6 |
| 2007 | 1 | 4 | 5 |
| 2008 | 1 | 4 | 5 |
| 2009 and thereafter | 4 | 24 | 28 |
| **Total** | **12** | **50** | **62** |

**Operating leases**

The Group leases certain of its properties and equipment used in the ordinary course of business. Future minimum payments under non-cancelable operating leases as of December 31, 2003 amounted to 441 million euros, and are scheduled to be made as follows:

| In millions of euros | December 31, 2003 |
|---|---|
| 2004 | 91 |
| 2005 | 63 |
| 2006 | 47 |
| 2007 | 39 |
| 2008 | 37 |
| 2009 and thereafter | 164 |
| **Total** | **441** |

Rental expense recognized by the Group for each of the years ended December 31, 2003, 2002 and 2001 totaled 93 million euros, 87 million euros and 79 million euros respectively.

## *Irrevocable purchase obligations*

These mainly comprise irrevocable commitments to suppliers of fixed assets, net of payments on account, and firm commitments to buy goods and services.

## *Other long-term obligations*

As of December 31, 2003, these included royalties payable on the marketing of Arixtra® under the alliance agreements with Organon in countries other than the United States, Canada, Japan and Mexico. In return for taking over the rights, Sanofi-Synthélabo agreed to make phased payments to Organon up to a maximum of 100 million dollars contingent on approval of additional indications. Sanofi-Synthélabo also agreed to pay minimum royalties of 74 million dollars. On January 7, 2004, a new agreement was signed with Organon under which Sanofi-Synthélabo will acquire all Organon's rights to Arixtra® (see note E).

In addition, Sanofi-Synthélabo is required to pay minimum royalties of 7 million euros under three pharmaceutical license agreements.

As of December 31, 2003, Sanofi-Synthélabo owned 1,700,145 IDM shares, representing 12.54% of the capital. This percentage may change in the future due to (i) a commitment by Sanofi-Synthélabo, valid until July 31, 2004, to make an additional investment of 10 million euros in a further share issue, and (ii) the conversion of existing financial instruments giving access to the capital of IDM.

## *Guarantees given*

These comprise 53 million euros of surety bonds and 11 million euros of real collateral.

## *Guarantees received*

These mainly comprise surety bonds.

## *Scope of consolidation*

The Group does not use off balance sheet vehicles. All the Group's operations are reflected in the accounts of the companies included in the consolidation for each of the periods presented.

There are no commitments other than those disclosed above (notes D.17 and D.18) which are or may become material, except for those arising under collaboration agreements.

## D.19. Other commitments, litigation and claims

### *Commitment to purchase shares in subsidiaries*

In August 2003, Sanofi-Synthélabo signed an agreement with its partner Hangzhou Minsheng Pharmaceuticals Group giving it the option to acquire additional shares, taking its interest to 100%, in their joint subsidiary in China.

### *Research and development collaborations*

The Group may be required to make payments to research and development partners under collaboration agreements. These agreements typically cover multiple products and give the Group the option to participate in development on a product-by-product basis. When the Group exercises an option with respect to a product, it pays its collaboration partner a fee and receives intellectual property rights to that product in exchange. The Group is also generally required to fund some or all of the development costs for products that it selects and to make payments to its partners when those products reach development milestones.
The Group's principal collaboration agreements are:

- A collaboration agreement with Cephalon for the development of angiogenesis inhibitors, in respect of which the payment for the first product could reach 32 million US dollars.
- Under a strategic collaboration agreement signed in 2001, IDM granted Sanofi-Synthélabo 20 development options on current and future research and development programs. For each option that leads to a commercially marketed product, IDM could receive a total of between 17 and 32 million euros, depending on the potential of the market, plus reimbursement of the development costs. Contractually, Sanofi-Synthélabo may suspend the development program for each option exercised at any time and without penalty. As of December 31, 2003, Sanofi-Synthélabo exercised only one option, relating to a program for the treatment of melanoma.
- There are two further contracts relating to research work which could give rise to deferred payments of between 1 and 4 million euros per molecule.

Because of the uncertain nature of the development work, it is impossible to predict if the Group will exercise an option for a product or if the expected milestones will be achieved, or to predict the number of molecules that will reach the relevant milestones. For this reason, it is impossible to estimate the maximum aggregate amount that Sanofi-Synthélabo will actually pay in the future under outstanding collaboration agreements. Given the nature of its business, it is highly unlikely that Sanofi-Synthélabo will exercise all options for all products or that all milestones will be achieved.

### *Litigation and claims*

Following the merger of Sanofi and Synthélabo, the Group was in dispute with its co-shareholders in the Yves Rocher Group, who rejected the registration in the name of the merged entity Sanofi-Synthélabo of the Group's shares in Financière des Laboratoires de Cosmétologie Yves Rocher and Laboratoires de Biologie Végétale Yves Rocher. They had previously been held by Sanofi.
Following the expert's conclusions in November 2001, and in accordance with the judgment, Laboratoires de Biologie Végétale Yves Rocher arranged for the acquisition of the Group's interest in its capital.
Pursuant to a judgment from the Rennes Appeal Court dated January 10, 2001, Sanofi-Synthélabo remains a shareholder of Financière des Laboratoires de Cosmétologie Yves Rocher, with an interest of 39.1%.
During the first six months of 2001, both Sanofi-Synthélabo and Financière des Laboratoires de Cosmétologie Yves Rocher appealed separately to the highest procedural court in France ("Cour de Cassation") on the appeal judgments. Their appeals were rejected on May 6, 2003.

### *Environmental risks*

The Group is involved in various stages of investigation and cleanup relating to environmental matters at certain locations. Whenever identified, the Group's practice is to determine the nature and scope of contingencies related to environmental remediation activity and obtain and accrue estimates of the cost of remediation. For each period presented, the estimates of cleanup costs have been accrued. As the Group continues its efforts to ensure compliance with environmental laws and regulations, additional contingencies may be identified. The Group does not believe that additional costs that could arise from environmental remediation activities will have a significant adverse effect on its financial position or results.

## D.20. Personnel costs

Personnel costs, which include compensation and other benefits paid to employees leaving the Group during the period, totaled 1,992 million euros in the year ended December 31, 2003, against 1,937 million euros in the year ended December 31, 2002 and 1,708 million euros in the year ended December 31, 2001.
Employee numbers as of December 31, 2003, 2002 and 2001 were 33,086, 32,436 and 30,514 respectively.
Employee numbers by function as of December 31, 2003, 2002 and 2001 were as follows:

| | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Research and development | 6,877 | 6,718 | 6,273 |
| Sales force | 11,601 | 11,015 | 10,336 |
| Production | 7,901 | 8,043 | 7,651 |
| Other | 6,707 | 6,660 | 6,254 |
| **Total** | **33,086** | **32,436** | **30,514** |

Remuneration paid to the 13 key executive managers of the Group during the year ended December 31, 2003 totaled 8.8 million euros, against 7.5 million euros in the year ended December 31, 2002 (12 executives) and 6.2 million euros in the year ended December 31, 2001 (12 executives).

## D.21. Other operating income/(expense), net

In 2003, other operating income and expense, related mainly to operations with Bristol-Myers Squibb (see note C.1), represented a net gain of 248 million euros against 190 million euros in 2002, an increase of 30.5% relative to the previous year.
In 2003, Sanofi-Synthélabo's share of profits generated by Plavix® and Avapro® in North America, the territory managed by Bristol-Myers Squibb, amounted to 436 million euros, against 348 million euros in 2002. Conversely, profits passed on to Bristol-Myers Squibb in respect of the territory managed by Sanofi-Synthélabo totaled 172 million euros in 2003, compared with 142 million euros in 2002.

## D.22. Financial income/(expense), net

This line includes a net foreign exchange gain of 103 million euros in 2003, compared with 48 million euros in 2002 and 5 million euros in 2001.

## D.23. Exceptional items

Exceptional items for the years ended December 31, 2003, 2002 and 2001 comprise:

| In millions of euros | Year ended December 31, 2003 | Year ended December 31, 2002 | Year ended December 31, 2001 |
|---|---|---|---|
| Net gains on disposals | 24 | 10 | 281 |
| Other exceptional items | – | – | – |
| **Total** | **24** | **10** | **281** |

There were no material disposals in 2003 or 2002.
In 2001, net gains on disposals related principally to the four major divestitures during the period: Sylachim, Porgès, Ela Medical and the direct holding in Laboratoires de Biologie Végétale Yves Rocher (see note D.1). The gain on these four major divestitures included an allocation of part of the goodwill arising on the merger between Sanofi and Synthélabo, which was initially offset against consolidated shareholders' equity.

## D.24. Income taxes

The Group has opted for tax consolidations in a number of countries, principally France, Germany and the United States.
Pre-tax net income and the corresponding tax charge for the years ended December 31, 2003, 2002 and 2001 break down as follows:

| In millions of euros | Year ended December 31, 2003 | Year ended December 31, 2002 | Year ended December 31, 2001 |
|---|---|---|---|
| **Pre-tax net income** | | | |
| France | 1,473 | 1,357 | 1,317 |
| Rest of the world | 1,644 | 1,215 | 1,097 |
| **Total** | **3,117** | **2,572** | **2,414** |
| **Income tax** | | | |
| France | (426) | (335) | (473) |
| Rest of the world | (632) | (411) | (369) |
| **Total** | **(1,058)** | **(746)** | **(842)** |

The income tax charge for the years ended December 31, 2003, 2002 and 2001 comprises:

| In millions of euros | Year ended December 31, 2003 | Year ended December 31, 2002 | Year ended December 31, 2001 |
|---|---|---|---|
| Current taxation | (1,076) | (794) | (906) |
| Deferred taxation | 18 | 48 | 64 |
| **Total** | **(1,058)** | **(746)** | **(842)** |

| In millions of euros | Year ended December 31, 2003 | Year ended December 31, 2002 | Year ended December 31, 2001 |
|---|---|---|---|
| Tax on income before exceptional items | (1,049) | (745) | (778) |
| Tax on exceptional items | (9) | (1) | (64) |
| **Total** | **(1,058)** | **(746)** | **(842)** |

The difference between the effective tax rate and the standard corporate income tax rate applicable in France for each of the years ended December 31 2003, 2002 and 2001 is explained as follows:

| As % | Year ended December 31, 2003 | Year ended December 31, 2002 | Year ended December 31, 2001 |
|---|---|---|---|
| Tax rate applicable in France | 35 | 35 | 36 |
| Impact of income tax at reduced rate in France | (3) | (4) | (3) |
| Lorex Pharmaceuticals | – | (1) | – |
| Other | 2 | (1) | 3 |
| **Effective tax rate on income before exceptional items** | **34** | **29** | **36** |
| Impact of exceptional items | – | – | (1) |
| **Effective tax rate** | **34** | **29** | **35** |

As indicated in note C.2, Lorex Pharmaceuticals has been fully consolidated by the Group since January 1, 2002. Net income before exceptional items and goodwill amortization therefore includes all the profits and losses of Lorex Pharmaceuticals, including the share of net income reverting to Pharmacia-Searle for the period from January 1, 2002 through April 15, 2002. Because Lorex Pharmaceuticals is a tax-transparent entity, the "Income taxes" line includes only the charge attributable to the Group. This had the effect of reducing the effective tax rate by 1.2 points during the year ended December 31, 2002.
The "Other" line includes the difference between the French tax rate and the tax rate applicable in other countries and the impact of the revaluation of certain of the Group's tax exposures.
Income tax payments made by the Group totaled 908 million euros in 2003, 1,120 million euros in 2002 and 449 million euros in 2001.

## D.25. Minority interests

In 2002, minority interests mainly comprised the share in the net income of Lorex Pharmaceuticals reverting to Pharmacia-Searle for the period from January 1, 2002 through April 15, 2002 (see note C.2).

## D.26. Related party transactions

Financial relations with the Total and L'Oréal groups were not material as of December 31, 2003, 2002 and 2001.

## D.27. Split of net sales

The Group is not dependent on any single customer or group of customers for its sales.
Products are sold throughout the world to a wide range of customers including pharmacies, hospitals, chain warehouses, governments, physicians, wholesalers and other distributors.
Sales of selected products for each of the years ended December 31, 2003, 2002 and 2001 are as follows:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| Stilnox® /Ambien® /Myslee® | 1,345 | 1,424 | 786 |
| Plavix® | 1,325 | 987 | 705 |
| Eloxatine® | 824 | 389 | 196 |
| Aprovel® /Avapro® | 683 | 562 | 423 |
| Fraxiparine® | 319 | 324 | 297 |
| Dépakine® | 277 | 267 | 243 |
| Xatral® | 222 | 182 | 148 |
| Solian® | 148 | 135 | 116 |
| Cordarone® | 146 | 162 | 162 |
| Tildiem® | 131 | 141 | 152 |

## D.28. Segment information

The Group operates in one significant business segment: the research and development, production and sale of pharmaceutical products.
The Group has aggregated all its ethical product lines because they have close similarities in terms of regulatory environment, production process, distribution methods and customer profile. The Group's generics and OTC activities are not material, and have been aggregated with its ethical activities.
The Group mainly operates in three geographical segments: "Europe", "the United States" and "Other countries".
The table below gives net sales, operating profit, total assets and long-lived assets by geographical segment. Net sales and operating profit are allocated based on the location of the end customer. Total assets and long-lived assets are allocated based on the location of the subsidiary.

**Year ended December 31, 2003**

| In millions of euros | Total | Europe | United States | Other countries | Unallocated costs[1] |
|---|---|---|---|---|---|
| Net sales | 8,048 | 4,693 | 1,912 | 1,443 | – |
| Operating profit | 3,075 | 1,874 | 2,025 | 561 | (1,385) |
| Total assets | 9,749 | 7,381 | 1,728 | 640 | – |
| Including long-lived assets | 2,712 | 1,756 | 823 | 133 | – |

Net sales generated in France and long-lived assets situated in France, where the Group is headquartered, totaled 1,646 million euros and 1,225 million euros respectively as of December 31, 2003.

(1) Unallocated costs consist mainly of fundamental research and worldwide development of pharmaceutical molecules, and part of the cost of support functions.

**Year ended December 31, 2002**

| In millions of euros | Total | Europe | United States | Other countries | Unallocated costs[1] |
|---|---|---|---|---|---|
| Net sales | 7,448 | 4,297 | 1,689 | 1,462 | – |
| Operating profit | 2,614 | 1,633 | 1,781 | 522 | (1,322) |
| Total assets | 9,459 | 6,968 | 1,814 | 677 | – |
| Including long-lived assets | 2,899 | 1,715 | 1,052 | 132 | – |

Net sales generated in France and long-lived assets situated in France, where the Group is headquartered, totaled 1,584 million euros and 1,182 million euros respectively as of December 31, 2002.

**Year ended December 31, 2001**

| In millions of euros | Total | Europe | United States | Other countries | Unallocated costs[1] |
|---|---|---|---|---|---|
| Net sales | 6,488 | 3,877 | 1,098 | 1,513 | – |
| Operating profit | 2,106 | 1,427 | 1,311 | 456 | (1,088) |
| Total assets | 9,967 | 7,924 | 1,321 | 722 | – |
| Including long-lived assets | 2,296 | 1,558 | 602 | 136 | – |

Net sales generated in France and long-lived assets situated in France, where the Group is headquartered, totaled 1,487 million euros and 1,096 million euros respectively as of December 31, 2001.

# E. Post balance sheet events

On January 7, 2004, Sanofi-Synthélabo reached agreement with Organon to acquire all Organon's rights relating to Arixtra®, idraparinux and other oligosaccharides (see note C.3). The price of this transaction is based largely on future sales.
As well as taking over all ongoing development programs, Sanofi-Synthélabo will bear all research and development costs. In return, the phased payments described in note D.18 are canceled.

On January 26, 2004, Sanofi-Synthélabo announced a share and cash offer for the shares of Aventis. This offer, driven by a compelling strategic rationale, will deliver strong, sustainable and profitable growth.
If the bid succeeds, it will create the n° 1 in Europe and n° 3 in the world in the pharmaceuticals industry.
The new group will benefit from a large portfolio of high-growth drugs and enjoy firmly established positions in key fast-growth therapeutic fields such as cardiovascular, thrombosis, cancer, diabetes, central nervous system, urology, internal medicine and human vaccines.
Annual synergies are expected to be 1.6 billion euros before tax, with 10% achievable in 2004, 60% in 2005 and 100% from 2006.
Integration and restructuring costs are forecast at around 2 billion euros.
The offer was approved unanimously by the Board of Directors of Sanofi-Synthélabo on January 25, 2004 and is fully supported by Total and L'Oréal, Sanofi-Synthélabo's principal shareholders.
The principal terms of the offer are as follows:

- A standard entitlement of 5 Sanofi-Synthélabo shares[2] and 69 euros in cash for 6 Aventis shares[2];
- An all stock election: 35 Sanofi-Synthélabo shares[2] for 34 Aventis shares[2];
- An all cash election: 60.43 euros in cash for each Aventis share[2];
- Aventis shareholders can opt for any or a combination of the above, provided that, in aggregate, 81% of the Aventis shares tendered will be exchanged for Sanofi-Synthélabo shares and 19% of the Aventis shares tendered will be exchanged for cash.

The offer is conditional upon obtaining over 50% of the issued share capital and voting rights of Aventis on a fully diluted basis, as well as completion of the review by the American Antitrust Authorities.
A General Meeting of Sanofi-Synthélabo shareholders will be convened to approve the issuance of the new shares to be exchanged for the Aventis shares tendered.
Sanofi-Synthélabo estimates that the offer should be completed during the second quarter of 2004.
In connection with this offer, Sanofi-Synthélabo announced that it had begun the process of divesting its interests in Arixtra® and Fraxiparine®.

On January 30, 2004, the Sanofi-Synthélabo Group reached agreement with Taisho Pharmaceutical Co. Ltd. to acquire the latter's 49% interest in the Sanofi-Synthelabo-Taisho Pharmaceutical Co. Ltd. joint venture. This joint venture markets the anti-arrhythmic Ancaron® (amiodarone hydrochloride) in Japan.

(1) Unallocated costs consist mainly of fundamental research and worldwide development of pharmaceutical molecules, and part of the cost of support functions.

(2) Dividend attached.

# F. List of companies included in the consolidation for the year ended December 31, 2003

## F.1. Fully consolidated

### Europe

| | | Financial interest % |
|---|---|---|
| Lichtenstein GmbH | Germany | 100 |
| Lichtenstein Verwaltungs GmbH | Germany | 100 |
| Sanofi-Synthélabo GmbH | Germany | 100 |
| Sanofi-Synthélabo Holding GmbH | Germany | 100 |
| Sanofi-Synthélabo Gesmbh / Bristol-Myers Squibb GesmbH OHG[1] | Austria | 51 |
| Sanofi-Synthélabo GmbH | Austria | 100 |
| Sanofi-Synthélabo SA/ NV | Belgium | 100 |
| Sanofi-Synthélabo A/S | Denmark | 100 |
| Sanofi Winthrop BMS partnership[1] | Denmark | 51 |
| Sanofi-Synthélabo SA | Spain | 100 |
| Synthélabo SA | Spain | 100 |
| Sanofi Winthrop BMS partnership[1] | Finland | 51 |
| Sanofi-Synthélabo OY | Finland | 100 |
| Dakota Pharm | France | 100 |
| Francopia | France | 100 |
| Groupement Fabrication Pharmaceutique | France | 100 |
| Institut d'édition Sanofi-Synthélabo[2] | France | 100 |
| Laboratoires Irex | France | 100 |
| Sanofi Développement Pharma | France | 100 |
| Sanofi Chimie | France | 100 |
| Sanofi Participation | France | 100 |
| Sanofi Pharma Bristol-Myers Squibb[1] | France | 51 |
| Sanofi-Synthélabo | France | 100 |
| Sanofi-Synthélabo France | France | 100 |
| Sanofi-Synthélabo Groupe | France | 100 |
| Sanofi-Synthélabo OTC | France | 100 |
| Sanofi-Synthélabo Recherche | France | 100 |
| Sanofi Winthrop Industries | France | 100 |
| Secipe | France | 100 |
| SPI | France | 100 |
| Synthélabo Biomédical[2] | France | 100 |
| Sanofi-Synthélabo A.E | Greece | 100 |
| Chinoin | Hungary | 99 |
| Sanofi-Synthélabo RT | Hungary | 100 |
| Sanofi-Synthélabo Ireland Ltd | Ireland | 100 |
| Inverni Della Beffa Spa | Italy | 100 |
| Sanofi-Synthélabo OTC Spa | Italy | 100 |
| Sanofi-Synthélabo Spa | Italy | 100 |
| Sanofi-Synthélabo AS | Norway | 100 |
| Sanofi Winthrop BMS partnership ANS[1] | Norway | 51 |
| Sanofi-Synthélabo BV | Netherlands | 100 |
| Sanofi-Synthélabo Polholding BV | Netherlands | 100 |
| Sanofi-Synthélabo Row BV | Netherlands | 100 |
| Sanofi Winthrop BMS VOF[1] | Netherlands | 51 |
| Synthélabo Netherlands BV | Netherlands | 100 |
| Sanofi-Synthélabo Sp Zoo | Poland | 100 |
| Irex Promocao e Comercializacao de produtos farmaceuticos Lda | Portugal | 100 |
| Sanofi-Synthélabo Produtos Farmaceuticos SA | Portugal | 100 |
| Sanofi Winthrop BMS AEIE[1] | Portugal | 51 |
| Sanofi-Synthélabo sro | Czech Republic | 100 |
| Laboratoires Irex Sro | Czech Republic | 100 |
| Sanofi-Synthélabo Ltd | United Kingdom | 100 |
| Sanofi-Synthélabo UK Ltd | United Kingdom | 100 |
| Sterwin Medicines Ltd | United Kingdom | 100 |
| Sanofi-Synthélabo Slovakia s.r.o. | Slovakia | 100 |
| Sanofi Winthrop BMS partnership[1] | Sweden | 51 |
| Sanofi-Synthélabo AB | Sweden | 100 |
| Sanofi SA-AG (Genève) | Switzerland | 100 |
| Sanofi-Synthélabo (Switzerland) SA | Switzerland | 100 |
| Synthélabo Pharma Switzerland[3] | Switzerland | 100 |
| Sanofi-Synthélabo CIS & Easterncountries SA | Switzerland | 100 |
| Dogu Ilac Veteriner Urunleri SA | Turkey | 100 |
| Sanofi-Synthélabo Ilac AS | Turkey | 100 |
| Sanofi-Dogu BMS ADI Ortakligi partnership[1] | Turkey | 51 |

### United States

| | | |
|---|---|---|
| Lorex Pharmaceuticals Inc. | USA | 100 |
| Sanofi-Synthélabo Inc | USA | 100 |
| Lorex Inc | USA | 100 |

### Other countries

| | | |
|---|---|---|
| JV Omnipharma (Pty) Limited | South Africa | 100 |
| Sanofi-Synthélabo (Pty) Ltd | South Africa | 100 |
| Institut Médical Algérien (IMA) | Algeria | 100 |
| Sanofi-Synthélabo de Argentina SA | Argentina | 100 |

(1) Joint-venture with Bristol-Myers Squibb, consolidated using the method described in note C.1.

(2) Company liquidated during the year.

(3) Company absorbed by other consolidated companies during the year.

| | | Financial interest % |
|---|---|---|
| Sanofi-Synthélabo Australia Pty Ltd | Australia | 100 |
| Sanofi-Synthélabo do Brasil Ltda | Brazil | 100 |
| Sanofi-Synthélabo Ltda | Brazil | 100 |
| Sanofi-Synthélabo Canada Inc | Canada | 100 |
| Sanofi-Synthélabo de Chile | Chile | 100 |
| Hangzhou Sanofi-Synthélabo Minsheng Pharma Co Ltd | China | 75 |
| Lakor Farmaceutica SA | Colombia | 100 |
| Pacifico Pharma | Colombia | 100 |
| Sanofi-Synthélabo de Colombie SA | Colombia | 100 |
| Sanofi-Synthélabo Korea Co Ltd | Korea | 100 |
| Sanofi-Synthélabo del Ecuador SA | Ecuador | 100 |
| Sanofi-Synthélabo HK Ltd | Hong Kong | 100 |
| Sanofi BMS Hong-Kong[1] | Hong Kong | 51 |
| Sanofi-Synthélabo India Ltd | India | 100 |
| PT Sanofi-Synthélabo Combiphar | Indonesia | 70 |
| Sanofi-Synthélabo Meiji Pharmaceuticals Co Ltd | Japan | 51 |
| Sanofi-Synthélabo Taisho Pharmaceuticals Co Ltd | Japan | 51 |
| Sanofi-Synthélabo Yamanouchi Pharmaceuticals KK | Japan | 51 |
| Sanofi-Synthélabo KK | Japan | 100 |
| Sanofi-Synthélabo (Malaysia) SDN-BHD | Malaysia | 100 |
| Sanofi-Synthélabo BMS Malaysia partnership[1] | Malaysia | 51 |
| Laboratoires Maphar | Morocco | 81 |
| Sanofi-Synthélabo Maroc | Morocco | 100 |
| Rudefsa | Mexico | 100 |
| Sanofi-Synthélabo de Mexico SA | Mexico | 100 |
| Sanofi-Synthélabo (NZ) Ltd | New Zealand | 100 |
| Sanofi-Synthélabo Panama | Panama | 100 |
| Sanofi-Synthélabo del Peru SA | Peru | 100 |
| Synthélabo Delagrange del Peru[2] | Peru | 100 |
| Sanofi-Synthélabo Philippines Inc | Philippines | 100 |
| Sanofi-Synthélabo de la Republica Dominicana | Dominican Rep. | 100 |
| Sanofi BMS[1] | Singapore | 51 |
| Sanofi-Synthélabo (Singapore) Pte Ltd | Singapore | 100 |
| Fujisawa Sanofi-Synthélabo Pharmaceuticals Co Ltd | Taiwan | 51 |
| Sanofi-Synthélabo Taiwan Limited | Taiwan | 100 |
| Sanofi-Synthélabo (Thailand) Ltd | Thailand | 100 |
| Synthélabo (Thailand) Ltd | Thailand | 100 |
| Sanofi-Synthélabo Adwya SA | Tunisia | 51 |
| Sanofi-Synthélabo Tunisie | Tunisia | 70 |
| Sanofi-Synthélabo Uruguay SA | Uruguay | 100 |
| Sanocore de Venezuela S.A[2] | Venezuela | 100 |
| Sanofi-Synthélabo de Venezuela SA | Venezuela | 100 |
| Sanofi-Synthélabo Vietnam | Vietnam | 70 |

## F.2. Equity-accounted

### Europe

| | | |
|---|---|---|
| CKW Pharma-Extrakt | Germany | 50 |
| Belgopia SA NV | Belgium | 49 |
| Alcaliber SA | Spain | 40 |
| Financière des Laboratoires de Cosmétologie Yves Rocher[3] | France | 39 |
| Sofarimex | Portugal | 40 |

## F.3. Proportionately consolidated

### Europe

| | | |
|---|---|---|
| Synthélabo Tanabe Chimie | France | 50 |
| Fonda BV | Netherlands | 50 |

### United States

| | | |
|---|---|---|
| Organon – Sanofi-Synthélabo LLC | USA | 50 |

### Other countries

| | | |
|---|---|---|
| Organon Sanofi-Synthélabo Canada Partnership | Canada | 50 |
| Fujisawa Sanofi-Synthélabo | Japan | 51 |
| Organon Sanofi-Synthélabo Mexico SA de CV | Mexico | 50 |
| Fujisawa Sanofi-Synthélabo Pharmaceuticals company Limited | Taiwan | 51 |

The main non-consolidated companies are presented in note D.6.

(1) Joint-venture with Bristol-Myers Squibb, consolidated using the method described in note C.1.

(2) Company absorbed by other consolidated companies during the year.

(3) Based on the consolidated financial statements of Financière des Laboratoires de Cosmétologie Yves Rocher.

# Consolidated financial summary

| In millions of euros | Year ended December 31, 2003 | Year ended December 31, 2002 | Year ended December 31, 2001 | Year ended December 31, 2000 | 6 months ended December 31, 1999 |
|---|---|---|---|---|---|
| **Financial position at period-end** | | | | | |
| Share capital | 1,466 | 1,465 | 1,464 | 1,463 | 1,462 |
| Number of shares in issue | 732,848,072 | 732,367,507 | 732,005,084 | 731,441,746 | 731,143,218 |
| Net sales | 8,048 | 7,448 | 6,488 | 5,963 | 2,658 |
| Operating profit | 3,075 | 2,614 | 2,106 | 1,577 | 531 |
| Operating cash flow before changes in working capital | 2,428 | 2,260 | 1,732 | 1,295 | 466 |
| Net income before income from equity investees, goodwill amortization and minority interests | 2,067 | 1,834 | 1,579 | 995 | 344 |
| Net income | 2,076 | 1,759 | 1,585 | 985 | 342 |
| Dividends | | 579 | 473 | 317 | – |
| **Per share data (in euros)** | | | | | |
| Net income before income from equity investees, goodwill amortization and minority interests | 2.94 | 2.52 | 2.16 | 1.36 | 0.47 |
| Net income | 2.95 | 2.42 | 2.17 | 1.35 | 0.47 |
| Dividends (net) | | 0.84 | 0.66 | 0.44 | – |

# Fees charged to the Group for services provided by the statutory auditors and by member firms of their networks

| | 2003 | | | | 2002 | | | |
|---|---|---|---|---|---|---|---|---|
| | PricewaterhouseCoopers | | Ernst & Young | | PricewaterhouseCoopers | | Ernst & Young | |
| | K€ | % | K€ | % | K€ | % | K€ | % |
| **Audit** | | | | | | | | |
| • Statutory audit, certification, examination of individual company financial statements and consolidated financial statements | **2,424** | | **2,522** | | **2,757** | | **2,527** | |
| – France | *1,355* | | *1,321* | | *1,602* | | *1,273* | |
| – Other countries | *1,069* | | *1,201* | | *1,155* | | *1,254* | |
| • Related engagements | **724** | | **926** | | **164** | | **659** | |
| **Sub-total** | **3,148** | **86%** | **3,448** | **72%** | **2,921** | **83%** | **3,186** | **84%** |
| **Other services** | | | | | | | | |
| • **Tax** | **437** | | **898** | | **548** | | **527** | |
| – France | – | | – | | – | | *69* | |
| – Other countries | *437* | | *898* | | *548* | | *458* | |
| • Information technology | – | | – | | – | | – | |
| • Internal audit | – | | – | | – | | – | |
| • Other | **57** | | **419** | | **43** | | **92** | |
| **Sub-total** | **494** | **14%** | **1,317** | **28%** | **591** | **17%** | **619** | **16%** |
| **Total** | **3,642** | **100%** | **4,765** | **100%** | **3,512** | **100%** | **3,805** | **100%** |

# Note on progress towards transition to IFRS

Sanofi-Synthélabo, like all European listed companies, will be required to apply International Financial Reporting Standards (IFRS) in preparing consolidated financial statements for financial years opening on or after January 1, 2005 (European regulation issued September 11, 2002).

In 2003, Sanofi-Synthélabo initiated an IFRS conversion project for its consolidated financial statements. This project is structured as follows:

- workgroups tasked with detailed diagnostics work;
- a project committee tasked with managing the conversion project;
- a technical committee tasked with validating the accounting policies adopted.

The IFRS conversion project is split into three phases.

**Phase 1** is nearing completion, and aims to identify divergences between current Group accounting policies and IFRS, study the range of options, assess the impacts and draw up an action plan.
For this first phase, Sanofi-Synthélabo has set up a network of workgroups. Each workgroup is dedicated to a specific topic tied in to one or more IFRS standards.

**Phase 2** aims to perform a detailed impact analysis, using information already available or obtained with the aid of specific questionnaires. This phase also includes training for relevant Group staff.

**Phase 3** will be devoted to implementing the policies adopted, and preparing proforma financial statements for previous financial years.

The Group's auditors will validate the options chosen during each phase.

The admission of Sanofi-Synthélabo to listing on the New York Stock Exchange (NYSE) in 2002 demonstrated our ability to adapt our processes and systems and to prepare financial statements under a different set of accounting standards. The review carried out at this time enabled us to identify, anticipate and use options available under existing French accounting standards to achieve closer convergence with IFRS. This led to the Group adopting a number of the preferred treatments described in the French regulation on preparing consolidated financial statements (CRC 99-02):

- recognition of pension and similar obligations and other post-employment benefits (notes B.20 and D.14.1 to the consolidated financial statements);
- balance sheet recognition of finance leases (note B.7 to the consolidated financial statements);
- recording of foreign exchange gains and losses after income statement recognition of hedging operations (note B.3 to the consolidated financial statements).

In 2003, the Group Sanofi-Synthélabo has taken steps to comply requiring a more detailed analysis of fixed assets with the new CRC Rule 2002-10 on asset depreciation, amortization and impairment, electing for the component-based accounting treatment. This rule is convergent with IFRS.

The experience already gained in this field will enable us to present early in 2005 fully quantified disclosures of the impact of the transition to IFRS.

# Summary of the reconciliation of French GAAP with US GAAP accounts

In connection with its obligations resulting from the listing of its shares under the form of American Depositary Receipts in the United States, Sanofi-Synthélabo filed an annual report ("Form 20-F") in English with the Securities and Exchange Commission ("SEC") which is available on both the company's website at www.sanofi-synthelabo.com and on the SEC's website at www.sec.gov. This "Form 20-F" includes, in particular, consolidated financial statements with a table reconciling net income and shareholders' equity prepared in accordance with French GAAP to US GAAP.
The reconciliation between these French GAAP consolidated financial statements and those that would be presented according to US GAAP, as published in the Form 20-F, is set out below:

The effects of the application of US GAAP on net income for each of the years ended December 31, 2003, 2002 and 2001 are set out in the table below:

| In millions of euros | Year ended December 31, 2003 | Year ended December 31, 2002 | Year ended December 31, 2001 |
|---|---|---|---|
| **Net income, as reported under French GAAP** | **2,076** | **1,759** | **1,585** |
| **US GAAP adjustments:** | | | |
| (a) Purchase accounting: | | | |
| Synthélabo Group | (249) | (265) | (364) |
| Sterling | (20) | (46) | (52) |
| Other | – | – | (29) |
| (b) Provisions and other liabilities | – | – | (23) |
| (c) Stock-based compensation | (50) | (8) | (8) |
| (d) Revenue recognition – US BMS Alliance | 33 | 117 | (136) |
| (e) Other | (16) | 31 | (42) |
| (f) Deferred income tax effect on above adjustments | 94 | 54 | 169 |
| (g) Deferred income tax on equity investees | (3) | (2) | (2) |
| **Total US GAAP adjustments** | **(211)** | **(119)** | **(487)** |
| **Net income, as determined under US GAAP** | **1,865** | **1,640** | **1,098** |

The effects of the application of US GAAP on shareholders' equity as of December 31, 2003, 2002 and 2001 are set out in the table below:

| In millions of euros | December 31, 2003 | December 31, 2002 | December 31, 2001 |
|---|---|---|---|
| **Shareholders' equity, as reported under French GAAP** | **6,323** | **6,035** | **5,768** |
| **US GAAP adjustments:** | | | |
| (a) Purchase accounting: | | | |
| Synthélabo Group | 8,170 | 8,465 | 8,761 |
| Sterling | 6 | 1 | 18 |
| Other | 91 | 110 | 148 |
| (b) Provisions and other liabilities | – | – | 35 |
| (c) Stock-based compensation | – | – | – |
| (d) Revenue recognition – US BMS Alliance | – | (35) | (160) |
| (e) Other | (635) | (695) | (456) |
| (f) Deferred income tax effect on above adjustments | (1,198) | (1,264) | (1,349) |
| (g) Deferred income taxes on equity investees | (21) | (18) | (16) |
| **Total US GAAP adjustments** | **6,413** | **6,564** | **6,981** |
| **Shareholders' equity, as determined under US GAAP** | **12,736** | **12,599** | **12,749** |

## The main adjustments were as follows:

### (a) Purchase accounting

- Sanofi-Synthélabo was formed following the merger of the Sanofi Group and the Synthélabo Group in 1999. Under French GAAP, the transaction between the Sanofi Group and the Synthélabo Group was accounted for as a merger, effective July 1, 1999, which resulted in the harmonization of accounting policies and the revaluation of assets and liabilities of both the Sanofi Group and the Synthélabo Group to adjust them to their value to the Group.
  Under US GAAP, the merger is required to be accounted for as a purchase. The Sanofi Group is deemed to be the accounting acquirer with the assets and liabilities of the Synthélabo Group being recorded at their estimated fair values.
  With effect from January 1, 2002, the goodwill recorded in US GAAP on the merger between Sanofi and Synthélabo is no longer amortized.
- In September 1994, Sanofi acquired the worldwide assets of the human healthcare division of Eastman Kodak ("Sterling").
  Under French GAAP, no goodwill or intangibles associated with the acquisition of Sterling are reflected in the Sanofi-Synthélabo consolidated financial statements.
  Under US GAAP certain intangible assets, including acquired in-process research and development, intellectual property rights and an assembled workforce, were valued and recorded, and were being amortized over their estimated useful lives ranging from 8 to 20 years.
- Under French GAAP, no goodwill or intangible assets associated with certain other acquisitions made by the Sanofi Group before June 30, 1999 are reflected in the Sanofi-Synthélabo consolidated financial statements. Under US GAAP, certain intangible assets, including assembled workforce, were initially valued and recorded, and were amortized over their estimated useful lives.
- Effective January 1, 2002, assembled workforces have been reclassified as goodwill and are no longer amortized.
- Goodwill and intangible assets accounted following business combinations have been subject to impairment tests. These tests, performed as of January 1, 2002, October 1, 2002, and October 1, 2003 identified no impairment of goodwill. Impairment tests performed on identified intangible assets during the year ended December 31, 2002 and 2003 resulted in the recognition of an impairment loss of respectively 80 and 67 million euros.

### (b) Accounting of provisions and other liabilities

Under US GAAP, loss contingencies may only be accrued if it is considered probable that a liability has been incurred as of the balance sheet date and the amount of loss can be reasonably estimated. In addition, for certain reserves such as restructuring charges, additional criteria must be met in order to allow recognition of contingent losses.
Effective January 1, 2002: under French GAAP, adoption of CRC 2000-06 has led the Group to review all liabilities existing as of January 1, 2002 for compliance with the new rules. There is now no longer any difference between French GAAP and US GAAP as regards the criteria for the recognition of provisions.

### (c) Stock-based compensation

Under French GAAP, no compensation expense related to stock-based compensation plans is recognized in the financial statements. The shares issued upon exercise of the options are reflected as an increase in share capital upon exercise of the option.
Under US GAAP, prior to 2003, the company accounted for stock-based employee compensation plans under the recognition and measurement provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. Under APB 25, when the exercise price of the stock options is less than the market price of the underlying shares on date of grant, compensation expense is recognized over the related vesting period, if any. Stock-based employee compensation cost determined in accordance with the provisions of APB 25 is reflected in 2002 and 2001 net income.
Effective January 1, 2003, the Group voluntarily adopted the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation". Under the modified prospective method of adoption selected by the Group under the provisions of FASB Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure", compensation cost recognized in 2003 is the same as that which would have been recognized had the recognition provisions of Statement 123 been applied from its original effective date. In accordance with FAS 123, compensation expense for options is measured by the fair value of the option at the date of grant and recognized over the vesting period. This fair value is estimated using the Black-Scholes option-pricing model. In accordance with the modified prospective method of adoption, results for prior years have not been restated.

## (d) Revenue recognition – BMS Alliance

Not all US GAAP revenue recognition criteria were met for sales made by alliance entities under the operational management of BMS to certain wholesalers made between 1999 and 2002. The related revenues have therefore been restated under US GAAP.

Certain revenues were recognized on the date of shipment, whereas under US GAAP they should have been recognized on a consignment basis. In the case of these sales, the risks and rewards of ownership are not treated as having been transferred under US GAAP, in that the wholesalers were holding inventory in excess of the requirements of their normal business cycle. Consequently, the seller had a future commitment to reduce the selling price to cover the costs incurred by the wholesalers in carrying the excess inventories.

Revenue recognition on a consignment basis involves accounting for the sale as deferred revenue on shipment, and accounting for the inventory physically held by the wholesaler as consignment inventory priced at cost. The revenue is recognized when the inventory is no longer subject to specific rebate conditions in favor of the wholesaler, or on final sale by the wholesaler at the latest.

These adjustments relate to entities treated as equity investees in the Group's US GAAP financial statements, and have an impact on these financial statements, primarily on the following three lines:

- revenues from licensing agreements,
- other income and expense, income from equity investees and minority interests,
- income tax.

In 2003 no more sales have been made on a consignment basis and as at December 31, 2003 all specific rebate conditions in favor of wholesaler have been accrued.

## (e) Other:

The aggregate adjustment included as "Other" in the reconciliations of consolidated net income and shareholders' equity as of and for the years ended December 31, 2003, 2002 and 2001, consists of:

| In millions of euros | Net income | | | Shareholders' Equity | | |
|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| **US GAAP adjustments** | | | | | | |
| Derivative financial instruments | 1 | 8 | (36) | 112 | 63 | 34 |
| Revenue recognition | – | – | 14 | – | – | – |
| Marketable and investment securities | (4) | (1) | – | 6 | 2 | 10 |
| Pensions and post-retirement benefits | (11) | (11) | (11) | (140) | (137) | (38) |
| Treasury shares | (2) | 35 | (9) | (613) | (623) | (462) |
| **Total adjustment, before tax** | **(16)** | **31** | **(42)** | **(635)** | **(695)** | **(456)** |

### *Treasury shares*

Under French GAAP, treasury shares repurchased for purposes of re-allocating them to employees pursuant to a stock-based compensation plan are recorded, as an asset in the Group's balance sheet. Their valuation depends on the probability of exercise at the closing date:

- purchase options whose future exercise is deemed probable, because their exercise price is less than their stock market value at the closing date, are valued separately for each plan at the lower of cost or exercise price;
- purchase options whose future exercise is deemed not probable, because their exercise price is higher than their stock market value at the closing date, are valued at the lower of their average acquisition cost or average stock market value during the last month; treasury shares repurchased that not yet allocated to specific plans or that became expired during the period are valued in accordance with the same method.

Under US GAAP, treasury shares repurchased are recorded, at cost, as a reduction of shareholders' equity.

As of December 31, 2003, the Group held 13,183,948 of its common shares in treasury for the purposes of stock-based compensation plans, for a net value of 613 million euros.

## (f) Deferred income tax effect on above adjustments

This adjustment reflects the tax effects of the adjustments reflected in the reconciliations of shareholders' equity and net income.

The Group is in a net deferred tax liability position under US GAAP principally due to the deferred tax liabilities recognized related to identified intangible assets recorded under US GAAP in connection with the merger of Sanofi and Synthélabo. The reversal of these deferred tax liabilities will allow the Group to realize the benefit of certain deferred tax assets under US GAAP. Therefore, this adjustment also includes the recognition of certain deferred tax assets under US GAAP.

## (g) Deferred income taxes on equity investees

Under French GAAP, a deferred tax liability is recorded for a taxable distribution when such distribution is considered probable. Under US GAAP, a deferred tax liability is recorded for the excess of the amount for financial reporting over the tax basis of investments in a 50%-or-less owned entity.

*Balance sheets and profit and loss statements prepared in accordance with the US GAAP rules, as well as the differences in presentation with detailed explanations on adjustments between French and American accounting principles described above are presented in Form 20-F available on both the company's website at www.sanofi-synthelabo.com and on the SEC's website at www.sec.gov.*

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# Parent company financial statements for the year ended December 31, 2003

# Report of the statutory auditors on the parent company financial statements

## Year ended December 31, 2003

*An English translation of the statutory auditors' report issued originally in French has been included solely for the convenience of English speaking readers. The statutory auditors report on the parent company financial statements includes for the information of the reader explanatory paragraphs discussing the assessment of major accounting policies and significant accounting estimates performed as part of reaching their audit opinion on the parent company financial statements taken as a whole. Such explanatory paragraphs included in "JUSTIFICATION OF OUR APPRECIATIONS" shall be construed in accordance with French law and French auditing professional standards.*

Gentlemen,

In our capacity as statutory auditors appointed by the general shareholders' meeting , we present below our report for the year ended December 31, 2003 on:

- The accompanying annual financial statements of Sanofi-Synthélabo,
- The specific procedures and disclosures prescribed by law,

The annual financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### Opinion on the financial statements

We conducted our audit in accordance with French professional standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, as well as evaluating the overall financial statement's presentation. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2003, and the results of its operations for the year then ended, in accordance with French accounting principles.

### Justification of our appreciations

In accordance with the requirements of Article L.225-235 of French Company Law which took effect this year, we performed the following procedures to enable us to express our opinion on the financial statements taken as a whole.
The equity investments presented in the balance sheet of your Company were valued in accordance with the principles described in note 1 c) to the financial statements. We have reviewed the elements used in estimating the values at year-end, and, when required, we have verified the computation of the reserves. We have nothing to report on these appreciations, with respect to the methodology used or to the reasonable basis of the valuation retained.
In 2002 and 2003, the Company implemented share repurchase programs under which the repurchased shares could be either held in treasury, sold, transferred or cancelled. Shares repurchased under these programs presented in the balance sheet under the line "long-term investments" for a net book value of M€ 1 979 as of December 31, 2003. The Company also has shares for its employee purchase option plans for a net book value of M€ 613 as of December 31, 2003, which are presented in the balance sheet under the line "Short term investments and deposits". The treasury shares were valued in accordance with the principles described in note 1 c) to the financial statements. We have verified that the accounting principles were correctly applied and the computation of the reserves as of December 31, 2003.

### Specific verifications

We have also carried out the specific procedures prescribed by French law, in accordance with French professional standards. We have nothing to report with respect to the fairness of information contained in the Director's report and its consistency with the financial statements and other information presented to shareholders concerning the financial position.
In accordance with French law we have ensured that the required information concerning the purchase of investments and controlling interests and the names and voting rights of the principal shareholders have been properly disclosed to you in the Director's report.

Paris, February 13, 2004

The Statutory Auditors

| PricewaterhouseCoopers Audit | | Ernst & Young Audit | |
|---|---|---|---|
| Jacques Denizeau | Jean-Christophe Georghiou | Jean-Claude Lomberget | Valérie Quint |

# Special report of the statutory auditors on certain related party transactions

## Year ended December 31, 2003

Gentlemen,

In our capacity as Statutory Auditors of Sanofi-Synthélabo S.A., we are required to report to shareholders on certain contractual agreements with certain related parties that have been disclosed to us by the company's management.

We are not required to ascertain whether any agreement exists.

We hereby inform you that we have not been advised of any contractual agreements covered by Article L225-38 of the French Company Law (Code de commerce).

Paris, February 13, 2004

The Statutory Auditors

| PricewaterhouseCoopers Audit | | Ernst & Young Audit | |
|---|---|---|---|
| Jacques Denizeau | Jean-Christophe Georghiou | Jean-Claude Lomberget | Valérie Quint |

# Balance sheet

## Assets

| In millions of euros | 2003 | 2002 | 2001 |
|---|---|---|---|
| Intangible assets | 343 | 453 | 65 |
| Tangible fixed assets | 122 | 101 | 74 |
| Long-term investments | 5,082 | 3,976 | 2,611 |
| **Fixed assets (note 3)** | **5,547** | **4,530** | **2,750** |
| **Receivables** (notes 4, 15 and 16) | | | |
| Advance payments to suppliers | 1 | 1 | 2 |
| Accounts receivable | 584 | 614 | 365 |
| Other current assets | 742 | 928 | 753 |
| Short-term investments and deposits (note 5) | 3,172 | 2,856 | 4,083 |
| Cash | 18 | 30 | 3 |
| **Current assets** | **4,517** | **4,429** | **5,206** |
| **Deferred charges** | **18** | **19** | **3** |
| **Unrealized foreign exchange losses** | **8** | **2** | **8** |
| **Total assets** | **10,090** | **8,980** | **7,967** |

The accompanying notes on page 84 to 100 are an integral part of the financial statements.

## Liabilities and shareholders' equity

| In millions of euros | 2003 | 2002 | 2001 |
|---|---|---|---|
| Share capital | 1,466 | 1,465 | 1,464 |
| Additional paid in capital | 1,584 | 1,578 | 1,485 |
| Reserves and retained earnings | 3,432 | 2,688 | 1,717 |
| Net income for the period | 1,684 | 1,323 | 1,442 |
| Special tax-allowable provisions | 1 | 1 | 1 |
| **Shareholders' equity (note 6)** | **8,167** | **7,055** | **6,109** |
| **Provisions for risks and charges (note 7)** | **264** | **239** | **496** |
| **Liabilities** (notes 4, 15 and 16) | | | |
| Bank and other debt | 820 | 777 | 735 |
| Accounts payable | 271 | 254 | 207 |
| Other current liabilities | 534 | 624 | 388 |
| Bank overdrafts | 17 | 15 | 1 |
| **Other liabilities** | **1,642** | **1,670** | **1,331** |
| **Deferred income** | **10** | **13** | **20** |
| **Unrealized foreign exchange gains** | **7** | **3** | **11** |
| **Total liabilities and shareholders' equity** | **10,090** | **8,980** | **7,967** |

The accompanying notes on page 84 to 100 are an integral part of the financial statements.

# Statement of income

| In millions of euros | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Operating income** (note 8) | **1,930** | **1,574** | **1,180** |
| Net sales | 339 | 273 | 176 |
| Other income | 1,591 | 1,301 | 1,004 |
| **Operating expenses** (note 9) | **(1,574)** | **(1,178)** | **(962)** |
| Other purchases and external charges | (1,100) | (947) | (742) |
| Taxes other than income taxes | (51) | (47) | (33) |
| Salaries and social security charges | (19) | (14) | (15) |
| Depreciations, amortizations and provisions | (256) | (111) | (82) |
| Other expenses | (148) | (59) | (90) |
| **Share in profits/losses of joint venture partnerships** (note 10) | **–** | **–** | **303** |
| **Operating profit** | **356** | **396** | **521** |
| Net investment income | 1,191 | 796 | 415 |
| Changes in provisions, cost transfers | (20) | (88) | 128 |
| Net foreign exchange gains/(losses) (note 11) | 102 | 85 | 18 |
| **Net financial income (note 12)** | **1,273** | **793** | **561** |
| **Net income before tax and exceptional items** | **1,629** | **1,189** | **1,082** |
| **Exceptional items (notes 2 and 13)** | **228** | **327** | **581** |
| Statutory employee profit-sharing | – | – | 1 |
| Income taxes (notes 2 and 14) | (173) | (193) | (222) |
| **Net income** | **1,684** | **1,323** | **1,442** |

The accompanying notes on page 84 to 100 are an integral part of the financial statements.

# Statement of cash flows

| In millions of euros | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Operating activities** | | | |
| Net income | 1,684 | 1,323 | 1,442 |
| Depreciation and amortization | 25 | 53 | 21 |
| Net charge to/(reversal of) provisions (*) | (60) | (140) | (65) |
| Gains on disposals of fixed assets (**) | (4) | 2 | (647) |
| Other items | – | 4 | (13) |
| **Operating cash flow before changes in working capital** | **1,645** | **1,242** | **738** |
| (Increase)/decrease in working capital | 218 | (417) | 41 |
| **Net cash provided by operating activities** | **1,863** | **825** | **779** |
| **Investing activities** | | | |
| Acquisitions of intangible assets and tangible fixed assets | (39) | (86) | (25) |
| Acquisitions of investments | (102) | (36) | (34) |
| Long-term loans and advances granted | – | (6) | (1) |
| Disposals of intangible assets and tangible fixed assets | 3 | 9 | 53 |
| Disposals of investments | 34 | 5 | 382 |
| Repayments of long-term loans & advances and other investing cash flows | 7 | – | – |
| **Net cash provided by/(used in) investing activities** | **(97)** | **(114)** | **375** |
| **Financing activities** | | | |
| Issuance of shares | 7 | 4 | 7 |
| Dividends paid | (579) | (473) | (317) |
| Change in debt due within less than one year (***) | 13 | (55) | (70) |
| Change in investments maturing within less than one year (***) | 110 | (378) | 690 |
| Net acquisitions of treasury shares (note 3) | (1,003) | (1,170) | (****) |
| **Net cash provided by/(used in) financing activities** | **(1,452)** | **(2,072)** | **310** |
| **Change in cash and cash equivalents** | **314** | **(1,361)** | **1,464** |
| Opening cash and cash equivalents | 2,263 | 3,624[2] | 2,622 |
| **Closing cash and cash equivalents[1]** | **2,577** | **2,263** | **4,086** |

(*) Excluding reversals of provisions relating to asset disposals
(**) Including reversals of provisions relating to asset disposals
(***) Including current accounts with subsidiaries
(****) Net acquisitions of treasury shares: 163 million euros in 2001

(1) As of December 31, 2003 and 2002, cash and cash equivalents include cash plus short-term investments other than treasury shares. As of December 31, 2001, cash and cash equivalents included treasury shares of 462 million euros. Bank overdrafts and bank accounts in credit are included in debt due within less than one year.

(2) The difference of 462 million euros between 2001 closing cash and cash equivalents and 2002 opening cash and cash equivalents corresponds to treasury shares, included in cash and cash equivalents prior to 2002.

# Notes to the financial statements

## Introduction

- The Extraordinary General Meeting of Sanofi-Synthélabo held on May 22, 2001 approved the merger of the subsidiary Laboratoires Synthélabo into Sanofi-Synthélabo. Because Sanofi-Synthélabo owned 100% of the shares of this company, these shares were cancelled and the merger did not result in the issuance of any new shares.
- On June 30, 2001, Sanofi-Synthélabo transferred the real estate assets of two industrial sites (Amilly and Tours) to its subsidiary Sanofi-Winthrop Industrie at a fair value of 27 million euros.
- The Extraordinary General Meeting of Sanofi-Synthélabo held on May 22, 2002 approved the merger of the three companies Sasy3, Laboratoires Cèdre and Sanofi Concept into Sanofi-Synthélabo. Because Sanofi-Synthélabo owned 100% of the shares of these companies, these shares were cancelled and the merger did not result in the issuance of any new shares.

## Note 1 Accounting policies

The financial statements for the year ended December 31, 2003 are presented in accordance with the law and regulations in force and with the following basic conventions:

- going concern;
- consistency of method;
- matching of costs and revenues.

The accounting policies and methods used are identical to those applied in the preparation of the financial statements for the year ended December 31, 2002.

### *a) Intangible assets*

Concessions, patents, licenses, trademarks, processes, rights and similar assets:
Intangible assets are amortized or written down over their period of legal protection, or over their estimated useful life where there is no such protection.

### *b) Tangible fixed assets*

Tangible fixed assets are valued at acquisition cost, comprising purchase price plus incidental costs required to bring the asset into usable condition.
Depreciation is charged on a straight-line basis. The company makes use of accelerated and exceptional depreciation where allowed by the tax authorities. The difference between accounting depreciation and tax depreciation is recorded as a reserve in the balance sheet on the "Tax depreciation" line under the heading "Special tax-allowable provisions".

Depreciation periods and methods are as follows:

| | Period | Method |
|---|---|---|
| Buildings and improvements to land | 15-30 years | Straight-line |
| Fixtures, fittings and installations | 10-20 years | Straight-line |

### *c) Participating interests, other long-term investments, short-term investments*

Initial recognition is at acquisition cost, excluding incidental purchase costs. If the fair value as defined under French accounting rules is less than the book value at the balance sheet date, a provision for impairment is recorded to cover the difference.

### Unlisted participating interests and other long-term investments

Various factors are used to estimate the value of such investments, including current and future earnings prospects, usefulness to the Group, shareholder's equity, the prospects for future sale, business conditions, and the criteria used in assessing the original investment.
In practice, this rule leads to a distinction being drawn between:

- interests in companies whose activities are carried on almost exclusively within the Group (facilities and service companies). In such cases, the net book value may under no circumstances exceed the share of shareholder's equity held;
- interests in companies whose industrial and commercial know-how give them a significant share of a sufficiently profitable market. In such cases, the company's market position, customer base and intangible assets may justify the investment being shown at a net book value in excess of the share of shareholder's equity held.

### Other listed long-term investments and short-term investments

Fair value is calculated by reference to the average quoted price for the last month of the period.
Short-term investments are valued at the lower of cost or market value. They include treasury shares acquired and held in connection with stock option plans and allocated to these plans over the term of the plan. The valuation method used depends on the probability that the option will be exercised:

- where exercise is probable, because the exercise price is lower than the stock market price at the balance sheet date, the shares are valued plan by plan at the lower of acquisition cost or exercise price;
- where exercise is improbable, because the exercise price is higher than the stock market price at the balance sheet date, and in the case of shares not yet allocated to plans or allocated to options that have lapsed, the shares are valued at the lower of the average acquisition cost of all these shares or the average stock market price for the last month of the financial year.

## *d) Foreign-currency transactions*

Foreign-currency income and expenses are recorded at the exchange rate prevailing on the transaction date. Foreign-currency liabilities, receivables and cash are recorded at the exchange rate prevailing at the balance sheet date. The difference arising from the restatement of foreign-currency liabilities and receivables at this rate is taken to the balance sheet as an unrealized foreign exchange gain or loss. A provision for foreign exchange risk is recorded to cover the unrealized foreign exchange losses arising from the calculation of an overall foreign exchange position on all assets, liabilities and off balance sheet commitments existing at the balance sheet date.
Capitalizable advances to subsidiaries made in foreign currencies remain in the balance sheet at face value, converted at the historical exchange rate.
Forward purchases and sales of foreign currencies are recorded off balance sheet at the historical exchange rate.

## *e) Retirement benefits commitments*

Sanofi-Synthélabo's pension and retirement benefit commitments are recognized as liabilities on the basis of an actuarial estimate of the potential rights vested in employees as of the balance sheet date, net of the valuation of funds available to meet these commitments.
Obligations to former employees are also recognized as liabilities.
The actuarial estimate of these commitments takes account of:

- the probability that current employees will remain with the Group until retirement, mortality rates, and assumptions on salary inflation;
- an assumption that retirement will take place at age 60 to 65 after a working life giving entitlement to full pension rights;
- discounting rates used to determine the present value of the commitments. The discounting rate used as of December 31, 2003 was 5.15%.

# Note 2 Taxation

Sanofi-Synthélabo has opted for a group tax election as allowed under articles 223 A-Q of the French General Tax Code.
As of December 31, 2003, 22 French subsidiaries more than 95% owned by Sanofi-Synthélabo were included in the group tax election.
The election is effective from 1999 through 2003.
Each company in the group tax election records its own income tax charge. The ultimate tax saving generated by the group tax election is recorded by the Sanofi-Synthélabo parent company as an exceptional item, including the impact of tax audits on the group tax election (see note 13).

## Note 3 Fixed assets

### Movements in fixed assets in the year ended December 31, 2003

| In millions of euros | Gross values | | | | | |
|---|---|---|---|---|---|---|
| | Opening balance | Acquisitions and other increases | Disposals and other decreases | Closing balance | Depreciations, amortization & impairment | Net book value |
| **Intangible assets** | **665** | **7** | **(2)** | **670** | **(327)** | **343** |
| Trading goodwill | 33 | – | – | 33 | (22) | 11 |
| Patents | 105 | – | – | 105 | (72) | 33 |
| Trademarks | 65 | – | – | 65 | (43) | 22 |
| Other intangible assets | 462 | 7 | (2) | 467 | (190) | 277 |
| **Tangible fixed assets** | **193** | **32** | **(9)** | **216** | **(94)** | **122** |
| Land & improvements to land | 14 | 3 | (1) | 16 | (3) | 13 |
| Buildings | 157 | 17 | (5) | 169 | (88) | 81 |
| Other tangible fixed assets | 5 | 2 | (1) | 6 | (3) | 3 |
| Fixed assets in progress | 17 | 10 | (2) | 25 | – | 25 |
| **Long-term investments** | **4,123** | **1,166** | **(68)** | **5,221** | **(139)** | **5,082** |
| Participating interests [1] | 3,098 | 108 | (58) | 3,148 | (112) | 3,036 |
| Loans/advances to participating interests | 15 | 39 | (7) | 47 | (8) | 39 |
| Other long-term investment securities [2] | 44 | - | (1) | 43 | (19) | 24 |
| Treasury shares [3] | 963 | 1,018 | (2) | 1,979 | – | 1,979 |
| Other long-term investments | – | 1 | – | 1 | – | 1 |
| Loans | 3 | – | – | 3 | – | 3 |

| In millions of euros | Depreciation, amortization and impairment | | | |
|---|---|---|---|---|
| | Opening balance | Charges and other increases | Disposals and reversals | Closing balance |
| **Intangible assets** | **212** | **139** | **(24)** | **327** |
| Trading goodwill | 18 | 4 | - | 22 |
| Patents | 63 | 9 | - | 72 |
| Trademarks | 39 | 4 | - | 43 |
| Other intangible assets | 92 | 122 | (24) | 190 |
| **Tangible fixed assets** | **92** | **9** | **(7)** | **94** |
| Land & improvements to land | 2 | 1 | - | 3 |
| Buildings | 86 | 8 | (6) | 88 |
| Other tangible fixed assets | 4 | - | (1) | 3 |
| **Long-term investments** | **147** | **64** | **(72)** | **139** |
| Participating interests [1] | 94 | 63 | (45) | 112 |
| Loans/advances to participating interests | 8 | - | - | 8 |
| Other long-term investment securities [4] | 19 | 1 | (1) | 19 |
| Treasury shares [3] | 26 | - | (26) | - |

(1) Details of the movement in participating interests and provisions for impairment are given below.
(2) See notes on Viropharma Inc and IDM below.
(3) Sanofi-Synthélabo shares held by the company itself.
(4) See note on Viropharma Inc below.

### Viropharma Inc

As of December 31, 2003, Sanofi-Synthélabo owned 750,000 shares in Viropharma Inc. These shares, received in 2001 in connection with the renegotiation of the Pleconaril license agreement, were valued at 19 million euros. In the light of the average listed stock market price for December 2003, a provision for impairment of 18 million euros has been recognized.

### Immuno-Designed Molecules (IDM)

As of December 31, 2003, Sanofi-Synthélabo owned 1,700,145 IDM shares, representing 12.54% of the capital. This percentage may change in the future due to (i) a commitment by Sanofi-Synthélabo, valid until July 31, 2004, to make an additional investment of 10 million euros in a further share issue, and (ii) the conversion of existing financial instruments giving access to the capital of IDM (share warrants).
Under a strategic collaboration agreement signed in 2001, IDM granted Sanofi-Synthélabo 20 development options on current and future research and development programs. For each option that leads to a commercially marketed product, IDM could receive a total of between 17 and 32 million euros, depending on the potential of the market, plus reimbursement of the development costs. Contractually, Sanofi-Synthélabo may suspend the development program for each option exercised at any time and without penalty. As of December 31, 2003, Sanofi-Synthélabo had exercised only one option, relating to a program for the treatment of melanoma.

### Sanofi-Synthélabo shares

During the year ended December 31, 2003, the company used the authorizations to buy its own shares in the market in the light of market conditions.
A total of 20,192,769 shares were bought at an average price of 50.43 euros per share.
At end December 2003, the company owned:

- 36,576,564 shares classified as other long-term investments at a gross value of 1,979 million euros, and representing 4.99% of the share capital. In the light of the average stock market price for December 2003 and the average acquisition cost per share, the provision for impairment of 25.8 million euros recognized in 2002 was reversed in full during the year ended December 31, 2003.
- 13,413,698 shares classified as short-term investments at a net value of 613 million euros. These shares represent 1.83% of the share capital, and include 13,183,948 shares allocated to employee stock option plans. A total of 10 million euros of the provision for impairment of these shares was reversed during 2003:
  - 8 million euros for stock options exercised during the year;
  - 2 million euros in the light of the average stock market price for December 2003.

## Movements in participating interests in 2003

In millions of euros

| | | |
|---|---|---|
| **Balance as of January 1, 2003** | | **3,098** |
| **Investments during the year** | | **102** |
| Sanofi-Synthélabo sp Zoo (Poland) | 95 | |
| Fujisawa Sanofi-Synthélabo Company (Japan) | 4 | |
| Sanofi-Synthélabo Del Peru (Peru) | 1 | |
| Sanofi-Synthélabo de la Republica Dominicana S.A. (Dominican Republic) | 1 | |
| Sanofi-Synthélabo del Ecuador (Ecuador) | 1 | |
| **Capital increases by offset of loans or advances** | | **6** |
| Sanofi-Synthélabo Inc (USA) | 5 | |
| Groupement de Fabrication Pharmaceutique (France) | 1 | |
| **Companies liquidated and other decreases** | | **(42)** |
| Synthélabo Biomédical | (36) | |
| Sanofi-Synthélabo AB (Sweden) | (3) | |
| Other companies liquidated | (3) | |
| **Mergers** | | **(16)** |
| Impact of the merger of two Swiss subsidiaries (Sanofi-Synthélabo and Synthélabo Pharma) | (16) | |
| **Balance as of December 31, 2003** (gross) | | **3,148** |

## Movement in provisions for impairment of participating interests in 2003

In millions of euros

| | | |
|---|---|---|
| **Balance as of January 1, 2003** | | **94** |
| **1. Net charge for the year** | | **42** |
| **Charges** | **63** | |
| Sanofi-Synthélabo Polholding BV (Netherlands) | 61 | |
| Other | 2 | |
| **Reversals** | **(21)** | |
| Sanofi-Synthélabo de Panama S.A. (Panama) | (12) | |
| Sanofi-Synthélabo Yamanouchi Pharmaceutical Inc (Japan) | (4) | |
| Sanofi Développement Pharma | (4) | |
| Other | (1) | |
| **2. Provisions reversed due to liquidations or mergers** | | **(24)** |
| Synthélabo Pharma (Switzerland) | (21) | |
| Synthélabo Biomédical (France) | (3) | |
| **Balance as of December 31, 2003** (impairment) | | **112** |

## Note 4 Receivables and liabilities by maturity

| In millions of euros | Gross | Impairment | Net | ≤ 1 year | > 1 year |
|---|---|---|---|---|---|
| **Receivables** | | | | | |
| *Fixed assets* | | | | | |
| Loans/advances to participating interests | 47 | (8) | 39 | – | 39 |
| Other long-term investment securities | 43 | (19) | 24 | – | 24 |
| Loans | 3 | – | 3 | – | 3 |
| *Current assets* | | | | | |
| Advance payments to suppliers | 1 | – | 1 | 1 | – |
| Accounts receivable | 586 | (2) | 584 | 581 | 3 |
| Other receivables | 743 | (1) | 742 | 733 | 9 |
| **Total** | **1,423** | **(30)** | **1,393** | **1,315** | **78** |
| **Liabilities** | | | | | |
| Debt (see note 15) | – | – | 820 | 820 | – |
| Accounts payable | – | – | 271 | 271 | – |
| *Other current liabilities:* | | | | | |
| – Tax and employee-related payables | – | – | 99 | 99 | – |
| – Amounts payable to suppliers of fixed assets[1] | – | – | 296 | 110 | 186 |
| – Other liabilities | | | 139 | 132 | 7 |
| **Total** | **–** | **–** | **1,625** | **1,432** | **193** |

(1) In 2002, in compliance with the French Tax Instruction issued November 26, 1996, Sanofi-Synthélabo capitalized under "Other intangible assets" an amount of 392 million euros in respect of royalties payable over the expected life cycle of a product, matched by a liability of the same amount recognized in the balance sheet. As of December 31, 2003, the balance payable was 291 million euros.

## Note 5 Short-term investments

As of December 31, 2003, Sanofi-Synthélabo owned:
- money-market mutual funds totaling 2,368 million euros;
- 13,413,698 treasury shares with a net book value of 613 million euros (see note 3);
- certificates of deposit totaling 190 million euros;
- short-term bank deposits totaling 1 million euros.

## Note 6 Movements in shareholders' equity

| In millions of euros | Number of shares | Share capital | Additional paid in capital | Reserves and retained earnings | Net income for the period | Special tax-allowable provisions & investment subsidies | Total |
|---|---|---|---|---|---|---|---|
| **Balance as of December 31, 2000 before appropriation of profits** | **731,441,746** | **1,463** | **1,479** | **1,404** | **630** | **3** | **4,979** |
| Appropriation of 2000 profits to reserves and retained earnings | – | – | – | 313 | (313) | – | – |
| Dividends distributed for the year ended December 31, 2000 (0.44 euro per share) | – | – | – | – | (317) | – | (317) |
| Issuance of shares on exercise of stock options | 563,338 | 1 | 6 | – | – | – | 7 |
| Net income for the year ended December 31, 2001 | – | – | – | – | 1,442 | – | 1,442 |
| Change in special tax-allowable provisions | – | – | – | – | – | (2) | (2) |
| **Balance as of December 31, 2001 before appropriation of profits** | **732,005,084** | **1,464** | **1,485** | **1,717** | **1,442** | **1** | **6,109** |
| Appropriation of 2001 profits to reserves and retained earnings | – | – | – | 969 | (969) | – | – |
| Dividends distributed for the year ended December 31, 2001 (0.66 euro per share) | – | – | – | – | (473) | – | (473) |
| Sasy3 merger (surplus arising on merger) | – | – | 90 | – | – | – | 90 |
| Issuance of shares on exercise of stock options | 362,423 | 1 | 3 | – | – | – | 4 |
| Change of accounting method [1] | – | – | – | 2 | – | – | 2 |
| Net income for the year ended December 31, 2002 | – | – | – | – | 1,323 | – | 1,323 |
| **Balance as of December 31, 2002 before appropriation of profits** | **732,367,507** | **1,465** | **1,578** | **2,688** | **1,323** | **1** | **7,055** |
| Appropriation of 2002 profits to reserves and retained earnings | - | - | - | 744 | (744) | - | - |
| Dividends distributed for the year ended December 31, 2002 (0.84 euro per share) | – | – | – | – | (579) | – | (579) |
| Issuance of shares on exercise of stock options | 480,565 | 1 | 6 | – | – | – | 7 |
| Net income for the year ended December 31, 2003 | – | – | – | – | 1,684 | – | 1,684 |
| **Balance as of December 31, 2003 before appropriation of profits** | **732,848,072** | **1,466** | **1,584** | **3,432** | **1,684** | **1** | **8,167** |

(1) In application of the new CRC Rule 2000-06 on liabilities, non-compliant provisions were reversed by crediting retained earnings.

The share capital comprises 732,848,072 shares with a par value of 2 euros.
The exercise of options relates to plans granted to employees prior to the merger.
At its meeting of December 10, 2003, the Board of Directors granted 4,217,700 options to subscribe for shares at a price of 55.74 euros per share, exercisable at any time from December 11, 2007 through December 10, 2013 inclusive. The exercise of all stock options outstanding at December 31, 2003 would result in an increase of approximately 235 million euros in shareholders' equity.

## Note 7 Provisions recorded in the balance sheet

| In millions of euros | Opening balance | Charge for the year | Reversal of utilized provisions | Reversal of unutilized provisions | Closing balance |
|---|---|---|---|---|---|
| **Provisions for risks and charges** | | | | | |
| Provisions for miscellaneous risks [1] | 201 | 58 | (51)[2] | (79) | 129 |
| Provisions for charges | 10 | 104 | (4) | (4) | 106 |
| Provisions for pension and early retirement benefit commitments | 28 | 10 | (8) | (1) | 29 |
| **Total** | **239** | **172** | **(63)** | **(84)** | **264** |

| Charges and reversals taken to statement of income: | | | | **Total** |
|---|---|---|---|---|
| – Operating items | 114 | (11) | (16) | **87** |
| – Financial items | 9 | (4) | – | **5** |
| – Exceptional items | 49 | (48) | (68) | **(67)** |
| **Total** | **172** | **(63)** | **(84)** | **25** |

(1) This line mainly comprises provisions relating to patent rights litigation, tax audits and vendor's guarantees of liabilities.
(2) Including transfers to subsidiaries amounting to 37 million euros.

## Note 8 Operating income

### *Net sales*

This line mainly comprises:

- **Supply of chemical active ingredients**

  During the year, Sanofi-Synthélabo invoiced a total of 178 million euros for sales of active ingredients.

- **Recharged research and development expenses**

  Under agreements with the principal French operating subsidiaries on the sharing of the costs and benefits of research and development expenses relating to future pharmaceutical products, Sanofi-Synthélabo recharges a share of such expenses to its subsidiaries. For the year ended December 31, 2003, the income generated by such recharges was 71 million euros, compared with 77 million euros for the year ended December 31, 2002.

- **Recharged rent**

  Sanofi-Synthélabo owns real estate in France which is let to its subsidiaries, on which it collects rent (31 million euros).

### *Other income*

This mainly comprises royalties collected by Sanofi-Synthélabo from:
- its French and foreign pharmaceutical subsidiaries, to which it has licensed patents, manufacturing know-how and trademarks owned by Sanofi-Synthélabo;
- third party companies, to which it has licensed a number of pharmaceutical products.

## Note 9 Operating expenses

### *Other purchases and external charges*

This line mainly comprises:

- **Manufacturing of active ingredients**

  Sanofi-Synthélabo subcontracts the manufacturing of active ingredients to a subsidiary. Costs incurred as a result amounted to 87 million euros for the year ended December 31, 2003.

- **Research expenses**

  Sanofi-Synthélabo, in association with its main operating subsidiaries, assumes responsibility within the Group for research and development. It defines strategic priorities, co-ordinates the work, makes investment decisions, and takes out in its own name and at its own expense all industrial property protection covering products derived from research.
  In order to fulfil this role, Sanofi-Synthélabo subcontracts research and development work to those of its subsidiaries that have the necessary resources, and if necessary to third parties.
  Research expenses amounted to 920 million euros in 2003, compared with 802 million euros in 2002 and 657 million euros in 2001.

### *Salaries and social security charges*

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| Average number of employees | 21 | 22 | 22 |

Remuneration paid to corporate officers in 2003 amounted to 3.9 million euros, including attendance fees of 0.4 million euros.

## Note 10 Share in profits/losses of joint-venture partnerships

Until 2001, this represented Sanofi-Synthélabo's share of the profits from the partnership entity involved in chemicals activities. This entity was wound up on December 31, 2001.

## Note 11 Management of market risk

Sanofi-Synthélabo operates a centralized foreign exchange risk management system which provides protection from such risk for its main subsidiaries at all times.
Gains and losses arising on hedging transactions are calculated and recognized symmetrically with the recognition of gains and losses on the hedged item.
Outstanding hedging positions at year end are shown in Sanofi-Synthélabo's off balance sheet commitments.

## Note 12 Net financial income

| In millions of euros | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Net investment income** | **1,191** | **796** | **415** |
| – dividends received | 1,129 | 674 | 277 |
| – other portfolio income | – | 19 | 4 |
| – net proceeds from disposals of short-term investments | 42 | 49 | 48 |
| – other interest and similar income [1] | 20 | 54 | 86 |
| **Net change in provisions for** | **(20)** | **(88)** | **128** |
| – participating interests [2] | (42) | 11 | 115 |
| – treasury shares [2] | 26 | (71) | – |
| – other long-term investments [2] | – | (17) | (2) |
| – loans to subsidiaries | – | (8) | 3 |
| – foreign exchange losses | (5) | (3) | 3 |
| – other items | 1 | | 9 |
| **Net foreign exchange gain** | **102** | **85** | **18** |
| **Total** | **1,273** | **793** | **561** |

(1) This line mainly comprises interest received and paid on short-term bank deposits, current accounts and loans arising under the cash pooling agreements between Sanofi-Synthélabo and its subsidiaries.
(2) See note 3.

## Note 13 Exceptional items

Exceptional charges amounted to 77 million euros and exceptional income to 305 million euros. The net balance of exceptional items comprises:

| In millions of euros | 2003 | 2002 | 2001 |
|---|---|---|---|
| – net change in provisions for risks and charges | 67 | 300 | (77) |
| – net gain/(loss) realized on mergers of Group companies | 4 | (9) | 258[1] |
| – net gain/(loss) realized on disposals of long-term investments | – | – | 333[2] |
| – other fixed asset disposals | – | 7 | 58 |
| – net gain on group tax election (including impact of tax audits relating to the group tax election) | 134 | 73 | 17 |
| – other items | 23 | (44)[3] | (8) |
| **Total** | **228** | **327** | **581** |

(1) Including 237 million euros realized on the merger of Synthélabo Groupe into Sanofi Winthrop Industrie.
(2) Including 308 million euros on the disposal of Laboratoires de Biologie Végétale Yves Rocher (see note 18).
(3) Including 34 million euros relating to pension obligations.

## Note 14 Income taxes

As stated in note 2, the annual income tax charge corresponds to the corporate income tax charge specific to Sanofi-Synthélabo. It breaks down as follows:

| In millions of euros | 2003 | 2002 | 2001 |
|---|---|---|---|
| – tax on profit before exceptional items | (170) | (152) | (151) |
| – tax on exceptional items, plus impact of tax reassessment notices accepted by the company | (3) | (41) | (71) |
| **Total** | **(173)** | **(193)** | **(222)** |

The tax on profit before exceptional items takes into account tax credits and changes in provisions for impairment of investments included in net financial income.
Charges regarded as excessive under article 39.4 of the French General Tax Code and not deductible from taxable profits amounted to 0.1 million euros in 2003.

### Increases and reductions in future tax liabilities

The amount of deferred tax assets not recognized in the parent company financial statements in respect of temporarily non-deductible provisions was 47 million euros as of December 31, 2003, compared with 53 million euros as of December 31, 2002.
The amount of the deferred tax liability not recognized in the parent company financial statements in respect of deferred charges was 5 million euros as of December 31, 2003.

## Note 15 Transactions with related undertakings

In the table below, a company is treated as related if it is consolidated by the Group using the full consolidation method.

| In millions of euros | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Long-term investments (gross)** | | | |
| – Participating interests | 3,141 | 3,088 | 2,678 |
| – Loans/advances to participating interests | 46 | 15 | 5 |
| **Receivables (gross)** | | | |
| – Accounts receivable | 555 | 587 | 342 |
| – Other receivables | 467 | 598 | 473 |
| **Liabilities** | | | |
| – Debt | 819 | 773 | 730 |
| – Accounts payable | 252 | 246 | 187 |
| – Other liabilities | 99 | 2 | 4 |
| – Deferred income | 9 | 12 | – |
| **Operating expenses** | | | |
| – Other purchases and external charges | (941) | (829) | (677) |
| – Other charges | (26) | (19) | (57) |
| **Financial expenses** | | | |
| – Interest and similar expense | (16) | (22) | (31) |
| **Exceptional charges on non-capital transactions** | **(99)** | **(2)** | |
| **Net sales** | **220** | **186** | **163** |
| **Other operating income** | **935** | **736** | **421** |
| **Share in net income of joint venture partnerships** | **–** | **–** | **303** |
| **Financial income** | **1,145** | **689** | **318** |

## Note 16 Accrued income and expenses

| In millions of euros | Accrued income | Accrued expenses |
|---|---|---|
| Accounts receivable | 362 | |
| Other receivables | 186 | |
| Accounts payable | | 24 |
| Amounts payable to suppliers of fixed assets | | – |
| Tax and employee-related liabilities | | 12 |
| Other liabilities | | 111 |

## Note 17 Off balance sheet commitments

| In millions of euros | < 1 year | 1-5 years | > 5 years | Total |
|---|---|---|---|---|
| **Commitments given** | | | | |
| Surety bonds given to the tax authorities in respect of contested tax liabilities relating to Sanofi-Synthélabo | 3 | – | – | 3 |
| Guarantees in favor of Group subsidiaries | 342 | – | – | 342 |
| Other guarantees | 7 | – | 19 | 26 |
| Leases | 14 | 56 | 98 | 168 |
| Irrevocable orders for fixed assets | 11 | – | – | 11 |
| Currency options including USD: 555<br>JPY: 101<br>NOK: 39 | 768 | – | – | 768 |
| Others[1] | 64 | 59 | 34 | 157 |
| **Total** | **1,209** | **115** | **151** | **1,475** |

(1) Other commitments comprise:

**Research and development collaborations**

The Group may be required to make payments to research and development partners under collaboration agreements. These agreements typically cover multiple products and give the Group the option to participate in development on a product-by-product basis. When the Group exercises an option with respect to a product, it pays its collaboration partner a fee and receives intellectual property rights to that product in exchange. The Group is also generally required to fund some or all of the development costs for products that it selects and to make payments to its partners when those products reach development milestones.

The Group's principal collaboration agreements are:

- Sanofi-Synthélabo is committed to making an additional investment of 10 million euros in IDM via a further share issue (see note 3). Under a strategic collaboration agreement signed in 2001, IDM granted Sanofi-Synthélabo 20 development options on current and future research and development programs. For each option that leads to a commercially marketed product, IDM could receive a total of between 17 and 32 million euros, depending on the potential of the market, plus reimbursement of the development costs. Contractually, Sanofi-Synthélabo may suspend the development program for each option exercised at any time and without penalty. As of December 31, 2003, Sanofi-Synthélabo had exercised only one option, relating to a program for the treatment of melanoma.
- In addition, there are three further contracts relating to research work which could give rise to deferred payments between 1 and 4 million euros per molecule. Because of the uncertain nature of the research work, it is impossible to predict the number of molecules that will reach the relevant milestones. For this reason, it is impossible to estimate the maximum aggregate amount that Sanofi-Synthélabo will actually pay.

**Agreements with NV Organon**

Under the agreements with NV Organon on the marketing of the drug Arixtra® in countries other than the United States, Canada, Japan and Mexico, Sanofi-Synthélabo agreed, in return for taking over the rights, to make phased payments to NV Organon up to a maximum of 100 million dollars contingent on the approval of additional indications. Sanofi-Synthélabo also agreed to pay minimum royalties of 74 million dollars in respect of this territory.

Changes to these agreements occurred on January 7, 2004 (see note 20 – Post balance sheet events).

| In millions of euros | | < 1 year | 1-5 years | > 5 years | Total |
|---|---|---|---|---|---|
| **Commitments received:** | | | | | |
| In return for contract warranty retentions | | 5 | – | – | **5** |
| Miscellaneous guarantees | | 1 | – | – | **1** |
| Currency options including | USD: 330 | 456 | – | – | **456** |
| | JPY: 72 | | | | |
| | NOK: 22 | | | | |
| **Total** | | **462** | **–** | **–** | **462** |

| In millions of euros | | < 1 year | 1-5 years | > 5 years | Total |
|---|---|---|---|---|---|
| **Reciprocal commitments:** | | | | | |
| Forward currency exchange contracts: | | | | | |
| – forward purchases including | USD: 130 | 318 | – | – | **318** |
| | CHF: 92 | | | | |
| | HUF: 57 | | | | |
| | NOK: 35 | | | | |
| – forward sales including | USD: 979 | 1,223 | – | – | **1,223** |
| | JPY: 70 | | | | |
| | GBP: 45 | | | | |
| | CAD: 23 | | | | |
| | PLN: 14 | | | | |
| | AUD: 13 | | | | |
| | CZK: 13 | | | | |
| Commitments involving Group subsidiaries: | | | | | |
| – export rate guarantees including | USD: 134 | 341 | – | – | **341** |
| | CHF: 42 | | | | |
| | KRW: 28 | | | | |
| | GBP: 26 | | | | |
| | HUF: 22 | | | | |
| | JPY: 19 | | | | |
| | CZK: 13 | | | | |
| – import rate guarantees including | USD: 121 | 280 | – | – | **280** |
| | CHF: 87 | | | | |
| | HUF: 45 | | | | |
| | GBP: 12 | | | | |

Real estate capital leases relate to administrative and research premises:

| In millions of euros | 2003 |
|---|---|
| Value of assets on signature of lease | |
| Breakdown by balance sheet line: | |
| – land | 4 |
| – buildings | 91 |
| Lease payments: | |
| – during the period | 8 |
| – cumulative | 135 |
| Depreciation that would have been charged if the assets had been acquired outright: | |
| – during the period | 5 |
| – cumulative | 61 |
| Value of outstanding lease payments as of December 31, 2003: | |
| – within no more than 1 year | 9 |
| – after more than 1 year but within no more than 5 years | 21 |
| – after more than 5 years | 28 |

The residual purchase price of the assets will be less than one euro.

## Note 18 Agreements relating to the Yves Rocher Group

Following the merger of Sanofi and Synthélabo, a dispute arose between Sanofi-Synthélabo and the other shareholders of the Yves Rocher Group, who challenged the registration in the name of the merged Sanofi-Synthélabo Group of the shares in the companies Financière des Laboratoires de Cosmétologie Yves Rocher and Laboratoires de Biologie Végétale Yves Rocher held prior to that date by Sanofi.
Following the delivery of expert findings in November 2001 and in line with a ruling of the Rennes Appeal Court on January 10, 2001, Laboratoires de Biologie Végétale Yves Rocher arranged for the acquisition of Sanofi-Synthélabo's interest in its capital.
Under this ruling, Sanofi-Synthélabo retains a 39.1% interest in the capital of Financière des Laboratoires de Cosmétologie Yves Rocher. This holding company has a 48.8% direct interest in the capital of Laboratoires de Biologie Végétale Yves Rocher.
During the first half of 2001, Sanofi-Synthélabo and Financière des Laboratoires de Cosmétologie Yves Rocher both entered appeals against the aforementioned rulings in the French Supreme Court. These appeals were rejected on May 6, 2003.

## Note 19 List of subsidiaries and participating interests

### Summary information on all subsidiaries and participating interests held by Sanofi-Synthélabo

| In millions of euros | Subsidiaries | | Participating interests | |
|---|---|---|---|---|
| | French | Foreign | French | Foreign |
| Gross book value of shares held | 1,270 | 1,850 | 4 | 24 |
| Net book value of shares held | 1,269 | 1,740 | 4 | 23 |
| Loans and advances made | 251 | 195 | – | – |
| Guarantees given | 20 | 255 | 1 | 21 |
| Dividends received | 618 | 510 | – | – |

### Subsidiaries and participating interests of which the net book value of the shares held exceeds 1% of the share capital of Sanofi-Synthélabo

| In millions of euros | Capital | Equity other than capital |
|---|---|---|
| **Subsidiaries more than 10% owned** | | |
| **French companies** | | |
| Laboratoires IREX | – | (1) |
| S.A. N° SIREN 380663914 - 22, avenue Galilée - 92350 Le Plessis-Robinson | | |
| Sanofi-Chimie | 271 | 197 |
| S.A. N° SIREN 428706204 - 9, rue du Président Allende - 94250 Gentilly | | |
| Sanofi-Synthélabo France | 13 | 38 |
| S.A. N° SIREN 403335904 - 174, avenue de France - 75013 Paris | | |
| Sanofi Winthrop Industrie | 159 | (67) |
| S.A. N° SIREN 775662257 - 82, avenue Raspail - 94250 Gentilly | | |
| Secipe | 39 | 195 |
| S.A. N° SIREN 722019965 - 174, avenue de France - 75013 Paris | | |
| Sanofi-Synthélabo Recherche | 2 | 29 |
| S.A. N° SIREN 713002269 - 1, avenue P.Brossolette - 91380 Chilly-Mazarin | | |
| Sanofi-Synthélabo Groupe | 26 | 44 |
| S.A. N° SIREN 403335938 - 174, avenue de France - 75013 Paris | | |
| **Foreign subsidiaries** | | |
| Sanofi-Synthélabo do Brasil Ltda - Rio de Janeiro, Brazil | 17 | (2) |
| Sanofi-Synthélabo Holding GmbH - Berlin, Germany | 61 | 23 |
| Sanofi-Synthélabo Inc - New York, United States | – | 764 |
| Sanofi-Synthélabo SA - Barcelone, Spain | 1 | 92 |
| Sanofi-Synthélabo SpA - Milan, Italy | 85 | 23 |
| Sanofi-Synthélabo UK Ltd - Guildford, UK | – | 156 |
| Sanofi-Synthélabo Polholding BV - Maasluis, Netherlands | – | (39) |
| Sanofi-Synthélabo AE - Peania, Greece | 18 | – |
| Sanofi-Synthélabo AB - Bromma, Sweden | – | 3 |
| Sanofi-Synthélabo Koréa Co. Ltd - Séoul, South Korea | 22 | (9) |
| Sanofi-Synthélabo Sp.z.o.o. - Varsovie, Poland | 2 | 16 |
| Chinoin Pharmaceutical and Chemical Works Co Ltd - Budapest, Hungary | 15 | 195 |
| Sanofi-Synthélabo de Colombia S.A. - Cali, Colombia | 3 | 11 |
| Sanofi-Synthélabo Productos Farmaceuticos SA - Alcabideche, Portugal | 18 | 1 |

| Share of capital held (%) | Book value of shares held Gross | Book value of shares held Net | Outstanding loans and advances receivable | Guaranties given by the company | Net sales for last financial year | Net income loss for last financial year | Dividends received by the company during the year |
|---|---|---|---|---|---|---|---|
| 100 | 18 | 18 | – | – | 44 | (1) | – |
| 100 | 430 | 430 | – | – | 394 | 18 | 20 |
| 100 | 73 | 73 | – | – | 1,380 | 82 | 23 |
| 100 | 400 | 400 | 240 | – | 2,878 | 296 | 527 |
| 100 | 235 | 235 | – | – | – | 5 | 9 |
| 95 | 26 | 26 | – | – | 905 | 12 | 8 |
| 93 | 47 | 47 | – | – | 388 | 4 | – |
| 100 | 65 | 65 | – | – | – | – | – |
| 100 | 80 | 80 | – | – | – | 38 | 40 |
| 100 | 613 | 613 | – | – | 639 | 553 | 207 |
| 100 | 104 | 104 | – | – | 395 | 47 | 20 |
| 100 | 116 | 116 | – | – | 329 | 14 | 41 |
| 100 | 161 | 161 | 38 | – | – | – | – |
| 100 | 88 | 28 | – | – | – | 66 | 66 |
| 100 | 38 | 38 | – | – | 114 | 13 | 1 |
| 100 | 33 | 33 | – | – | 55 | 2 | 4 |
| 100 | 38 | 38 | – | – | 78 | 5 | – |
| 100 | 95 | 95 | – | – | 79 | 4 | – |
| 99 | 157 | 157 | – | – | 250 | 51 | 7 |
| 90 | 16 | 16 | – | – | 22 | (1) | – |
| 86 | 22 | 22 | – | – | 63 | 6 | 5 |

## Note 20 Post balance sheet events

On January 7, 2004, Sanofi-Synthélabo reached agreement with NV Organon to acquire all Organon's rights relating to Arixtra®, idraparinux and other oligosaccharides.
Sanofi-Synthélabo will make payments to Organon based largely on future sales, and will bear all research and development costs. In return, the phased payments described in note 17 are cancelled.
Sanofi-Synthélabo will also buy the interests held by Organon in the entities dedicated to this activity.

On January 26, 2004, Sanofi-Synthélabo announced a share and cash offer for the shares of Aventis. This offer, driven by a compelling strategic rationale, will deliver strong, sustainable and profitable growth.
If the bid succeeds, it will create the no.1 in Europe and no.3 in the world in the pharmaceuticals industry.
Sanofi-Synthélabo will benefit from a large portfolio of high-growth drugs and enjoy firmly established positions in key fast-growth therapeutic fields such as cardiovascular, thrombosis, cancer, diabetes, central nervous system, urology, internal medicine and human vaccines.
The offer was approved unanimously by the Board of Directors of Sanofi-Synthélabo on January 25, 2004 and is fully supported by Total and L'Oréal, Sanofi-Synthélabo's principal shareholders.
The principal terms of the offer are as follows:

- A standard entitlement of 5 Sanofi-Synthélabo shares(1) and 69 euros in cash for 6 Aventis shares(1);
- An all stock election: 35 Sanofi-Synthélabo shares(1) for 34 Aventis shares(1);
- An all cash election: 60.43 euros in cash for each Aventis share(1);
- Aventis shareholders can opt for any or a combination of the above, provided that, in aggregate, 81% of the Aventis shares tendered will be exchanged for Sanofi-Synthélabo shares and 19% of the Aventis shares tendered will be exchanged for cash.

The offer is conditional upon obtaining over 50% of the issued share capital and voting rights of Aventis on a fully diluted basis, as well as completion of the review by the American Antitrust Authorities.
A General Meeting of Sanofi-Synthélabo shareholders will be convened to approve the issuance of the new shares to be exchanged for the Aventis shares tendered.
Sanofi-Synthélabo estimates that the offer should be completed during the second quarter of 2004.
In connection with this offer, Sanofi-Synthélabo announced that it had begun the process of divesting its interests in Arixtra® and Fraxiparine®.

(1) Dividend attached.

# Five-year financial summary: Sanofi-Synthélabo parent company

In millions of euros

| | 2003 | 2002 | 2001 | 2000 | 1999[2] |
|---|---|---|---|---|---|
| **Capital at period-end** | | | | | |
| Share capital | 1,466 | 1,465 | 1,464 | 1,463 | 1,462 |
| Number of shares in issue | 732,848,072 | 732,367,507 | 732,005,084 | 731,441,746 | 731,143,218 |
| **Income statement data** | | | | | |
| Net sales | 339 | 273 | 176 | 194 | 301 |
| Net income before tax, depreciation, amortization and provisions | 1,977 | 1,391 | 1,525 | 908 | 538 |
| Income taxes | 173 | 193 | 222 | 50 | 29 |
| Employee profit-sharing charge for the period[1] | – | – | (1) | 6 | 7 |
| Net income after tax, depreciation, amortization and provisions | 1,684 | 1,323 | 1,442 | 630 | 488 |
| Dividend paid | | 579 | 473 | 317 | 231 |
| **Per share data (in euros)** | | | | | |
| Net income after tax but before depreciation, amortization and provisions | 2.46 | 1.64 | 1.78 | 1.17 | 0.70 |
| Net income after tax, depreciation, amortization and provisions | 2.30 | 1.81 | 1.97 | 0.86 | 0.67 |
| Dividend per share (net) based on actual number of shares | | 0.84 | 0.66 | 0.44 | 0.32 |
| **Employee data** | | | | | |
| Average number of employees during the period | 21 | 22 | 22 | 26 | 1,160 |
| Wages and salaries for the period | 10 | 9 | 10 | 12 | 69 |
| Social security and other benefits for the period | 9 | 5 | 5 | 5 | 30 |

(1) Provision for statutory and voluntary employee profit-sharing schemes.
(2) On May 18, 1999, Sanofi and Synthélabo were merged into a shell company, which took the name Sanofi-Synthélabo. On January 25, 2000, Sanofi-Synthélabo transferred its support activities to the 100% directly and indirectly owned subsidiary Sanofi-Synthélabo Groupe, with retrospective effect from January 1, 2000.

# Parent company/subsidiary relations

The Group comprising Sanofi-Synthélabo and its subsidiaries is focused on a single business: pharmaceuticals. The Sanofi-Synthélabo parent company directly owns most of its subsidiaries and the main industrial property rights.

Sanofi-Synthélabo assumes responsibility for research and development within the Group. It defines strategic priorities, co-ordinates the work, and takes out industrial property rights in its own name and at its own expense. In order to fulfil this role, Sanofi-Synthélabo subcontracts research and development work to those of its subsidiaries that have the necessary resources.

Sanofi-Synthélabo licenses its patents, manufacturing know-how and trademarks to certain French and foreign subsidiaries. The licensee subsidiaries manufacture and distribute the Group's products, either directly or indirectly via local distribution subsidiaries.

In certain countries, in particular Japan, the Sanofi-Synthélabo Group carries on some of its activities through joint ventures with local partners. In addition, the company has signed worldwide agreements whereby some of its strategic products are marketed through alliances with Bristol Myers Squibb and Organon.

Sanofi-Synthélabo meets the financing needs of most of its subsidiaries and manages their cash surpluses. Under the alliance agreements with Bristol-Myers Squibb, cash surpluses and cash needs arising within joint venture entities give rise to symmetrical monthly transfers to or from the two groups. The company also operates a centralized foreign exchange risk management system, which takes out the necessary hedges to protect its main subsidiaries from such risks.

Note 15 "Transactions with related undertakings" provides summarized financial data concerning relations between the Sanofi-Synthélabo parent company and other Group companies.

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# Additional Information

# Presentation of the proposed acquisition of Aventis

On January 26, 2004, we announced our intention to make a mixed cash/exchange offer to acquire all the outstanding ordinary shares, nominal value 3.82 euros, of Aventis. For legal reasons in order to satisfy regulatory requirements, we are making three offers: a French offer, a U.S. offer and a German offer, which we refer to collectively as "the Offers".

The French offer is open to all holders of Aventis ordinary shares who are located in France and to holders of Aventis ordinary shares who are located outside of France, Germany and the United States, if, pursuant to the local laws and regulations applicable to those holders, they are permitted to participate in the French offer. The U.S. offer is open to all holders of Aventis ordinary shares who are located in the United States and to all holders of American depositary shares, or ADSs, representing Aventis ordinary shares, wherever located. The German offer is open to all holders of Aventis ordinary shares who are located in Germany.

For a complete description of the offer, you should refer to the French offer prospectus ("note d'information") filed with the Autorité des marchés financiers (AMF) under the number 04-0090, available on the AMF's website (www.amf-france.org) and on the company's website www.sanofi-synthelabo.com and free of charge at BNP PARIBAS Securities Services, GIS-Émetteurs, Service Logistique, Les Collines de l'Arche, 75450 Paris Cedex 9.

## Main Terms of the Offers

The French offer, the U.S. offer and the German offer are being made on substantially similar terms and completion of the Offers is subject to the same conditions.

We are offering 5 newly issued Sanofi-Synthélabo ordinary shares and 69.00 euros in cash, without interest, for 6 Aventis ordinary shares tendered (dividend attached).

The offers include a mix and match election feature that allows tendering holders of Aventis ordinary shares to elect to receive, in lieu of the mix of consideration described above:

- All Stock Election: 35 Sanofi-Synthélabo ordinary shares for every 34 Aventis ordinary shares tendered (dividend attached); or
- All Cash Election: 60.43 euros in cash, in exchange for each Aventis ordinary share tendered (dividend attached).

The mix and match elections are subject to proration and allocation adjustments that will ensure that, in the aggregate (and subject to adjustment if Aventis pays any dividend or interim dividend before the settlement of the offers), 81% of the Aventis ordinary shares tendered in the offers will be exchanged for our ordinary shares and 19% will be exchanged for cash.

If Aventis pays any dividend or any interim dividend in respect of the Aventis ordinary shares, including Aventis ordinary shares represented by Aventis ADSs, before the settlement of the offers, the consideration offered in exchange for each Aventis ordinary share and each Aventis ADS tendered will be reduced by an amount equal to the net value of the dividend paid per Aventis ordinary share.

In respect of our ordinary shares, including our ordinary shares represented by ADSs, that a former holder of Aventis securities receives in exchange for the Aventis ordinary shares or Aventis ADSs tendered in the Offers, that holder will be entitled to receive any annual dividend with respect to our 2003 results that is declared on our ordinary shares, as well as any other dividend that is paid after the settlement of the Offers.

## Conditions

The Offers are subject to the following conditions:

- Minimum tender condition:
  We will not be obligated to purchase any tendered Aventis securities pursuant to the Offers unless Aventis ordinary shares representing at least 50% of the total share capital and voting rights in Aventis, calculated on a fully diluted basis, plus one Aventis ordinary share, are validly tendered and not withdrawn in the Offers, on an aggregate basis. We may waive the Minimum Tender Condition at any time on or prior to the date that is five French trading days prior to the expiration date of the Offers;
- The receipt of the authorization of the FTC, which will be evidenced by the expiration of the initial waiting period:
  The Offers are conditioned on the receipt of the authorization of the FTC within the initial waiting period of 30 calendar days applicable under the U.S. Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended ("HSR Act"). In any event, the French offer will become null and void if the FTC issues a second request before the expiration of the initial waiting period. If the French offer becomes null and void for this reason, we will withdraw the U.S. offer and the German offer.
- General meeting of Sanofi-Synthélabo shareholders:
  The Offers are subject to the condition that the extraordinary general meeting of Sanofi-Synthélabo approves the necessary resolutions for the issuance of the Sanofi-Synthélabo ordinary shares to be issued in exchange for the Aventis shares tendered into the Offers by Aventis shareholders.

## Expected expiration date

The AMF has agreed that the French offer, the U.S. offer and the German offer will all expire simultaneously. Under French tender offer rules, it is the AMF that sets the expiration date for the French offer. The AMF also has the sole authority to determine whether or not to subsequently extend the French tender period.

In February 2004, Aventis filed appeals with the Court of Appeals of Paris challenging the AMF's decision clearing the terms of the French offer and the AMF's subsequent decision to grant a visa to our French offer prospectus. We believe that the AMF's decisions to clear the terms of the French offer and to grant its visa were proper and that Aventis' claims are without merit. We intend to defend our interests in these appeals vigorously. In connection with Aventis' legal appeals the AMF has undertaken to set the expiration date of the French offer to be at least eight days after the Court of Appeals of Paris announces its decision on these appeals, which the Court has indicated should occur before the end of May 2004.

In any event, under its regulations, the AMF will announce the expiration date of the French offer only after the AMF has received evidence that the FTC has approved the acquisition of the Aventis ordinary shares pursuant to the Offers.

We currently expect that the Offers will expire and, if the conditions to the Offers have been satisfied, that we will complete the acquisition of the Aventis securities by the end of the second quarter of 2004, although this timetable may be delayed if a competing bid for Aventis is made and the Offers could lapse if the legal appeals were resolved unfavorably for our company.

## Extraordinary meeting of shareholders

The issuance of our ordinary shares in connection with the Offers must be approved by an extraordinary meeting of our shareholders. As of the date of this annual report, the date of the extraordinary meeting has not been set, but it will take place before the expiration date of the Offers.

As of December 31, 2003, Total and L'Oréal, our two principal shareholders, held 178,476,513 and 143,041,202 of our ordinary shares, respectively, representing in aggregate 47.1% of our outstanding share capital (excluding shares held by us) and 63.1% of our voting rights. At the January 25, 2004 meeting of our board of directors, the representatives of Total and L'Oréal confirmed their full support of the Offers. Additionally, Total and L'Oréal have announced that they will approve the increase in share capital that will be submitted to the extraordinary meeting of shareholders.

## The 12,000 million euros credit facility

Assuming all of the outstanding Aventis ordinary shares, on a diluted basis taking into account all in-the-money options that are exercisable as of the expected closing date, are tendered into the Offers, pursuant to the terms of the Offers, we would be obligated to pay the aggregate amount of 9,168 million euros in cash to the holders of those Aventis securities. This aggregate amount of cash will be lower if less than 100% of the currently outstanding Aventis securities are tendered into the Offers. This amount may also vary depending on the number of Aventis securities outstanding at the time of the closing of the Offers.

In connection with the proposed acquisition of Aventis, we have entered into a credit facility agreement dated January 25, 2004 permitting borrowing in the amount of up to 12,000 million euros, which will be used mainly to finance the cash consideration to be paid to holders of Aventis securities pursuant to the Offers and refinance certain debt of Aventis and its subsidiaries. This facility has been, subject to certain conditions, entirely underwritten by BNP Paribas and an affiliate of Merrill Lynch & Co. The first round of syndication of the 12,000 million euros credit facility was completed on March 18, 2004. Alongside BNP Paribas and Merrill Lynch, seven international banks have joined the syndicate.

We may only borrow amounts under this credit facility if the Offers are completed. However, subject to the delivery of customary certificates and other documents generally evidencing the success of the Offers, the success of the Offers is the only material condition to our ability to borrow amounts under this credit facility to finance the cash component of the offer consideration. Accordingly, we have not put in place any alternative financing arrangements.

The credit facility agreement provides that the credit facility will be divided into a 364-day 4,000 million euros term loan facility ("Tranche A"), a three-year 4,000 million euros term loan facility ("Tranche B") and a five-year 4,000 million euros revolving loan facility ("Tranche C"). Each Tranche is required to be repaid in its entirety on its final maturity date except that we have an option to extend the final maturity date of Tranche A until a date falling two years following the date of the credit facility agreement.

Amounts borrowed under Tranche A and Tranche B may only be used to finance part of the cash consideration to be paid to holders of Aventis securities pursuant to the Offers. Amounts borrowed under Tranche C may be used for various purposes, including to pay fees, costs and expenses incurred in connection with the Offers and to refinance certain indebtedness of Aventis and its subsidiaries.

Upon delivery of customary certificates and other documents generally evidencing the success of the Offers, the credit facility will be made available immediately upon all of the conditions to the Offers having been satisfied and when the cash consideration is required to be paid to holders of Aventis securities who have validly tendered such securities into the Offers. Borrowings under Tranche A and Tranche B will be made available in euros only whereas borrowings under Tranche C will be made available in euros and, as the case may be, in U.S. dollars, pounds sterling and Japanese yens.

The credit facility is subject to terms and conditions customary for facilities of this type, including mandatory prepayment provisions (for example, in the event of certain asset disposals or a change of control of Sanofi-Synthélabo), events of default (for example, in the event of cross-default or insolvency), representations and warranties (such as in relation to status, power and authority and financial statements), covenants (such as information undertakings, negative pledge and financial ratio), indemnities, provisions to protect the margin due to the lenders and commitment fee arrangements. In particular, under the financial covenants our consolidated net debt (generally defined as our total financial borrowings less our total cash, cash equivalents and marketable securities) may not exceed 2.5 times our consolidated EBITDA (generally defined as our operating profit plus (1) any amortization and depreciation charges, (2) any purchase-accounting charge in respect of in-process research and development or a write-up of inventory to fair value that we would be required to take as a result of the acquisition of Aventis, and (3) any restructuring charge of up to 1 billion euros per year incurred in 2004 or 2005 that is incurred directly in connection with the acquisition of Aventis). Also, in general, the total financial borrowings of our subsidiaries on a consolidated basis (excluding any borrowings under the credit facility) may not exceed our consolidated EBITDA. There are also customary restrictions on our ability, in general, to create any security interest in our assets, to sell, lease, transfer or dispose of our assets (unless the net proceeds are applied to prepaying borrowings under the credit facility), to make acquisitions or investments outside the ordinary course of business in an aggregate amount in excess of 10 billion euros, or to enter into a merger or amalgamation (other than with a subsidiary).

The applicable margin for each Tranche under the credit facility varies according to the credit ratings that will be assigned to us at the relevant time. The margin under Tranche A will be initially 0.40% per annum and may range from 0.35% per annum to 0.525% per annum, the margin under Tranche B will be initially 0.45% per annum and may range from 0.40% per annum to 0.575% per annum and the margin under Tranche C will be initially 0.50% per annum and may range from 0.45% per annum to 0.625% per annum. The margins determined above will be decreased by five basis points once more than 50% of the credit facility has been repaid and cancelled. Interest on Euro-based borrowings shall accrue at the applicable margin plus EURIBOR, and interest on U.S. dollars, pounds sterling or Japanese yen shall accrue at the applicable margin plus LIBOR.

The foregoing description of the credit facility is a summary of the Facility Agreement, dated January 25, 2004, between Sanofi-Synthélabo, BNP Paribas and Merrill Lynch Credit Products, in various capacities as mandated lead arrangers, original lenders, agent and presenting bank.

## Divestiture of Arixtra® and Fraxiparine®

In connection with our proposed acquisition of Aventis, on January 26, 2004, we began a sales process to divest our interests in Arixtra® and Fraxiparine® in order to be able to respond to possible demands of the competition authorities. As of the date of this prospectus, confidential discussions and negotiations are ongoing with several interested parties.

# Risk factors for the issuer

## Risks factors associated with the proposed acquisition of Aventis

On January 26, 2004, Sanofi-Synthélabo launched a public offer for all the outstanding ordinary shares of Aventis. The outcome of this offer is not yet known, and there are risks associated with the offer. These risks are described in the French offer prospectus filed with the AMF on February 12, 2004 under number 04-0090.

The credit facility put in place to finance the offer includes covenants, which are described in the preceding section under the heading "The 12 000 million euros credit facility" on page 105 of this report.

The offer is subject to the minimum tender condition, the condition that the authorization of the U.S. antitrust authorities is obtained and the approval of the general meeting of Sanofi-Synthélabo shareholders, as described in the preceding section under the heading "Conditions" on page 104 of this report.

If the offer is not successful, the failure to complete the acquisition of Aventis could have an adverse effect on our share price, investor relations and employee morale. Moreover, if the offer is not successful, Sanofi-synthélabo will have incurred costs in connection with the offer without realizing the benefits that we expected to gain upon completion of the offer.

For a full description of the risks associated with the offer, and for more detailed information about the terms and conditions of the offer, you should refer to the French offer prospectus filed with the AMF by Sanofi-Synthélabo on February 12, 2004 under number 04-0090. This prospectus is available on the AMF website (www.amf-france.org), the Sanofi-Synthélabo website (www.sanofi-synthelabo.com), and free of charge from BNP Paribas Securities Services, GIS-Émetteurs, Service Logistique, Les Collines de l'Arche, 75450 Paris Cedex 9, France.

## Legal risks

### Product approval

Sanofi-Synthélabo must obtain and maintain regulatory approval for its pharmaceutical products in the European Union, the United States and other countries before a product may be sold in these markets. Filing an application with the regulatory authority does not guarantee that a license to market the product will be granted. Each authority may impose its own requirements, including requiring studies in its own country, and may delay or refuse approval, even though a product has already been approved in another country. In Sanofi-Synthélabo's main markets, the approval process for one or more indications of a new product is complex and lengthy (six months to two years from the date of application). Approvals may be limited to certain indications. A product which is already marketed is also subject to continual review after regulatory approval. Problems may result in marketing restrictions or withdrawal of the product, as well as possible legal penalties.

In addition, Sanofi-Synthélabo is subject to strict government controls on the manufacture, labeling, distribution and marketing of its products.

All these factors affect the probability of a product being launched or remaining on the market, and also affect the cost of developing new products.

### Industrial property rights

The success of Sanofi-Synthélabo's operations depends on our ability to protect our industrial property rights effectively by obtaining, maintaining and enforcing patents and other rights. Patent law in the pharmaceutical field is continually evolving, and hence is a source of uncertainty. It is never certain that:

- a new invention will be patentable;
- patents applied for will be granted;
- the scope of patent protection will be sufficient to exclude competitors.

In addition, third parties may claim ownership of patents or other industrial property rights owned by or licensed to Sanofi-Synthélabo, which could result in the cancellation or unenforceability of these rights.

Sanofi-Synthélabo currently has approximately 9,800 patents and patent applications worldwide, and licenses for approximately 30 additional patents. We cannot be certain how much protection these will provide. Early in 2002, two pharmaceutical companies, Apotex and Dr. Reddy's Laboratories, each filed an abbreviated new drug application (ANDA) with the U.S. Food and Drug Administration (FDA), seeking to market a generic form of Plavix® in the United States, and challenging certain American patents relating to Plavix®; in March 2003, Apotex instituted a similar challenge in Canada (see "Legal Proceedings", page 108 of this report). The Plavix® patents are material to Sanofi-Synthélabo's business, and if we were unsuccessful in asserting them or they were deemed invalid, any resulting introduction in the United States of a generic version of Plavix® would reduce the price that we receive for this product and the volume of the product that we would be able to sell.

Certain national governments or international organisations have recently responded to healthcare crises by taking measures which have the effect of eroding the patent protection enjoyed by pharmaceutical companies. These measures include the threat of imposing compulsory licenses for products they view as essential.

Sanofi-Synthélabo supports the efforts of these national governments to combat major healthcare crises. However, if such efforts are at the expense of effective patent protection, they will impair the ability of Sanofi-Synthélabo and other pharmaceutical companies to recover research and development expenditure, thereby inducing them to curtail such expenditure and develop fewer new products.

## Risk of patent infringement

There is a risk that competitors may infringe Sanofi-Synthélabo's patents or attempt to circumvent them by making innovations. To prevent infringement, Sanofi-Synthélabo may file infringement claims, which are lengthy and expensive. It is difficult to monitor the illegal use of industrial property rights, and Sanofi-Synthélabo may not always be able to prevent the fraudulent use of its industrial property rights. This risk is increased by the rapid growth in patents filed and granted in the pharmaceuticals industry.

## Legal proceedings

Refer also to the notes to the consolidated financial statements D.14.2 and D.19, pages 58 and 63 of this report.

In February 2002, Sanofi-Synthélabo learned that Apotex, a generic drug manufacturer, filed an Abbreviated New Drug Application, or ANDA, with the FDA challenging two of our U.S. patents relating to Plavix®. In April 2002, Sanofi-Synthélabo learned that Dr. Reddy's Laboratories, a generic drug manufacturer, filed an ANDA with the FDA challenging the three U.S. patents relating to Plavix®. An ANDA is an application by a drug manufacturer to receive authority to market a generic version of an approved product, by demonstrating that it has the same properties as the original approved product. In general, an ANDA may not be filed until the expiration of the five-year market exclusivity period that applies to the original product following its initial market authorization. If the product is protected by a patent owned by or licensed to the manufacturer of the original version, however, the ANDA cannot be approved until the patent expires unless the ANDA applicant challenges the patent. In that case, the ANDA may be filed four years following the initial market authorization of the original product.

On March 21, 2002, Sanofi-Synthélabo and Bristol-Myers Squibb Sanofi-Synthélabo Pharmaceuticals Holding Partnership (or Sanofi-Synthélabo BMS Holding, a Sanofi-Synthélabo's joint venture with Bristol-Myers Squibb) filed suit in the United States District Court for the Southern District of New York against Apotex for the infringement of two of the U.S. patents relating to Plavix®. The lawsuit is captioned Sanofi-Synthélabo, Sanofi-Synthelabo Inc., and Bristol-Myers Squibb Sanofi-Synthélabo Pharmaceuticals Holding Partnership v. Apotex Inc. and Apotex Corp., 02-CV-2255 (RWS). The first patent, U.S. Patent No. 4,847,265, which expires in 2011, discloses and claims the compound clopidogrel, the active ingredient in Plavix®. The second patent, U.S. Patent No. 5,576,328, which expires in 2014, discloses and claims, among other things, the use of clopidogrel in the treatment of patients to prevent a secondary ischemic event. On May 14, 2002, Sanofi-Synthélabo and Sanofi-Synthélabo BMS Holding filed suit in the United States District Court for the Southern District of New York against Dr. Reddy's Laboratories for infringement of these same two patents. That lawsuit is captioned Sanofi-Synthélabo, Sanofi-Synthelabo Inc. and Bristol-Myers Squibb Sanofi-Synthélabo Pharmaceuticals Holding Partnership v. Dr. Reddy's Laboratories, LTD, and Dr. Reddy's Laboratories, Inc., 02-CV-3672 (RWS).

On June 20, 2003, Sanofi-Synthélabo announced that U.S. Patent No. 5,576,328 had been withdrawn from the patent infringement lawsuits discussed above and Sanofi-Synthélabo is seeking to have it delisted from the FDA's list of Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the FDA's "Orange Book". The withdrawal of this method patent from the lawsuit has no effect on U.S. Patent No. 4,847,265, which Sanofi-Synthélabo is vigorously defending (together with its alliance partner, Bristol-Myers Squibb, or BMS). As regards the proceedings, fact discovery was essentially completed on October 15, 2003. The trial may reasonably be expected to take place before year-end at a date to be fixed by the court. However, on February 25, 2004, both the patent litigation cases were reassigned to a new judge. The possible impact of this reassignment on the timetable of the litigation may only be assessed after the new judge has had an opportunity to review the case.

If either of the challenges to U.S. Patent No. 4,847,265 were successful, the prevailing party would have the right to produce a generic version of Plavix® and market it in the United States in competition with Sanofi-Synthélabo and its alliance partner, BMS. Under U.S. law, the FDA will not be able to approve the ANDAs filed by Apotex or Dr. Reddy's Laboratories until the earlier of May 17, 2005 (i.e., five years plus 30 months after the approval date of the Plavix® NDA) or the issuance of a court decision that is adverse to the U.S. Patent No. 4,847,265.

However, Sanofi-Synthélabo believes that Plavix® will continue to benefit from its patent protection in the United States and Sanofi-Synthélabo intends to defend its interests in this matter vigorously.

In September 2002 and in January 2003, Sanofi-Synthélabo obtained two additional U.S. patents related to Plavix®. At the present time, these patents are not included in the trial.

In March 2003, Sanofi-Synthélabo learned that Apotex filed an application with Canadian authorities for a marketing authorization for a generic version of Plavix®, challenging the Canadian patent for clopidogrel. Sanofi-Synthélabo believe that the Canadian patent, which protects Plavix® in Canada until August 2012, is valid and is defending its interests in this matter vigorously.

This type of litigation is usual in the pharmaceutical industry. The Plavix® patent rights are material to our company's business, and if Sanofi-Synthélabo was unsuccessful in asserting them or they were deemed invalid, any resulting introduction of a generic prescription version of Plavix® in the U.S. would reduce the price that we receive for this product and the volume of the product that we would be able to sell.

As a reference, the developed sales of Plavix® in 2003 in the United States amounted to 1,817 million euros out of total worldwide developed sales of Sanofi-Synthélabo of 10,560 million euros (see management report page 3). In 2003, Sanofi-Synthélabo's share of profits generated by Plavix® and Aprovel® (under the name Avapro®) in North America is explained in paragraph "Other product and expenses" on page 7 of this report and in the note C1 to consolidated financial statements "Alliance agreements with Bristol-Myers Squibb (i)" page 44 of this report.

In 2003, Sanofi-Synthélabo accounted in its consolidated financial statements a 501 million euros profit and a 51 million euros expense related to royalties linked with the worldwide alliance with Bristol Myers Squibb. The split of these royalties is covered by business secret.

To our knowledge, other than the matters described above, there are no currently pending or threatened legal proceedings that could have a material effect on Sanofi-Synthélabo's assets and liabilities, results, financial condition or forecasts.

## Pricing of products

The performance of Sanofi-Synthélabo depends in part on the price at which drugs are reimbursed to patients. There is strong pressure on prices, due in particular to:

- the current tendency of government and private healthcare providers to favor generic drugs;
- the price controls imposed by governments in many countries; and
- parallel imports, a practice whereby intermediaries exploit price differentials between markets by purchasing products in lower-priced markets for resale in higher-priced markets.

Price pressure is very strong in Europe and the United States, which in 2003 accounted for 58.3% and 23.8% respectively of consolidated net sales. Changes in pricing policies in these two markets are liable to have a material effect on Sanofi-Synthélabo's net sales and net income.

## Dependency on third parties

Sanofi-Synthélabo markets some of its products in collaboration with other pharmaceutical companies. Sanofi-Synthélabo have signed major collaboration agreements with Bristol-Myers Squibb for the marketing of Plavix® and Aprovel®. Sanofi-Synthélabo has also entered into alliances with several Japanese companies for the marketing of its products in Japan. When Sanofi-Synthélabo markets its products under collaboration agreements, certain decisions, such as the preparation of budgets and promotional strategies, are under the control of its partners. Deadlock may arise and adversely affect the activities conducted through these collaboration agreements.

We cannot be certain that Sanofi-Synthélabo's partners will perform their obligations as expected. Our partners may favor their own existing or alternative technologies, or pursue other products than those developed or marketed in collaboration with Sanofi-Synthélabo.

Sanofi-Synthélabo's general policy is to manufacture the active ingredients for its products itself. However, Sanofi-Synthélabo subcontracts the manufacture of the active ingredients for some of its products to third parties, and consequently is exposed to a risk of interruptions to supply in the event that its suppliers experience financial difficulties or are unable to meet demand. At present, Sanofi-Synthélabo subcontracts part of the manufacture of the active ingredients for Stilnox® and Xatral®, two of its five strategic products(*), to Dynamit Nobel, which bought the factory that manufactures these ingredients from Sanofi-Synthélabo in February 2001. This agreement requires Sanofi-Synthélabo to purchase around 80% of its manufacturing requirements of the ingredients for the concerned products through December 31, 2004. Although Sanofi-Synthélabo has not experienced any problem in the past, any interruption in the supply of raw materials as a result of difficulties with subcontractors may adversely affect the ability of Sanofi-Synthélabo to supply the market, and damage its reputation and customer relations. Although Sanofi-Synthélabo make efforts to secure alternative sources of supply wherever possible, including by manufacturing active ingredients at two or even three production sites (double/triple sourcing policy), there can be no certainty that this would prove adequate if the main source of supply were to be temporarily unavailable.

Collaborations with third parties expose Sanofi-Synthélabo to the risk that these third parties may assert intellectual or industrial property rights to our inventions or fail to keep our unpatented technology confidential.

Sanofi-Synthélabo may provide information and materials to research collaborators in universities or to other public or private entities, and may commission them to conduct tests to investigate these materials. In all cases, Sanofi-Synthélabo enters into adequate confidentiality agreements with the entities. However, these entities may assert industrial property rights over the results of the tests conducted by their staff, and may refuse to license these rights to Sanofi-Synthélabo on acceptable terms.

The business of Sanofi-Synthélabo also relies on unpatented technology, manufacturing processes, know-how and data which we regard as trade secrets, and which we protect in part by entering into confidentiality agreements with our employees and consultants and with certain joint contractors. We cannot be certain that these agreements or any other available form of protection of trade secrets will afford sufficient protection, or that we will have adequate remedies if they are breached (see section "Patents, Industrial property and other rights" page 117 of this report).

(*) Plavix®/Iscover®, Stilnox®/Ambien®/Myslee®, Aprovel®/Avapro®/Karvéa®, Eloxatine®, Xatral®.

# Risks relating to Sanofi-Synthélabo's activity

## Sanofi-Synthélabo must invest heavily in research and development to remain competitive

To be successful in the highly competitive pharmaceutical industry, Sanofi-Synthélabo must commit substantial resources to research and development every year in order to develop new products. In 2003, Sanofi-Synthélabo spent 1,316 million euros, or around 16.4% of consolidated net sales, on research and development. The increase in expenditure associated with current investment in the launch of new products and the research and development of future products may not necessarily result in an increase in Sanofi-Synthélabo's net sales.

## The research and development process is lengthy and carries a significant risk of failure

The research and development process generally takes 10-15 years from discovery of the compound to commercial product launch. The process involves various phases, and at each phase there is a significant risk that the objectives will not be met and that Sanofi-Synthélabo will abandon a product in which substantial amounts have been invested. For example, in order to develop a commercially viable product Sanofi-Synthélabo must demonstrate via large-scale pre-clinical and clinical trials on humans that the compound is safe and effective for use in humans. There can be no assurance that successful pre-clinical trials will be confirmed by subsequent clinical trials, or that clinical trials will provide sufficient efficacy and product safety data to secure approval from regulatory authorities. As of February 16, 2004, Sanofi-Synthélabo had 56 compounds in pre-clinical and clinical development in its four main therapeutic fields, including 25 in phase II or phase III of clinical trials. For further information on clinical trials and the definition of clinical trial phases, refer to page 38-39 of the 2003 Business report. There can be no guarantee that these compounds will prove effective or safe, or that they will result in successfully marketable products.

## Expansion in the United States

To meet its growth targets, Sanofi-Synthélabo must profitably expand its business in the United States, the world's largest pharmaceuticals market. The United States, which accounted for 23.8% of 2003 consolidated net sales, is a major potential source of future growth for Sanofi-Synthélabo, and we plan to expand significantly our direct presence in the United States in the coming years. A number of difficulties need to be overcome to secure profitable expansion in the United States, in particular:

- the success of the new management organization that we have established in the United States;
- the targeting of new markets;
- the fact that the United States market is dominated by major U.S. pharmaceutical companies;
- potential changes in health care reimbursement policies and possible cost control regulations in the United States, such as Medicare reform.

# Industrial and environmental risks

See also section "Health, Safety, Environment: an exacting policy focused on the challenges of our pharmaceutical business", pages 102 to 105 of the 2003 Business report.

## General overview

### *Use of hazardous substances*

The manufacture of pharmaceutical products, and in particular of active ingredients (including storage and transportation of raw materials, products and waste), gives rise to the risk of:

- fires and/or explosions from inflammable substances,
- leaks from storage tanks,
- emission or disposal of toxic or hazardous substances.

These operating risks may, if they crystallize, cause personal injury, property damage or environmental pollution.
Consequences may include:

- the closure of the sites involved;
- the imposition of civil or criminal penalties on Sanofi-Synthélabo.

The occurrence of any such event could therefore have an adverse effect on the operating profits of Sanofi-Synthélabo.

### *Site remediation*

Sanofi-Synthélabo is obliged to remediate contaminated sites. These may include sites that we currently own or operate, or sites that we owned or operated in the past. They may also include sites where waste generated by Sanofi-Synthélabo's activities has been discharged. As for a number of companies involved in the pharmaceutical industry, soil or groundwater contamination has occurred at certain sites in the past, and may also recur or be discovered at other sites.

In addition:

- Sanofi-Synthélabo is currently involved in claims, lawsuits and administrative proceedings relating to environmental matters, and others may arise;
- environmental regulations are constantly changing, and the introduction of stricter health, safety and environmental rules is liable to increase the costs and liabilities incurred by the company.

## Significant factors liable to impact the company's assets and liabilities or results

Sanofi-Synthélabo's manufacturing and research activities are subject to increasingly stringent laws and regulations on health, safety and the environment. These laws and regulations are complex and rapidly evolving. Sanofi-Synthélabo has incurred and will continue to incur the necessary expenditure to ensure compliance. Our investment in health, safety and the environment varies from year to year: the total amount invested was 23 million euros in 2002 and 20 million euros in 2003. Expenditure on health, safety and environment, comprising HSE personnel costs, consumables, energy, labor, waste processing and recycling, environmental taxes, studies and audit services, totaled 44 million euros in 2003, 10% higher than in 2002. It is not possible to predict with certainty future expenditure in this area.

Provisions booked for environmental risks are adequate, based on information available as of the date they were booked. Given the uncertainties inherent in anticipating industrial and environmental liabilities, the company cannot warrant that it will not need to incur additional expense beyond the amounts provided. Any shortfall in provisions to meet such risks could have a material impact on operating profits.

In addition, although Sanofi-Synthélabo has taken out property, liability and business interruption insurance cover in line with industry practice, there can be no guarantee that such insurance will fully cover all the consequences of potential dangers affecting its business. For more information, see the "Insurance and risk coverage" section, page 115 of this report.

Subject to these reservations, the company is not currently aware of any industrial or environmental risk that might significantly affect the assets and liabilities or results of the company.

## Policy of prevention in the environmental field and risk assessment

Sanofi-Synthélabo's health, safety and environment policy is designed to promote the health and well-being of its employees and respect for the environment. Sanofi-Synthélabo regards this policy as an integral part of its commitment to social responsibility. The key points of the policy are summarized below.

### *Environment*

The core objectives of Sanofi-Synthélabo's environment policy are to implement clean manufacturing techniques, minimize the use of natural resources and reduce the environmental impact of our business. In order to optimize and improve our environmental performance, Sanofi-Synthélabo has undertaken to obtain ISO 14001 certification, under a progressive move. Three manufacturing sites and two Research & Development sites are certified. This move is part of the rolling improvement strategy practiced at all Sanofi-Synthélabo establishments through annual implementation of progress plans in health, safety and the environment, known as PASS. Sanofi-Synthélabo believes that this strategy reflects the genuine involvement of management and individuals in health, safety and the environment.

### *Health*

From the development of compounds to the launch of new drugs, Sanofi-Synthélabo's research scientists are constantly assessing the impact of products on human health. Their expertise is made available to Sanofi-Synthélabo employees via two committees responsible for chemical and biological risk assessment. The COVALIS committee classifies all chemical and pharmaceutical substances handled within Sanofi-Synthélabo and sets workplace exposure limits for each of them. The TRIBIO committee classifies all biological agents according to their degree of pathogenicity and makes decisions on confinement rules and preventive measures to be implemented within Sanofi-Synthélabo.

*Safety*

Sanofi-Synthélabo has a rigorous policy designed to identify and assess risks, and to develop preventive measures and methods to monitor the effectiveness of these measures. Sanofi-Synthélabo also invests in training programs designed to ensure that a safety culture is built into all workplace activities. Such policies are implemented worldwide in order to ensure the safety of all employees and protect their health. All projects, whether in research, development or manufacturing, are subject to evaluation procedures incorporating data on substances and chemical processes obtained from the COVALIS and TRIBIO committees described above. The preventive measures primarily aim to reduce the number and seriousness of workplace accidents for permanent and temporary staff, and for employees of outside contractors.
Under new French legislation on the prevention of technological risks, our two French chemical production sites at Sisteron and Aramon are subject to a heightened level of safety inspections due to the toxic or inflammable materials stored and used in processes. We believe that both of these sites satisfy legal requirements regarding safety management systems, hazard surveys, risk control mechanisms and insurance policies to cover the potential risk of material damage to third parties.

# Market risks

## Liquidity

Based on the current Group's structure, it is expected that that the Group's existing cash resources will be sufficient to finance its ongoing activities and investments for the next several years. There is not anticipated to be any significant increase in capital expenditure in 2004 compared with recent years, no significant change is anticipated in the Group's sources of liquidity in the future (as the Group's operating cash flow should remain substantial so long as consolidated earnings continue to grow) and therefore borrowings are not anticipated to increase significantly.

Whilst the Group cannot be certain that its earning will continue to grow as they have in the past, the Group is not aware of any currently existing circumstances that would be likely to materially and adversely affect its consolidated earnings in the near future. Moreover, a major reduction in earnings or a very large increase in expenses would be required in order for the Group's operating cash flow to be insufficient to fund its ongoing liquidity requirements. Even if this were to occur, the low level of financial debt would provide the Group with a significant source of potential liquidity.

As at December 31, 2003, the Group's borrowings were not significant and mostly consisted of short term credit lines implemented in favour of foreign subsidiaries. The global amount of these credit lines was approximately 500 million euros.

As of January 26, 2004 Sanofi-Synthélabo launched a public offer on Aventis shares, which could lead to a change in the Group's financing policy. For additional information please refer to the description of the offer on page 104 of this report and to the French prospectus ("note d'information") of the company filed with the *Autorité des marchés financiers* under number 04-0090.

## Impact of interest Rate

The Group operates a centralized treasury platform under which all surplus cash resources or financing requirements of affiliates, wherever local legislation permits, are pooled with those of the parent company under arm's length agreements. Where needed, local working capital credit facilities are negotiated by affiliates with banking counterparties and validated by a specialist central treasury team. This same team monitors the Group's current and forecast cash position and manages the Group's investment portfolio which consists entirely of money market funds and term deposits.

The fact that all of the Group's short term deposits and borrowings are subject to variable interest rates, the Group is exposed to movements in short term interest rates. In 2003, the Group earned a net financial income of 47 million euros on an average net short term cash position excluding treasury shares in 2003 of 1 960 million euros, which represents a return before tax of 2.38%. At December 31, 2003, the Group's short term cash position excluding treasury shares was 2 558 million euros. Based on this position, a change in average short term interest rates of 1% would result in a impact of 25 million euros on the Group's income before tax in 2004.

The Group held no interest rate instruments at December 31, 2003.

## Impact of exchange rates

The Group consolidated statements are in euros. Because the Group earns a significant portion of its revenues in countries where the euro is not the local currency the results of its operations can be significantly impacted by exchange movements between the euro and other currencies. The Group is particularly sensitive to movements in exchange rates between the euro and the U.S. dollar and, to a lesser extent, the Japanese yen. In 2003, approximately 23.8% of its consolidated sales were realized in the United States (the United States also represented 45.4% of the Group's 2003 operating profit excluding unallocated costs). Although the Group incurs expenses in these currencies, the impact of these expenses does not fully offset the impact of currency exchange rates on our revenues. As a result, currency exchange rate movements can have a considerable impact on the Group's earnings. For example, in 2003, our operating profit was 17.6% higher than in 2002; it would have increased by 34.4% over 2002 if exchange rates had remained constant.

Accordingly, in order to reduce the Group's exposure to foreign currency fluctuations and to help guarantee its profitability, the Group applies a hedging policy. This policy entails the periodic calculation of its global foreign currency exposure based on the budgeted transactions that are denominated in foreign currencies of both the parent company and of its affiliates. These transactions mainly concern purchases, sales, research, co-marketing and co-development expenses and royalties. In order to reduce the Group's exposure to currency fluctuations impacting on these transactions a variety of foreign exchange hedging transactions are entered into involving the use of a diversified range of liquid financial instruments such as foreign exchange forwards, put and call options or combined optional derivatives such as collars. All such financial transactions are entered into with counterparties with a high credit rating and are centralized under a dedicated treasury team, except when, mainly for legal or for regulatory reasons, it is more convenient for affiliates to enter directly into these transactions. The hedging strategy is presented and validated by the Group's Audit Committee; a regular review of the level of the Group's commitments related to these financial transactions is conducted by senior financial management.

The following tables provide an indication of the existing currency hedging instruments at December 31, 2003, shown by maturity date, and calculated based on the applicable forward rate. See Note D.17 to the Group's consolidated financial statements for the carrying amount and fair value information of these instruments at December 31, 2003 and 2002.

**In millions of euros**

| | 2004 | After 2004 |
|---|---|---|
| **Forward purchases of:** | | |
| U.S. dollar | (130) | – |
| Swiss franc | (92) | – |
| Norwegian krona | (23) | (12) |
| British pound | – | – |
| Hungarian forint | (57) | |
| Japanese yen | – | – |
| Swedish krona | (4) | – |
| **Forward sales of:** | | |
| U.S. dollar | 981 | – |
| Japanese yen | 49 | 21 |
| British pound | 45 | – |
| Canadian dollar | 23 | – |
| Czech koruna | 13 | – |
| Swiss franc | – | – |
| Singapore dollar | 2 | – |
| Swedish krona | 10 | – |
| Australian dollar | 13 | – |
| Norwegian krona | 8 | – |
| Polish zloty | 14 | – |
| Hungarian forint | – | – |
| Slovakian koruna | 5 | – |
| Korean won | 10 | – |
| Mexican peso | 7 | – |
| South African rand | 6 | – |
| Taiwanese dollar | 6 | – |
| Thai baht | 5 | – |
| Other currencies | 6 | – |

| | 2004 | After 2004 |
|---|---|---|
| **Foreign currency option purchases (*)** | | |
| **Call purchases of:** | | |
| Norwegian krona | – | – |
| Swiss franc | – | – |
| U.S. dollar | – | – |
| Japanese yen | – | – |
| Hungarian forint | (11) | – |
| **Put purchases of:** | | |
| U.S. dollar | 234 | – |
| Japanese yen | 43 | – |
| Swiss franc | – | – |
| Czech koruna | 2 | – |
| Polish zloty | 2 | – |
| Swedish krona | 3 | – |
| Australian dollar | 1 | – |
| Norwegian krona | 1 | – |
| Thai baht | 1 | – |
| South African rand | 1 | – |
| **Foreign currency option sales (*)** | | |
| **Call sales of:** | | |
| U.S. dollar | (20) | – |
| Australian dollar | (1) | – |
| Czech koruna | (2) | – |
| Norwegian krona | – | – |
| Slovakian koruna | (3) | – |
| **Put Sales of:** | | |
| Norwegian krona | 20 | 10 |

(*) Based on "in the money" options.

These positions cover all future material foreign currency cash flows occurring after the balance sheet date that relate to transactions that have occurred during the financial year and which are accounted for in the Group's balance sheet at December 31, 2003. The gains and losses arising on these positions have been calculated and recognized symmetrically with the recognition of gains and losses on the hedged items.
In addition, these positions cover anticipated foreign currency cash flows relating to transactions occurring after the balance sheet date. As has already been explained in the first paragraph of this note, the results of the Group are particularly sensitive to exchange movements between the euro and the U.S. dollar and this currency constitutes approximately 75% of these positions by notional value. Globally the total net amount of the positions taken in the U.S. dollar at December 31, 2003 was 985 million U.S. dollar representing approximately 86% of the forecast transactions denominated in this currency in 2004 at an average hedged rate of 1.11 U.S. dollars to the euro. It is estimated that if the average exchange rate in 2004 applicable to these transactions was to be 1.20 U.S. dollars to the euro the impact of these positions would be to increase the Group's Income before tax in 2004 by approximately 70 million euros; if the average exchange rate in 2004 was to be 1.10 U.S. dollars to the euro the impact would be to reduce on the Group's income before tax in 2004 by 5 million euros.

## Stock Market Risk

The Group has a general policy of not trading in the markets for speculative purposes and generally invests its surplus cash in money market mutual funds and term deposits with bank counterparties that have high credit ratings. The Group does not own any material equity interest in listed companies. As of December 31, 2003, were held:

- 36,576,564 treasury shares (4.99% of share capital), which was recorded as a deduction from shareholders' equity (see note D.12.5 to the consolidated financial statements). Movements in the share price will not result in an impact on consolidated net income as a result of the holding of these treasury shares.
- 13,413,698 treasury shares (1.83% of share capital), which are classified under "short-term investments" at a net value of 613 million euros (see note D.10 to the consolidated financial statements). Of these shares, 13,183,948 were allocated to stock option plans. A reversal of a 2 million euros provision for impairment of these shares was made in 2003. This line includes a provision for impairment of 44 million euros at December 31, 2003. The valuation method used depends on the probability that the option will be exercised: where exercise is probable, because the exercise price is lower than the stock market price at the balance sheet date, the shares are valued plan by plan at the lower of acquisition cost or exercise price; where exercise is improbable, because the exercise price is higher than the stock market price at the balance sheet date, and in the case of shares not yet allocated to plans or that have become void, the shares are valued at the lower of the average acquisition cost of all these shares or the average listed stock market price during December 2003 (57.34 euros).

Movements in the share price will have an impact on consolidated net income. The following table shows the impact for a range of movements in the share price.

| Movement relative to the average December 2003 listed price of 57.34 euros | Net impact consolidated net income in millions of euros |
|---|---|
| + 20% | + 28 |
| + 10% | + 23 |
| – 10% | – 23 |
| – 20% | – 46 |
| – 30% | – 69 |

# Other risks

The two principal shareholders, Total and L'Oréal, owned 24.4% and 19.5% of our share capital, respectively, as of December 31, 2003. The bylaws provide that the fully paid up shares that have been held in registered form for at least two years under the name of the same shareholder acquire double voting rights. As a result, as of December 31, 2003, Total and L'Oréal held shares representing 35.0% and 28.1%, respectively, of the voting rights. They are party to a shareholders' agreement which runs to December 2004 that enables them to exercise significant influence in the election of our directors and officers and other corporate actions that require shareholder approval.

Even if all of the Aventis securities are validly tendered and exchanged pursuant to the terms of the Offers, immediately after the exchange, Total and L'Oréal will own, on a diluted basis and taking into account all in-the-money options that are exercisable as of the expected closing date, approximately 13.2% and approximately 10.6%, respectively, of the share capital (other than share capital held by us) and approximately 21.1% and approximately 16.9%, respectively, of our voting rights. Under the terms of a shareholders' agreement, Total and L'Oréal have agreed to act in concert with respect to their shareholdings in our company and to certain restrictions on the transfer of their ordinary shares. On November 24, 2003, Total and L'Oréal amended the shareholders' agreement so that it terminates on December 2, 2004 according to its terms, the parties having indicated that they do not intend to act in concert with respect to their shareholdings in our company as from that date (see section "shareholders' agreement" on page 131 of this report).

To the extent these shareholders maintain such level of shareholding, and particularly if they act in concert, after the exchange Total and L'Oréal will remain in a position to exert heightened influence in the election of our directors and officers and in other corporate actions that require shareholders' approval. Continued ownership of a large percentage of our share capital and voting rights by these two principal shareholders, who are also members of our board of directors, particularly if they act in concert, may have the effect of delaying, deferring or preventing a future change in our control and may discourage future bids for our shares other than with the support of these shareholders.

# Insurance and risk coverage

The Group is protected by two main insurance programs covering public liability and property damage/business interruption. These worldwide programs cover all Group companies.
The insurance policies taken out are of the highest standard, the best available on the market and in line with industry practice; however, they cannot totally rule out the possibility that a major event with unforeseeable or uninsurable consequences might materially affect Sanofi-Synthélabo's assets and liabilities, financial position or results.

## Public liability insurance

The public liability insurance market has become much tougher in recent years, especially in the pharmaceuticals sector, and this trend is continuing. In renewing our insurance program, we mobilized virtually all available capacity in the insurance and reinsurance markets. While we managed to maintain the same amount of cover, the deductible threshold has been significantly raised, and the content of our cover has been reduced by the introduction of exclusions aimed at certain molecules and by other restrictive clauses. Despite the increase in premiums, the cost of cover has been contained, and is still less than 0.5% of consolidated net sales.

In addition to this program, we have taken out specific environmental damage liability insurance, covering virtually all countries in which we have operations.

Finally, specific clinical trials liability cover replaces or supplements the cover provided by our worldwide program in countries where this is required by local regulations.

## Property insurance

The property damage and business interruption insurance program has been renewed with only minor changes. Total fire and explosion cover for our principal sites has been maintained at 950 million euros, while the maximum period of compensation for business interruption arising from an incident at a production site remains at 24 months.

It proved impossible to remove the exclusions and limitations imposed on us, which relate mainly to terrorism and natural disasters.

We are contributors to PhIL (Pharmaceutical Insurance Limited), a mutual insurance company which we founded with six other pharmaceutical companies with a view to improving our cover and reducing insurance costs. PhIL has been providing part of our cover since January 1, 2004.

Integral to the protection of our business are the ongoing policies we apply, in association with our insurers, in the areas of back-up, double sourcing, storage of strategic products, and risk prevention at our production and research sites.

# Presentation of the activity

## Production and Raw Materials

Generally, we develop and manufacture the active ingredients that we use in our products. We have a general policy of producing the active ingredients for our principal products at our own plants rather than outsourcing production. Even though we must outsource certain production elements, we are committed to this general principle, which reduces our dependency on key suppliers.

In February 2001, we sold two manufacturing facilities to Dynamit Nobel, and we outsource to those facilities the production of the active ingredients used in Stilnox®, Kerlone®, Xatral®, Solian® and Tildiem®. Our outsourcing agreement requires us to purchase these active ingredients from Dynamit Nobel through December 31, 2004, at which point we may manufacture these ingredients ourselves or negotiate a new outsourcing agreement. Either we or Dynamit Nobel may terminate the outsourcing agreement in the event of a material breach that is not cured for any one of the active ingredients. Additionally, we may terminate the agreement for any one of the active ingredients if they continuously fail to meet specifications or are used in a product that is withdrawn from the market.

In connection with our proposed acquisition of Aventis we have begun to divest our interests in Arixtra® and Fraxiparine®, our facility at Notre-Dame de Bondeville may also be sold (see page 106 "Presentation of the proposed acquisition of Aventis - Divestiture of Arixtra® and Fraxiparine®").

Among our other key products, we also depend on third parties in connection with the manufacture of Eloxatine®. Under the terms of our license agreement, we purchase the active ingredient from Debiopharm, and the production of the finished product is outsourced to two manufacturers.

Our principal manufacturing processes consist of three stages: the manufacture of active ingredients, the incorporation of those ingredients into products designed for use by the consumer and packaging. Each stage of the manufacturing process is carried out under carefully controlled conditions and is regulated by applicable legislation including, for facilities that produce products marketed in the United States, the U.S. Food and Drug Administration, or FDA. Wherever possible, we seek to have at least three plants approved for the production of key active ingredients and finished products. All of our facilities are Good Manufacturing Practice, or GMP, compliant in accordance with international guidelines.

We purchase a variety of raw materials for use in our manufacturing processes. When possible, we have a policy of maintaining multiple sources of supply for materials. In a few cases raw materials may be in short supply. For example, there are limited supplies of a raw material used in the manufacture of Fraxiparine®. Nonetheless, we have not experienced any difficulty in obtaining a sufficient supply of raw materials in recent years and believe that we will be able to obtain supplies in sufficient quantities in the future. We are not exposed to any material risk related to the volatility of the prices of raw materials that we outsource.

Our main production facilities are located in France, Hungary, the United Kingdom and Spain, with additional facilities located in many other countries around the world including in Italy, Northern Africa, Eastern Europe, Asia and Latin America.

## Marketing and Distribution

We have our largest presence in Europe, which accounted for 4,693 million euros, or 58.3% of 2003 consolidated net sales. In Europe, France is our largest single country in terms of sales and accounted for 1,646 million euros, or 20.5% of our 2003 consolidated net sales. Other European countries accounted for 3,047 million euros, or 37.9% of our 2003 consolidated net sales, with Germany, Italy, Spain and the United Kingdom representing the largest European markets other than France. Our next largest market is the United States, which accounted for 1,912 million euros, or 23.8% of 2003 consolidated sales.

The following table breaks down our consolidated net sales by geographic market for 2001, 2002 and 2003:

| In millions of euros | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Europe** | | | |
| France[1] | 1,646 | 1,584 | 1,487 |
| Germany | 667 | 634 | 596 |
| Italy | 478 | 444 | 433 |
| Other | 1,902 | 1,642 | 1,361 |
| **Total Europe** | **4,693** | **4,304** | **3,877** |
| **United States** | **1,912** | **1,689** | **1,098** |
| **Other countries** | **1,443** | **1,455** | **1,513** |
| **Total net sales** | **8,048** | **7,448** | **6,488** |

(1) Includes French overseas territories (Guadeloupe, Martinique, Réunion and French Guyana).

Our principal marketing activities have historically focused on Europe and have been conducted through our own subsidiaries. In the United States and Japan, which together with Europe make up the most significant part of the world pharmaceutical market, we have historically marketed most of our products through partnerships with other pharmaceutical companies. We have increased our presence in the U.S. market, by acquiring the remainder of the Lorex Pharmaceuticals joint venture, which marketed Stilnox® (under the name Ambien®) and Kerlone® in the United States, from Pharmacia in April 2002, by increasing our involvement in the promotional activities and profits of the alliance with Bristol-Myers Squibb that markets Aprovel® (under the name Avapro®) in the United States from October 2001. These alliances are described in the note C to the consolidated financial statements page 43. Our proprietary U.S. sales force, which numbered 2,675 as at December 31, 2003, has tripled over the last three years from 880 as at December 31, 2000.

We manage the marketing process by integrating the marketing approach developed by our central strategic marketing group at our headquarters in Paris with that of our group companies in their local markets. A major focus of our marketing strategy is to launch new products in the appropriate key world markets as rapidly as possible, subject to the constraints imposed by the extensive process of obtaining regulatory approvals. The launch of a major product is supported by participation in scientific conferences and exhibitions and by informing the medical community of the qualities, applications and limitations of the product. This process involves the presentation of information generated by clinical trials in a form tailored to each market.

The following table presents the geographical breakdown of the sales force:

**Sales Force by Region**

| | At December 31, 2003 | |
|---|---|---|
| | Sales Force | % of Total |
| Europe | 5,090 | 43.87% |
| United States | 2,675 | 23.06% |
| Other countries | 3,836 | 33.07% |
| **Total** | **11,601** | **100%** |

# Patents, industrial property and other rights

## Trademarks

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

The degree of trademark protection varies country by country, as each state implements its own laws applicable to trademarks used in its territory. In some countries, trademark protection is primarily based on use, whereas in other countries, trademark rights may only be obtained by registration. Registrations are generally granted for a fixed term (typically ten years) and are renewable indefinitely, but in some instances may be subject to the continued use of the trademark. When trademark protection is based on use, it covers the products and services for which the trademark is used. When trademark protection is based on registration, it covers only the products and services designated in the registration. We usually register our trademarks so as to cover pharmaceutical products in class 5, although we sometimes are required, subject to local trademark law requirements, to further specify the type of product protected by the trademark. Additionally, in certain cases, we may enter into a coexistence agreement with a third party that owns potentially conflicting rights in order to better protect and defend our trademarks.

## Patents

We currently own approximately 9,800 patents and patent applications worldwide, and we license-in approximately 30 patents. These patents cover:

- active ingredients,
- pharmaceutical formulations,
- product manufacturing processes,
- intermediate chemical compounds used in manufacturing, and
- therapeutic indications.

Patent protection for individual products typically extends for 20 years from the filing date in countries where we seek patent protection. This protection may be further extended in some countries, in particular in Europe, the United States and Japan. The protection afforded depends upon the type of patent and its scope of coverage and may also vary from country to country. In most industrial countries, patent protection exists for new active substances and formulations, as well as for new indications and production processes. We monitor our competitors and vigorously challenge patent and trademark infringements.

The expiration of a product patent may result in significant competition from generic products against the covered product and, particularly in the United States, can result in a dramatic reduction in sales of the pioneering product. In some cases, it is possible to continue to obtain commercial benefits from product manufacturing trade secrets, patents on processes and intermediates for the economical manufacture of the active ingredients, patents for special formulations of the product or for delivery mechanisms, and conversion of the active ingredient to OTC products. In some countries, including Europe and the United States, many of our products may also benefit from a 5- to 10-year market exclusivity period. This exclusivity period operates independently of patent protection and may protect the product from generic competition even if the basic patent for the product has expired.

Among our top ten products, Cordarone® and Solian® no longer enjoy any kind of patent protection in major markets. For certain of our other top 10 products, including Fraxiparine®, Tildiem® and Depakine®, the main patent has expired and we only have patent protection on a particular formulation of the drug or on a manufacturing process in certain countries. For Plavix® there are three U.S. patents, one expiring in 2011 and two expiring in 2019, and two European patents, expiring in 2013 and 2019, respectively. We have an additional U.S. patent expiring in 2014, although we have requested the FDA to delist this patent from its list of Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the FDA's "Orange Book". Finally, two patents expired during 2003 (one U.S. and one European). Aprovel® is protected in the United States until 2011 and in Europe until 2012. Stilnox® began to lose some of its patent protection in 2002, and its remaining main patents will expire in different countries during 2004 (France) through 2006 (United States and Japan). Arixtra® has market exclusivity in the United States until 2006, and in Europe it will have data protection until 2012. Among our strategic products, Eloxatin® is marketed under a licensing agreement, as we do not own the Eloxatin® patents but in-license them from a third party for marketing. Those patents expire in 2013.
The most recent of our major pharmaceutical products to go off patent in major markets was Corotrope®, whose main patents expired in the United States in May 2002 (where it is sold under the brand name Primacor®).

One of the main limitations on our operations in some countries outside the U.S. and Europe is the lack of effective intellectual property protection of our products. Under international agreements in recent years, global protection of intellectual property rights is improving. The TRIPS Agreement (Trade-Related Aspects of Intellectual Property Rights), which forms part of the General Agreement on Tariffs and Trade "Gatt", requires developing countries to amend their intellectual property laws to provide patent protection for pharmaceutical products by the end of a 10-year transition period that expires on January 1, 2005, and a number of countries have already enacted such amendments. Although the situation has gradually improved, the lack of protection for intellectual property rights poses difficulties in certain countries.

In the United States, two pharmaceutical companies have filed Abbreviated New Drug Applications, or ANDAs challenging our patent related to Plavix® that expires in 2011, as well as other patents that have since expired or that we have not pursued in the litigation. See "Legal Proceedings" page 108. An ANDA is an application by a generic manufacturer for an abbreviated approval of a generic product. See "Regulation" page 120. We believe that our patent rights are valid and we intend to defend them vigorously.

On March 5, 2004, we were informed that Teva Pharmaceuticals USA, Inc., or Teva, a generic drug manufacturer, filed an ANDA with the FDA claiming that one of our patents relating to Plavix® is invalid (the patent expiring in 2014 that we are seeking to delist from the FDA's "Orange Book" as discussed above) and that two others (those expiring in 2019) will not be infringed by Teva. None of these patents is involved in the pending patent infringement litigation involving Plavix® that we have filed against Apotex and Dr. Reddy's Laboratories, two generic drug manufacturers. The Teva filing does not challenge the patent at issue in the Plavix® litigation and therefore is not expected to have any impact on that litigation; nor does it appear that Teva intends to commercialize a generic form of Plavix® prior to the expiration or termination of the patent at issue in the Plavix® litigation (which does not expire until 2011), although there can be no assurance that this will continue to be the case.

Other than as described in this annual report, we are not currently involved in any material patent or trademark litigation nor, to our knowledge, is any such litigation threatened.

## Competition

The pharmaceutical industry in which we operate is highly competitive. Over the last few years, the pharmaceutical industry has experienced increased vertical and horizontal consolidation. In addition to the consolidation, significant changes in marketing conditions are occurring in the European, U.S. and Japanese pharmaceutical markets, including decreased pricing flexibility, increased cost control measures, and the impact of managed care, especially with respect to product selections and pricing concessions. As a result of these factors, the breadth of products that we offer and our distribution capabilities have become increasingly important.

The pharmaceutical market is generally defined by three types of competition:
- competition among pharmaceutical companies to develop new patented products for a specific therapeutic indication;
- competition among patented pharmaceutical products for a specific therapeutic indication; and
- competition among original products with generic bioequivalent products following the loss of patent protection.

We compete with other pharmaceutical companies to develop new and innovative pharmaceutical products. We may develop new technologies and new patented products entirely internally, or we may enter into collaborative research and development arrangements in order to access additional new technologies. When we compete for new technologies through outside research and development collaborative arrangements, we compete directly with large pharmaceutical companies. Some of these companies have substantially greater resources than our company and may be able to offer more attractive milestone payment or other terms. Additionally, as many of these companies have larger U.S. sales forces and consequently larger presences in the U.S. market, the

largest market for pharmaceuticals, they may be more attractive partners for smaller pharmaceutical companies that are typically compensated with royalty payments of sales of products developed.

Once a patented product is on the market, it competes directly with other products that have been developed for the same therapeutic indication. For example, Plavix®, Aprovel®, Stilnox®, Eloxatine®, Xatral® and Arixtra®, among others, may face competition from existing products or other products that have recently appeared on the market or are in later-stage development by other companies. Plavix®, for example, has always faced competition from acetylsalicylic acid, and a combination of acetylsalicylic acid and dipyridamole (Asasantin®/Aggrenox® produced by Boehringer-Ingelheim GmbH). Aprovel® competes directly with Cozaar® (produced by Merck & Co., Inc.), Diovan® (produced by Novartis AG) and Benicar® (produced by Sankyo/Forest Laboratories), Stilnox® competes directly with Sonata® (produced by King Pharmaceuticals), Eloxatine® competes directly with Campto®/Camptosar® (produced by Aventis/Pfizer), Xatral® competes with Flomax® (produced by Abbott Laboratories/ Boehringer-Ingelheim GmbH), Proscar® (produced by Merck & Co., Inc.) and Hytrin® (produced by Abbott Laboratories) and Arixtra® competes directly with low molecular weight heparins, notably Lovenox® (produced by Aventis).

Finally, when a pharmaceutical product loses patent protection, it typically faces competition from generic products, which generally are priced much lower than the original product. We thus compete directly on price with generic product manufacturers for sales once one of our products loses patent protection. For example, since Corotrope®'s U.S. patent protection expired in May 2002, it has faced direct competition from generics. As expected, this competition has led to a significant drop in sales in the United States of Corotrope® (where it is sold under the brand name Primacor®).

## Pricing

In addition to the normal competitive forces that affect the level of prices, a further constraint exists in the form of price controls in most countries where we sell our products. These controls arise either by law or because the government or other healthcare providers in a particular jurisdiction are the principal purchasers of the product or reimburse purchasers for the cost of the product. Price control mechanisms operate differently in different jurisdictions and can result in large price differentials between markets, which may be aggravated by currency fluctuations. These price differentials can also be exploited by traders (parallel importers) who purchase brand-name products in lower-priced markets for resale in higher-priced markets.

In recent years, cost-control efforts by public authorities have led to a tightening of reimbursement policies in most of the countries in which we operate, particularly in Western Europe, where state-controlled healthcare programs (with reimbursement of a percentage of health expenses by the state) are common. Direct cost control measures can take a variety of forms, including mandatory price reductions (or failure to approve price increases), increases in the percentages to be paid by patients (the "co-pay"), exclusion of certain products from lists of reimbursable products, benchmarking of reimbursement prices based on the lowest priced therapy available in a category, cost-benefit analysis of prescription pharmaceuticals, encouragement of the growth of generic drug markets and consideration of the price paid in other countries for the same product. For example, in 2003, Italian authorities continued cost-containment measures by implementing a 2% price decrease for reimbursed products in January 2003 and extended the reference price system to certain therapeutic classes.

German healthcare reforms published in November 2003 call for a benefit analysis of prescription drugs and drug guidelines to be conducted by a future public institute for quality and economic efficiency in the health sector, and the inclusion of patented drugs without significant therapeutic benefits in the reference price system. The inclusion of drugs in the reference price system has the effect of lowering their prices. Although the implementation of these proposed changes is not yet finalized, until such time, the obligatory manufacturers' discount to "Krankenkassen" (German public health insurance system) on non-reference priced drugs increased from 6% to 16% effective from January 1, 2004, and life-style and non-prescription drugs will no longer be reimbursed.

In certain European countries, governments also influence the price of pharmaceutical products indirectly through control of national healthcare systems that fund a significant portion of the cost of such products. In France, for example, a government authority sets the price level for reimbursable medications and, since 2002, must take into account the scientific value of the product, as well as the individual agreements signed between the governmental authority and the pharmaceutical companies. Every five years (to be reduced to three years in the near future), the reimbursement of and price levels for products on the list are reviewed. The price of a product depends on the benefits it provides in rendering medical treatment (including innovations) as well as an economic analysis of the product in comparison to existing treatments. In furtherance of these rules, the French government published an official list of 617 products judged to have weak or moderate medical benefits in April 2003, for which the reimbursement rate has been reduced from 65% to 35%. None of our major products were included on this list. An additional list of 82 products, judged to be of low medical value, was also published, and since October 25, 2003, these products are no longer reimbursed. None of our major products were included on this list. Finally, in August 2003, the French government published a list of 29 active ingredients to be affected by a reference price system. Although none of our top 10 products was on this list, certain of our other non-core products were included, so we have reduced the retail price to the reference price level. The government is expected to publish a second list of products to be affected by the reference price system during 2004.

Additionally, in June 2003, a new framework agreement applicable through December 31, 2006 regulating French pharmaceutical prices, promotions and reimbursement of sales, was entered into by the Economic Committee for Medical Products ("CEPS") and the National Union for the Pharmaceutical Industry ("LEEM"). One of the main features of this new framework agreement is faster price determination for products authorized under the EU centralized procedure or for those products that represent an improvement in medical service via a price notification system. The system requires French pharmaceutical companies to propose prices comparable to those in Germany, the United Kingdom, Spain and Italy, and imposes a 14 to 21-day deadline for the CEPS to object to the price.

In Japan, the National Health Ministry conducts bi-annual reviews of the prices of certain pharmaceutical products (in the past, these reviews have resulted in regular price reductions). In the United States, there are currently no price controls over private sector pharmaceutical purchases; however, federal and state legislation require drug manufacturers to pay rebates on certain drugs to state Medicaid agencies based on each state's reimbursement of pharmaceutical products under the Medicaid program. We also must give discounts or rebates in the United States on purchases or reimbursements of pharmaceutical products by certain other federal and state agencies and programs. Although Medicare reform was enacted in December 2003 in the United States, it is not effective until 2006 and we are evaluating the impact it could have on our business, although we do not expect it to be material. Further healthcare reforms continue to be considered in both the United States and other jurisdictions and depending on their form, and adoption could have a material effect on our future operations. In the absence of new government regulation, managed care has become a potent force in the market place that increases downward pressure on prices of pharmaceutical products.

## Regulation

The international pharmaceutical industry is highly regulated. National and supranational regulatory authorities administer numerous laws and regulations covering the testing, approval, manufacturing, importation, exportation, labeling and marketing of drugs, and also review the quality, safety and efficacy of pharmaceutical products. Of particular importance is the requirement to obtain and maintain regulatory approval for a pharmaceutical product from a country's national regulatory authority before such product may be marketed in that country and thereafter. These regulatory requirements are a major factor in determining whether a substance can be developed into a marketable product and the amount of time and expense associated with such development.
The submission of an application to a regulatory authority does not guarantee that a license to market the product will be granted. Furthermore, each regulatory authority may impose its own requirements and may refuse to grant, or may require additional data before granting, an approval, even though the relevant product has been approved in another country. Regulatory authorities also have administrative powers that determine product recalls, seizure of products and other sanctions.

Europe, the United States and Japan all have very high standards for technical appraisal. The length of time required to obtain approval varies by country, but generally takes from six months to, in some cases, several years from the date of application, depending on the quality of data produced, the degree of control exercised by the regulatory authority, the efficiency of its review procedures and the nature of the product. In recent years, intensive efforts have been made among the United States, the European Union, or EU, and Japan to harmonize registration requirements. Many pharmaceutical companies are now able to prepare a common technical document, or CTD, that can be used in each jurisdiction for a particular product with local or regional adaptation. However, the requirement of many countries (including Japan and several member-states of the EU) to negotiate selling prices or reimbursement levels with government regulators can substantially extend the time to market after initial approval is granted.

In the EU, there are two main procedures by which to apply for marketing authorization, namely the Centralized Procedure and the Mutual Recognition Procedure. In the Centralized Procedure, applications are made to the European Agency for the Evaluation of Medicinal Products for an authorization that is valid across all EU member-states. The Centralized Procedure is mandatory for all biotechnology products and optional for other new chemical compounds or innovative medicinal products. In the Mutual Recognition Procedure, a first authorization is granted by a single EU member-state. Subsequent mutual recognition of this first authorization is sought from the other EU member-states. National authorizations are still possible but are only for products intended for commercialization in a single EU member-state, or for line extensions to existing national product licenses.

In the United States, applications for drug registration are submitted to and reviewed by the FDA. The FDA has broad regulatory powers over all pharmaceutical products that are intended to be, and which are, commercialized in the United States. To commercialize a product in the U.S., a new drug application ("NDA") is filed with the FDA with data that sufficiently demonstrate the drug's quality, safety and efficacy. A supplemental new drug application ("sNDA") must be filed for the approval of a new indication of a previously registered drug.

Generic drug manufacturers may file an abbreviated new drug application ("ANDA"). These applications are "abbreviated" because generic manufacturers need only demonstrate that their product is bioequivalent (i.e., that it performs in the same manner as the innovator's drug). Consequently, the length of time for development of such product can be considerably shorter than for the innovator's drug.

Once marketing authorization is granted, the new pharmaceutical (or new indication) may be prescribed by physicians. Thereafter, the drug owner must submit periodic reports to regulatory authorities including any cases of adverse reactions. For some medications, regulatory authorities may require additional studies to evaluate long-term effects or to gather information on the use of the

product under special conditions. In addition, manufacturing facilities must also be approved by regulatory authorities, and are subject to periodic inspections. In addition to local regulatory approvals, a non-U.S. manufacturing facility that exports products for sale in the United States must be approved by the FDA, and is also subject to periodic FDA inspection.

In addition to the regulatory approval of our products, all of our manufacturing facilities must be Good Manufacturing Practice ("GMP") compliant. GMP is a term that is used internationally to describe a set of principles and procedures that, when followed by manufacturers of therapeutic goods, helps ensure that the products manufactured will have the required quality for human use. A basic tenet of GMP is that quality cannot be tested in a batch of product but must be built into all stages of the manufacturing process. These quality system regulations include requirements related to the methods used in, and the facilities and controls used for, designing, manufacturing, packaging, labeling and storing pharmaceutical products, including guidelines relating to the installation and servicing the equipment used in drug manufacture. Compliance with specified GMP requirements is used by most countries as the basis for licensing the manufacturer of pharmaceutical products. .

## Investments - Principal sites

Investments are detailed in note D.4 of consolidated financial statements on page 47.

Our principal executive offices are located in Paris, France. We operate our business through a number of offices, research facilities and production sites throughout the world.

We have entered into material leasing and operating leasing agreements with respect to real estate properties located in France in Paris, Gentilly, Chilly Mazarin, and Bagneux. Under our operating leases, our real estate properties are composed of buildings constructed pursuant to the operating lease agreements, under which we pay periodic rent and have a purchase option exercisable at expiration. We are responsible for all repairs, taxes and other costs during the term of the operating leases. The operating leases are classified as debt in our consolidated balance sheet.

In 2003, we spent 338 million euros primarily to increase capacity and improve productivity at our various manufacturing sites. We believe that our production plants and research facilities are well maintained and generally adequate to meet our needs for the foreseeable future.

Below is a summary of our principal manufacturing, distribution, research and development and administrative facilities. In addition to these principal sites, we have 86 additional facilities throughout the world that serve their local and regional markets.

| Facility | Appx. Size ($m^2$) | Principal use |
|---|---|---|
| **Manufacturing**<br>**Ambarès**<br>Sanofi Winthrop Industrie<br>1, rue de la Vierge - BP 599<br>33440 Ambarès, France | 72,600 | Pharmaceutical Manufacturing<br>(primarily Plavix®, Aprovel®, Dépakine® and Cordarone®) |
| **Amilly**<br>Sanofi Winthrop Industrie<br>196, rue du Maréchal-Juin<br>Zone Industrielle – Amilly<br>45208 Montargis cedex, France | 25,800 | Chemical and Pharmaceutical Manufacturing and storage<br>(primarily Aspégic®) |
| **Aramon**<br>Sanofi Chimie<br>Route d'Avignon<br>30390 Aramon, France | 47,000 | Chemical Manufacturing<br>(primarily irbesartan, amiodarone<br>and fondaparinux sodium) |
| **Colomiers**<br>Sanofi Winthrop Industrie<br>1-3 Allée de la Neste - BP 319<br>31773 Colomiers cedex, France | 16,200 | Pharmaceutical Manufacturing<br>(primarily Dépakine®) |
| **Notre-Dame-de-Bondeville**<br>Sanofi Winthrop Industrie<br>1, rue de l'Abbaye<br>76960 Notre-Dame de Bondeville, France | 49,400 | Chemical and Pharmaceutical Manufacturing<br>(primarily Fraxiparine®, Dépakine®, Eloxatin®<br>(packaging), Arixtra® and fondaparinux sodium) |
| **Quetigny**<br>Sanofi Winthrop Industrie<br>6, boulevard de l'Europe<br>21800 Quetigny, France | 27,600 | Pharmaceutical Manufacturing<br>(primarily Stilnox®, Tildiem®, Plavix® et Solian®) |

| Site | Apprx. Size ($m^2$) | Principal use |
|---|---|---|
| **Sisteron**<br>45, chemin de Meteline - BP 15<br>04201 Sisteron cedex, France | 58,000 | Chemical Manufacturing<br>(primarily clopidogrel, ticlopidine and fondaparinux sodium) |
| **Tours**<br>30-36, avenue Gustave-Eiffel<br>37100 Tours cedex, France | 25,900 | Pharmaceutical Manufacturing<br>(primarily Stilnox®, Tildiem®, Aprovel® and Xatral®) |
| **Alcobendas**<br>Sanofi-Synthélabo SA<br>Avda. de la Industria, 31<br>Poligono Industrial<br>28108 Alcobendas, Spain | 12,600 | Pharmaceutical Manufacturing<br>(primarily Dogmatil®) |
| **Csanyikvolgy**<br>Chinoin Pharmaceuticals Works Co. Ltd.<br>P.O.B. 5653510<br>Miskolc<br>Csanyikvolgy, Hungary | 13,400 | Pharmaceutical Manufacturing<br>(primarily Fraxiparine® and Arixtra®) |
| **Fawdon**<br>Sanofi Winthrop Ltd.<br>Fawdon Manufacturing Centre<br>Edgefield Avenue, Fawdon<br>Newcastle Upon Tyne, NE3 3TT<br>England | 29,000 | Pharmaceutical Manufacturing<br>(primarily Plavix®, Aprovel® and Cordarone®) |
| **Riells**<br>Sanofi-Synthélabo<br>Carretera de la Batlloria a Hostarlich<br>KM 1,4<br>17404 Riells y Viabrea (Girona), Spain | 15,200 | Pharmaceutical Manufacturing<br>(primarily Ticlid® and Cordarone®) |
| **Ujpest**<br>Chinoin Pharmaceutical and Chemical Works Co. Ltd.<br>TO U 1-5 P.O.B. 110<br>1325 Budapest<br>Hungary | 101,000 | Chemical and Pharmaceutical Manufacturing<br>(primarily Ticlid® and irbesartan) |
| **Veresegyhaz**<br>Chinoin<br>Levai utca 5<br>Veresgyhaz H-2112<br>Hungary | 13,300 | Pharmaceutical Manufacturing<br>(primarily Cordarone®) |
| **Research and Development** | | |
| **Alnwick**<br>Willowburn Avenue<br>Alnwick<br>Northumberland, NE66 NQ<br>England | 12,600 | Research |
| **Bagneux**<br>Sanofi-Synthélabo Recherche<br>31, avenue Paul Vaillant Couturier<br>92200 Bagneux, France | 21,700 | Research |
| **Chilly-Mazarin**<br>1, avenue Pierre Brossolette<br>91385 Chilly-Mazarin cedex, France | 61,800 | Research, as well as distribution<br>(primarily for the French consumer products market) |
| **Great Valley**<br>Sanofi-Synthélabo Research<br>a division of Sanofi-Synthelabo Inc.<br>9, Great Valley Parkway<br>Malvern, PA 19355<br>USA | 30,100 | Research |

| Site | Apprx. Size ($m^2$) | Principal use |
|---|---|---|
| **Porcheville**<br>2-8, rue de Royen<br>Zone Industrielle de Limay<br>78440 Porcheville, France | 24,500 | Research |
| **Montpellier**<br>Sanofi-Synthélabo Recherche<br>371, rue du professeur Joseph-Blayac<br>34184 Montpellier cedex 04, France | 52,000 | Research |
| **Strasbourg**<br>Sanofi-Synthélabo Recherche<br>18, rue d'Ankara<br>67080 Strasbourg, France | 7,300 | Research |
| **Toulouse**<br>Sanofi-Synthélabo Recherche<br>195, route d'Espagne<br>31306 Toulouse, France | 19,400 | Research |
| **Distribution** | | |
| **Amilly**<br>Sanofi-Winthrop Industrie<br>196, rue du Maréchal-Juin<br>Zone Industrielle – Amilly<br>45208 Montargis cedex, France | 16,500 | Distribution |
| **St-Loubes**<br>Sanofi Winthrop Industrie site N° 4<br>Z.I. La Lande<br>7, rue des Genêts<br>BP 53<br>33451 Saint Loubes cedex, France | 15,500 | Distribution |
| **Office Space** | | |
| Sanofi-Synthélabo<br>174, avenue de France,<br>Paris, France | 17,100 | Headquarters |
| Sanofi-Synthélabo<br>74-82, avenue de Raspail<br>Gentilly, France (near Paris) | 29,300 | Administrative offices |
| Sanofi-Synthélabo, Inc.<br>90 Park Avenue<br>New York, NY<br>USA | 18,000 | Administrative offices |

# General information concerning the company and the capital

## General information concerning the company

Sanofi-Synthélabo (the "Company") was formed as a result of the 1999 merger of two companies, Sanofi and Synthélabo, into a shell company (previously named DGFP Delta) which took the name of Sanofi-Synthélabo. This company was a 100%-owned subsidiary of Elf-Aquitaine, itself subsequently merged into Total, which had sold 50% of the capital of DGFP Delta to L'Oréal on December 15, 1998. The mergers of Sanofi and of Synthélabo into Sanofi-Synthélabo were approved by the General Meetings of Sanofi, Synthélabo and Sanofi-Synthélabo shareholders on May 18, 1999, with retrospective effect from January 1, 1999.

### Corporate name and registered office

Sanofi-Synthélabo 174, avenue de France – 75013 Paris, France.
Telephone number: +33 (0)1.53.77.40.00. The name Sanofi-Synthélabo was adopted by the Combined General Meeting of December 18, 1998, replacing the name DGFP Delta.

### Legal form

The Company is a French limited liability company (société anonyme), administered by a Board of Directors and governed by the French Commercial Code.

### Legislation

The Company is governed by French legislation.

### Date of incorporation and duration of the Company

The Company was incorporated on April 28, 1994 and first registered in the Nanterre Register of Commerce and Companies on May 18, 1994.
The Company will expire on May 18, 2093 unless it is dissolved or extended prior to that date.

### Corporate objects

Under article 3 of the bylaws, the Company's corporate objects, 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 chemicals, human and animal therapeutics, nutrition or bio-industries sectors;

in the above 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 sanitary products;
- obtaining or acquiring all industrial 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 industrial property rights, particularly all patents, trademarks and models, processes or inventions;
- obtaining, operating, holding and granting all licenses;
- participating, as part of a Group-wide policy, in treasury management transactions in compliance with applicable legal provisions, whether as lead company or not, in the form of cash pooling, centralized exchange risk management, netting of intra-Group balances, or in any form authorized by applicable legislation;

and, more generally:

- all commercial, industrial, real or personal property, financial or other transactions connected directly or indirectly, totally or partially, with the activities described above and with all similar or related objects or with any other objects likely to promote or develop the Company's activities.

### Registration

The Company is registered in the Paris Register of Commerce and Companies as number 395 030 844. Its "APE" activity code is 741 J.

## Consultation of corporate documents

Corporate documents and information concerning the Company may be consulted at the registered office.

## Financial year

The financial year starts on January 1 and ends on December 31 of each year.

## Allocation of profits under the bylaws

Under articles 24 and 25 of the bylaws, the profit or loss for the financial year is the difference between the income and expenses for the financial year, after deducting depreciation, amortization and provisions, as shown in the statement of income. From the profit of the financial year, less any losses brought forward, at least 5% is transferred to a reserve fund known as the "legal reserve". This deduction ceases to be compulsory when the amount of the legal reserve reaches one-tenth of the share capital, but resumes if the legal reserve falls below the said fraction for any reason.
The balance, plus any retained earnings carried forward, constitutes the distributable profit.
On the Board's proposal, the ordinary general shareholders' meeting may decide that some or all of the distributable profit will be carried forward or appropriated to one or more general or special reserve funds.
Dividends are distributed to the shareholders in proportion to the share in the capital held by each.
The general shareholders' meeting voting on the accounts for the financial year may give each shareholder the option of receiving some or all of the dividend in cash or shares.
Subject to prevailing legal or regulatory provisions, the Board of Directors may pay interim dividends in cash or shares, even during the course of the financial year.

## General meetings

### *Notice of meetings*

Meetings are convened by the Board of Directors under the conditions and within the time limits prescribed by law. They are held at the registered office or at any other place indicated in the notice of the meeting.
Decisions are taken by shareholders at ordinary, general or extraordinary meetings, depending on the nature of the resolution on which they are asked to vote.

### *Participation in meetings*

Under articles 9, 19 and 20 of the bylaws, all shareholders are entitled to attend meetings personally or by proxy, on presentation of proof of identity and share ownership, in the form and at the places indicated in the notice of the meeting, no less than 5 days before the date of the General Meeting. The Board of Directors shall always have the option of reducing this period, but only if it does so for all shareholders.
All shareholders may be represented by their spouse or by another shareholder at all meetings. They may also vote by mail on the conditions stipulated by law.
The Company's bylaws state that all shareholders may also, if the Board of Directors so decides at the time the meeting is called, participate in and vote at meetings by video-conference link or by any means of telecommunication that enables shareholders to be identified on the conditions and using the methods stipulated by the legal provisions in force.

### *Voting rights*

Each shareholder has as many votes as the number of shares he owns subject to the provisions below.
Since the General Meeting held on December 18, 1998, double voting rights are assigned to each registered share that is fully paid and that has been registered in the name of the same shareholder for at least two years (article 9 of the bylaws).
As of December 31, 2003, there were 335,766,522 shares that were entitled to double voting rights, representing 45.8% of the total share capital, approximately 49.2% of our outstanding share capital that is held by holders other than us, and 65.9% of our total voting rights.
Double voting rights cease automatically for any share converted into a bearer share or transferred from one owner to another, subject to exceptions laid down by law.
Bonus shares arising from an increase of share capital by incorporation of reserves, profits or share premium are entitled to double voting rights as from the time of their issue if they are allotted on the basis of shares already benefiting from this entitlement.

### *Form and transfer of shares*

Under articles 7 and 8 of the bylaws, the shares are registered or bearer shares, at the shareholder's discretion, under the conditions established by applicable legal provisions.
The shares are freely negotiable.
Transfer of shares occurs by transfer from one account to another in accordance with the conditions laid down by law and regulations.

### *Identification of shareholders*

The Company may at any time, in accordance with the law and regulations in force, request information from the central financial instruments depository (name, date of birth or incorporation, nationality and address) that will identify holders of securities giving immediate or future access to the right to vote at shareholders' meetings, together with the quantity of securities held by each and any restrictions attached to such securities.

### *Share ownership thresholds*

Under article 7 of the bylaws, any individual or entity, acting alone or in concert, who acquires a number of shares representing a proportion of the capital or of voting rights equal to or exceeding 1% of the share capital, or any multiple of this percentage, in addition to the declaration thresholds laid down by legal and regulatory provisions, must inform the Company of the total number of shares and voting rights held by such individual or entity and of any securities giving future access to the capital or voting rights potentially attached to those shares. Notification is to be made by registered mail with advice of delivery within five stock exchange days of the date on which the threshold was reached. The obligation to notify the Company also applies when the shareholder's interest in the capital or voting rights falls to a level below each of the above thresholds.

# General information concerning the capital

## Changes to the capital and to shareholders' rights

Changes to the share capital and to voting rights attached to the securities comprising the share capital are subject only to legal provisions, the bylaws containing no specific provisions in this respect.

## Share capital

As of December 31, 2003, the share capital was 1,465,696,144 euros, divided into 732,848,072 shares with a par value of 2 euros each, fully paid and entitled to the same rights. Of these shares, 49,990,262 (i.e. 6.82% of the capital) were held by the Company itself as treasury shares.

## Capital authorized but not issued

### *Authorizations to increase the capital*

The Combined General Meeting of Sanofi-Synthélabo shareholders held on May 22, 2002 authorized the Company, for a period of 26 months, to increase its share capital by issuance of shares or other securities giving immediate or future access, at any time or on a fixed date, to new shares in the Company by subscription, conversion, exchange, redemption, presentation of a warrant or any other means, up to a maximum aggregate par value of 750 million euros.
Such issues may be made with shareholders' preemptive rights either maintained or canceled.
The Combined General Meeting of May 24, 2004 will be asked to renew this authorization, subject to the same maximum amount.
The General Meeting of May 19, 2003 authorized the Board of Directors to use these authorizations to increase the share capital in the event of one or more public tender offers or public exchange offers for securities issued by the Company, during the period of said offer. This authorization was granted for a period expiring at the end of the General Meeting held to approve the financial statements for the year ended December 31, 2003. The shareholders will be asked to approve renewal of this authorization at the Combined General Meeting to be held on May 24, 2004.
The General Meeting of May 22, 2002 also authorized the Board of Directors to increase the share capital on one or more occasions by the incorporation of share premium, reserves, profits or other items, in the form of a bonus issue or an increase in the par value of the existing shares or by a combination of these two methods. This authorization is valid for a period of 26 months and for a maximum aggregate par value of 500 million euros. The Combined General Meeting of May 24, 2004 will be asked to renew this authorization, subject to the same maximum amount.
The maximum aggregate par value of increases in the share capital under the authorizations submitted to the Combined General Meeting of May 24, 2004 is 1,250 million euros.
The General Meeting of May 22, 2002 also authorized the Board of Directors to increase the Company's share capital on one or more occasions by issuance of new shares or allotment of bonus shares or other securities giving access to the Company's capital to the employees, early retirees or retirees of Sanofi-Synthélabo or of those French or foreign companies that are related to the Company under the law, where such employees, early retirees or retirees are members of a company or Group employee savings plan or a long-term employee savings plan set up under article L.443-1-2 of the Labor Code, up to a limit of 2% of the share capital as of the date of the said meeting, and for a period of 26 months with effect from the date of said meeting. The preemptive rights of shareholders have been waived in favor of the aforementioned beneficiaries and the shareholders have also waived any rights to bonus shares or other securities giving access to the capital issued under the terms of this authorization. The Combined General Meeting of May 24, 2004 will be asked to renew this authorization, subject to an upper limit of 2% of the Company's share capital as of the date of the decision by the Board of Directors to carry out the issue in question.

The table below summarizes the current authorizations granted by the General Meeting of Sanofi-Synthélabo shareholders of May 22, 2002 to issue securities giving access to the Company's capital.

| Nature of authorization | Maximum aggregate par value of immediate or future capital increases potentially resulting from the issue | Maximum aggregate par value of issues of debt securities giving access to the capital | Shareholders' preemptive rights | Priority subscription rights | Period of validity |
|---|---|---|---|---|---|
| Issuance of shares and/or any other securities, including stand-alone warrants, giving immediate or future access to the Company's capital by subscription, conversion, exchange, redemption, presentation of a warrant or any other means[3] | (a) 750,000,000 euros[1] | (c) 7,000,000,000 euros[2] | Yes | – | 26 months |
| Issuance of shares and/or any other securities, including stand-alone warrants, giving immediate or future access to the Company's capital by subscription, conversion, exchange, redemption, presentation of a warrant or any other means[3]/Issuance of shares or securities representing a proportion of the Company's capital subsequent t o the issuance by certain Group subsidiaries of bonds with attached warrants to subscribe for shares in the Company or of other composite securities giving immediate or future access to shares in the Company | (b) 750,000,000 euros[1] | (d) 7,000,000,000 euros[2] | No | As decided by the Board of Directors | 26 months |
| Capital increase by incorporation of reserves, profits or share premium, by allotment of bonus shares and/or an increase in par value | (e) 500,000,000 euros[4] | | | | 26 months |
| Issuance of new shares reserved for employees belonging to a company or Group employee savings plan or to a long-term employee savings plan | (f) 29,284,259 euros[5] | – | No | – | 26 months |

(1) (a) and (b) are not cumulative: the maximum aggregate par value of immediate or future capital increases potentially arising from issues that may be made with or without preemptive rights is 750,000,000 euros or the equivalent value of this sum in any other currency or currency unit established by reference to more than one currency.

(2) (c) and (d) are not cumulative: the maximum aggregate par value of debt securities giving immediate or future access to shares in the Company that may be made with or without preemptive rights is 7,000,000,000 euros or the equivalent value of this sum in any other currency or currency unit established by reference to more than one currency. However, this sum is cumulative with the maximum aggregate par value of 7,000,000,000 euros of ordinary bonds that may be issued under the authorization granted by the General Meeting of May 22, 2001.

(3) The Board of Directors may make full or partial use, within the scope of the law, of this authorization in the event of one or more public tender offers or public exchange offers for securities issued by the Company. Renewal of this authorization in the event of one or more public tender offers or public exchange offers for securities issued by the Company will be put to the Combined General Meeting to be held on May 24, 2004.

(4) (e) is cumulative with (a) and (b).

(5) (f) is cumulative with (a), (b) and (e).

## Other securities giving access to the capital

### *Stock options*

The Combined General Meeting of Sanofi-Synthélabo shareholders held on May 18, 1999 authorized the Board of Directors for a 5-year period, to grant to members of the salaried staff and corporate officers of Sanofi-Synthélabo and of French or foreign companies or groupings related to Sanofi-Synthélabo according to the definition contained in article 208-4 of the law of July 24, 1966 (now codified under article L.225-180 of the Commercial Code), as such members are designated by the Board of Directors, options to subscribe for new Sanofi-Synthélabo shares to be issued by way of capital increases or options to buy existing shares acquired by Sanofi-Synthélabo as permitted by law.

The total number of options granted may not result in the subscription or purchase of a quantity of shares exceeding 2% of the share capital as of May 18, 1999, i.e. 14,611,740 shares.
The authorization entails express waiver, in favor of grantees of options to subscribe for shares, of the preemptive rights of shareholders in respect of shares 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 and where appropriate payment for the shares.
The same meeting also approved the assumption of the undertakings made by Sanofi and Synthélabo respectively to grantees of options to subscribe for or purchase shares granted by these companies prior to the May 1999 merger.
This substitution automatically entails the unconditional waiver, in favor of the grantees of options to subscribe for shares, of the preemptive rights of shareholders in respect of shares issued as and when options are exercised.
The number of options still to be granted by the Board of Directors under the twenty-ninth resolution of the Combined General Meeting of May 18, 1999 authorizing the Company to grant stock options is 53,690.
The Combined General Meeting of May 24, 2004 will be asked to renew this authorization. The stock options granted under this authorization may not give entitlement to a total number of shares greater than 2% of the share capital on the date of the decision by the Board of Directors to grant the options.
Full disclosures concerning the granting and exercise of stock options are provided on page 29 of the 2003 Business Report, pages 135 to 137 of the present report and in note D. 12.6 to the consolidated financial statements on page 51 of the present report.

## Changes in share capital to December 31, 2003

| Date | Capital | Additional paid in capital | Number of shares | Transactions |
|---|---|---|---|---|
| As of Dec. 31, 94 | FRF 250,000 | | 2,500 | Incorporation |
| As of Dec. 18, 98 | FRF 250,000 | | 5,000 | 2-for-1 stock split (FRF 50 shares) |
| As of Dec. 31, 98 | FRF 250,000 | | 5,000 | |
| As of May 18, 99 | FRF 5,993,275,950 | | | |
| | FRF 3,138,811,650 | FRF 16,055,191,046 | 119,865,519 | Sanofi capital contribution |
| | | FRF 1,906,786,645 | 62,776,233 | Synthélabo capital contribution |
| | | FRF (7,853,487,116) | | Deduction from merger premium |
| | FRF 9,132,337,600 | FRF 10,108,490,575 | 182,646,752 | Sub-total post merger |
| | | | 730,587,008 | 4-for-1 stock split |
| | FRF 452,335,640 | FRF (452,335,640) | 730,587,008 | Conversion into euros |
| | FRF 9,584,673,240 | FRF 9,656,154,935 | | Sub-total in French francs |
| | EUR 1,461,174,016 | EUR 1,472,071,330 | | Sub-total in euros |
| | EUR 1,112,420 | EUR 4,700,035 | 556,210 | Capital increase by exercise of options to subscribe for shares |
| As of Dec. 31, 99 | EUR 1,462,286,436 | EUR 1,476,771,365 | 731,143,218 | |
| | EUR 597,056 | EUR 2,439,128 | 298,528 | Capital increase by exercise of options to subscribe for shares |
| As of Dec. 31, 00 | EUR 1,462,883,492 | EUR 1,479,210,493 | 731,441,746 | |
| | EUR 1,126,676 | EUR 5,342,269 | 563,338 | Capital increase by exercise of options to subscribe for shares |
| | | EUR (1,838) | | Deduction from merger premium (Laboratoires Synthélabo merger) |
| As of Dec. 31, 01 | EUR 1,464,010,168 | EUR 1,484,550,924 | 732,005,084 | |
| | EUR 724,846 | EUR 3,495,454 | 362,423 | Capital increase by exercise of options to subscribe for shares |
| | | EUR 90,104,605 | | Merger surplus (Sasy 3 merger) |
| As of Dec. 31, 02 | EUR 1,464,735,014 | EUR 1,578,150,983 | 732,367,507 | |
| | EUR 961,130 | EUR 6,035,897 | 480,565 | Capital increase by exercise of options to subscribe for shares |
| As of Dec. 31, 03 | EUR 1,465,696,144 | EUR 1,584,186,880 | 732,848,072 | |

# Ownership of share capital and voting rights

## Changes in share ownership over the last three years

### Share ownership of Sanofi-Synthélabo as of December 31, 2003

| | Shares | | Voting rights | | |
|---|---|---|---|---|---|
| | Number | % | Number | % actual* | % published** |
| Total | 178,476,513 | 24.35 | 356,953,026 | 35.04 | 34.80 |
| L'Oréal | 143,041,202 | 19.52 | 286,082,404 | 28.09 | 27.89 |
| Treasury shares | 49,990,262 | 6.82 | – | – | – |
| Employees | 8,119,446 | 1.11 | 14,920,482 | 1.46 | 1.45 |
| Public | 353,220,649 | 48.20 | 360,668,420 | 35.41 | 35.86 |
| **Total** | **732,848,072** | **100** | **1,018,624,332*** | **100** | **100** |

* Based on the total number of voting rights as of December 31, 2003
** Based on the total number of voting rights published subsequent to the Ordinary General Meeting of May 19, 2003, i.e. 1,025,799,407.

### Share ownership of Sanofi-Synthélabo as of December 31, 2002

| | Shares | | Voting rights | | |
|---|---|---|---|---|---|
| | Number | % | Number | % actual* | % published** |
| Total | 179,586,513 | 24.52 | 359,173,026 | 34.44 | 33.74 |
| L'Oréal | 143,041,202 | 19.53 | 286,082,404 | 27.43 | 26.87 |
| Treasury shares | 30,376,375 | 4.15 | – | – | – |
| Employees | 7,659,036 | 1.05 | 14,460,072 | 1.39 | 1.36 |
| Public | 371,704,381 | 50.75 | 383,162,587 | 36.74 | 38.03 |
| **Total** | **732,367,507** | **100** | **1,042,878,089*** | **100** | **100** |

* Based on the total number of voting rights as of December 31, 2002.
** Based on the total number of voting rights published subsequent to the Ordinary General Meeting of May 22, 2002, i.e. 1,064,540,103.

### Share ownership of Sanofi-Synthélabo as of December 31, 2001

| | Shares | | Voting rights | | |
|---|---|---|---|---|---|
| | Number | % | Number | % actual* | % published** |
| Total | 190,800,756 | 26.07 | 381,601,504 | 35.72 | 34.90 |
| L'Oréal | 143,041,202 | 19.54 | 286,082,404 | 26.78 | 26.17 |
| Treasury shares | 11,419,291 | 1.56 | – | 0 | 0 |
| Employees | 7,004,436 | 0.96 | 14,008,872 | 1.31 | 1.28 |
| Public | 379,739,399 | 51.87 | 386,562,254 | 36.19 | 37.65 |
| **Total** | **732,005,084** | **100** | **1,068,255,034*** | **100** | **100** |

* Total number of actual voting rights as of December 31, 2001.
** Based on the total number of voting rights published subsequent to the Ordinary General Meeting of May 22, 2001, i.e. 1,093,320,462.

The difference between the percentage of capital held and the percentage of voting rights held is due firstly to the existence of double voting rights and secondly to the existence of treasury shares which do not have voting rights.
During the year ended December 31, 2003, Sanofi-Synthélabo was informed that the following share ownership declaration thresholds had been passed:

- On February 13, 2003, Capital Group International, Inc., a company governed by American law, parent company of a group of fund management companies, filed a 13G declaration as required by the Securities and Exchange Commission (SEC) indicating that it held 6.7% of the capital of Sanofi-Synthélabo on behalf of its clients.
- Between April 25 and May 23, 2003, Caisse des Dépôts et Consignations (CDC) declared that it had successively passed below and then above the threshold of 1% of Sanofi-Synthélabo's voting rights, disclosure of which is required under the Company's bylaws. On May 23, 2003, CDC declared that as of that date, it held 12,339,057 shares and voting rights in the Company, representing 1.68% of the capital and 1.15% of the voting rights.
- Having passed above the 1% threshold of Sanofi-Synthélabo's capital and voting rights on June 27, 2003, the Société Générale group then declared on July 11, 2003 that it had passed below the 1% threshold of voting rights, and on August 1, 2003, that it had passed below the 1% threshold of the capital of Sanofi-Synthélabo.
  As of August 1, 2003, the Société Générale group declared that it held 7,054,456 shares and voting rights, representing 0.963% of the capital and 0.688% of the voting rights.
- On May 12, 2003, Northern Trust declared that as an intermediary, it had passed below the 1% threshold of the capital of Sanofi-Synthélabo, disclosure of which is required under the Company's bylaws. As of that date, Northern Trust declared that it held 3,620,462 Sanofi-Synthélabo shares, representing 0.49% of the Company's capital.
- On June 6, 2003, L'Oréal declared that it passed above the threshold of 27% of the voting rights following the publication of the aggregate number of our voting rights following the general meeting of May 19, 2003. For the same reasons, Total declared on June 5, 2003 that the concert between Total and L'Oréal passed above the threshold of 61% and 62% of our voting rights and that Total and their subsidiaries passed above the threshold of 34% of our voting rights. Total declared on June 6, 2003 that the concert between Total and L'Oréal passed below the threshold of 44% of our share capital as a result of sales on the market.
- On June 13, 2003, Boston Safe Deposit and Trust declared that as an intermediary it had passed above the 1% threshold of the capital of Sanofi-Synthélabo, disclosure of which is required under the Company's bylaws. As of that date, Boston Safe Deposit and Trust declared that it held 12,987,550 Sanofi-Synthélabo shares, representing 1.77% of the capital.
- The Company itself passed above the threshold of 5% of its own capital on February 20, 2003. As of December 31, 2003, the Company held 49,990,262 of its own shares, i.e. 6.82% of the capital.
- On February 10, 2004, Capital Group International, Inc., a company governed by American law, parent company of a group of fund management companies, filed a 13G declaration as required by the Securities and Exchange Commission (SEC) indicating that it held 8.6% of the capital of Sanofi-Synthélabo on behalf of its clients.

As far as the Company is aware, based on share ownership declaration thresholds received, no other shareholder owns more than 5% of the capital or voting rights.
The identifiable bearer share inquiry ("Titres au porteur identifiable") carried out on December 31, 2003 revealed approximately 25,000 shareholders, after taking account of the unidentified bearers linked with the thresholds used for the inquiry.

## Shareholders' agreement

L'Oréal and Total (the latter indirectly via Elf-Aquitaine) owned in concert 43.87% of the Company's capital and 63.13% of its voting rights as of December 31, 2003.
A shareholders' agreement between L'Oréal and Elf-Aquitaine was signed on April 9, 1999 for an initial term of six years with effect from December 2, 1998 and is described in the prospectus approved on April 15, 1999 as number 99-399 by the Commission des Opérations de Bourse, succeeded by the Autorité des Marchés Financiers (AMF). In decisions dated November 27, 1998 (SBF notice no.98-4707 of December 7, 1998) and March 16, 1999 (SBF notice no. 99-1083 of March 18, 1999), the Conseil des Marchés Financiers, also succeeded by the AMF, exempted Elf-Aquitaine and L'Oréal from the requirement to file a draft public tender offer for Sanofi-Synthélabo shares.
The main terms of this agreement are as follows:
Elf-Aquitaine and L'Oréal agreed not to sell during the entire term of the agreement any of the shares covered (19.41% of the current share capital for each of the two companies). However, in the event of a public offer for the capital of Sanofi-Synthélabo, Elf-Aquitaine and L'Oréal may together contribute all their shares covered by the agreement to such offer, or to any competing or higher offer. If they fail to agree to contribute their shares together, either company may contribute the shares it owns which are covered by the agreement subject to the prior written consent of the other, which will have preemptive rights over some or all of the shares involved. Disposals of shares covered by the agreement are exempted from the agreement not to sell provided such disposals do not exceed 0.5% of the capital or voting rights of Sanofi-Synthélabo over a rolling 12-month period. Elf-Aquitaine and L'Oréal also agreed to mutual preemptive rights applicable to all disposals to third parties of shares covered by the agreement during the entire term of the agreement.
Elf-Aquitaine and L'Oréal agreed to ensure that the Board of Directors of Sanofi-Synthélabo be composed of twelve or eleven members, split as follows:

- four or three members chosen from among candidates proposed by Elf-Aquitaine, depending on whether or not the Elf Aquitaine group's interest in the capital remains more than 3% greater than that of L'Oréal;
- three members chosen from among candidates proposed by L'Oréal;
- two executive directors;
- three independent members.

In practice, there has been a slight change in the composition of the Board of Directors with the full consent of both Elf-Aquitaine and L'Oréal (see page 24 of the 2003 Business Report).

Elf-Aquitaine and L'Oréal agreed to consult one another in advance of any meeting of the Board of Directors and any General Meeting of the shareholders of Sanofi-Synthélabo, and in advance of any important decision affecting the future prospects of Sanofi-Synthélabo, with a view to establishing a common position or policy.
Elf-Aquitaine and L'Oréal declared themselves to be acting in concert within Sanofi-Synthélabo. The two companies agreed not to increase their interest, either alone or acting in concert, in such a proportion that would require them to make a public offer for the capital of Sanofi-Synthélabo (currently 2% per rolling 12-month period).
Elf-Aquitaine and L'Oréal agreed not to put themselves in a position where they were acting in concert with a third party. Shares held by the Elf-Aquitaine group which are unrestricted (i.e. they are not covered by the agreement) may be freely disposed of subject to certain conditions.
The agreement is for an initial term of six years expiring December 2, 2004. An amendment to the agreement was signed on November 24, 2003, under the terms of which:

- Total adopted the agreement as a party thereto.
- The agreement will expire on December 2, 2004, the parties declaring that they will no longer be acting in concert vis-à-vis Sanofi-Synthélabo effective from that date. The parties also agreed, for a period of three years from the ending of the agreement, to inform the other party of any proposal to dispose of a number of Sanofi-Synthélabo shares representing 1% or more of the capital at least two months in advance of the proposed disposal.

This amendment was reported to the AMF, which issued a notice thereon on November 28, 2003, under reference 203C2012.
As part of their discussions, under the terms of the aforementioned shareholders' agreement, about the proposed offer for the shares of Aventis, Total and L'Oréal reached agreement on January 25, 2004 on a joint position in support of said proposed offer, which was reported to the AMF and a summary of which was published in a notice dated February 6, 2004 under reference 204C0196.
The former Conseil des Marchés Financiers took the view that in the event that the interest in the capital or voting rights held by L'Oréal is likely to become greater than that held by Elf-Aquitaine due to the acquisition of shares by L'Oréal, including by the use of its preemptive rights, it would be necessary to examine the consequences of such change in the balance of the concert-party as regards the requirement to file a draft public offer.
For a description of the L'Oréal and Total groups, refer to the registration documents ("documents de référence") issued by each of the two groups.
During the financial year, the interest held by the Total group, both directly and indirectly via Elf Aquitaine and its subsidiary Valorisation et Gestion Financière, changed from 24.52% of the capital and 34.44% of the voting rights as of December 31, 2002 to 24.35% of the capital and 35.04% of the voting rights as of December 31, 2003.
Since the merger of Sanofi and Synthélabo into Sanofi-Synthélabo on May 18, 1999, Total, via Elf Aquitaine, has disposed of 10.8% of its holdings not covered by the agreement: 2.5% in September 2000, 2.3% in April 2001, and 6% between April 2001 and December 2003.

## Share repurchase program

During the year ended December 31, 2003, the Board of Directors used the authorization granted by the Combined General Meetings of Sanofi-Synthélabo shareholders held on May 22, 2002 and May 19, 2003, in conformity with articles L.225-209 et seq of the Commercial Code, to buy shares in the Company (prospectuses approved by the Commission des Opérations de Bourse on April 19, 2002 as no. 02-421 and on April 22, 2003 as no. 03-299) in the light of market conditions.
A total of 20,192,769 shares were bought at an average price of 50.43 euros per share. During the period, 550,882 shares were sold to grantees of stock purchase options at an average price of 23.41 euros per share, and 28,000 shares were sold on the market at an average price of 65.84 euros per share. At end December 2003, the Company owned 49,990,262 of its own shares, representing 6.82% of the share capital. Of these, 13,184,948 shares were allocated to pre-existing stock purchase option plans.
The Combined General Meeting of May 24, 2004 will be asked to renew the authorization to purchase, hold or transfer in the Company's shares for a period of eighteen months. Under this authorization, the quantity of shares purchased by the Company may not exceed 10% of the shares comprising the capital of the Company which represents as of end December 2003, 73,284,807 shares for a maximum amount of 6,595,632,630 euros. The quantity of shares held by the company at any time may not exceed 10% of the shares comprising the share capital of the company. The maximum purchase price would be 90 euros per share.
The objectives of this repurchase program would be the purchase or sale of the Company's shares in the light of market conditions, the regulation of the share price by systematic intervention in the market to counter price movements, the implementation of any stock purchase option plan, the implementation of any employee share savings plan, delivery of shares in connection with mergers or acquisitions, delivery of shares on the exercise of rights attached to securities, the implementation of a capital and financial management policy.

## Employee share ownership

The sums derived from voluntary and statutory employee profit-sharing schemes and from voluntary payments made by Sanofi-Synthélabo Group employees are invested in mutual funds established under the Sanofi-Synthélabo Group employee savings scheme agreement signed on December 2, 1999 and renewed on March 27, 2003 (see also "Schemes for involving staff in the capital" below, page 138 of the present report). This plan is open to all employees. Of the five mutual funds set up under the plan, one is wholly invested in Sanofi-Synthélabo shares in order to give all employees a greater stake in the Group's growth. As of December 31, 2003, employees of the Company and of related companies owned 8,119,446 shares, i.e. 1.11% of Sanofi-Synthélabo's share capital, via this savings scheme.
Options to subscribe for shares and options to purchase shares have been granted to certain employees and corporate officers of the Group (see page 29 of the 2003 Business Report, pages 135 to137 of the present report, and note D.12.6 to the consolidated financial statements on page 51 of the present report).

## Share ownership by geographic origin

According to the identifiable bearer shares inquiry ("Titres au porteur identifiable") and share ownership inquiry as of December 31, 2003, and after taking account of unidentified bearers, French shareholders (excluding the reference shareholders Total and L'Oréal, Group employees and treasury shares) represent about 16% of Sanofi-Synthélabo's share capital, and mainly comprise institutional investors. Foreign shareholders represent about 28% of the capital, and mainly comprise American institutional investors (14% of the capital) and British institutional investors (6% of the capital).

## Stock market data

*Euronext Paris*

| | Transactions | | Price | | |
|---|---|---|---|---|---|
| **Date** | **Number of shares traded** | **Average capital traded daily (thousands of euros)** | **Share price in euros High** | **Low** | **Closing share price of month in euros** |
| July | 66,095,812 | 164,413 | 64.00 | 49.78 | 60.20 |
| August | 52,931,515 | 150,180 | 65.85 | 57.10 | 61.15 |
| September | 53,760,985 | 145,482 | 62.75 | 50.50 | 57.05 |
| October | 59,213,345 | 155,564 | 65.90 | 56.30 | 61.75 |
| November | 43,294,167 | 121,779 | 63.10 | 55.05 | 59.40 |
| December | 39,434,063 | 112,412 | 59.70 | 54.25 | 58.25 |
| **2003** | | | | | |
| January | 61,878,612 | 144,756 | 59.50 | 44.60 | 48.65 |
| February | 56,554,019 | 132,300 | 49.90 | 41.60 | 49.62 |
| March | 55,758,109 | 125,802 | 52.80 | 41.50 | 46.11 |
| April | 49,947,723 | 131,706 | 55.85 | 46.32 | 53.45 |
| May | 48,388,321 | 121,609 | 56.10 | 49.75 | 54.35 |
| June | 65,801,375 | 169,470 | 58.20 | 50.65 | 51.00 |
| July | 49,431,426 | 111,610 | 53.85 | 49.60 | 50.10 |
| August | 47,661,697 | 111,223 | 51.65 | 47.61 | 51.20 |
| September | 51,758,331 | 126,490 | 56.75 | 50.90 | 52.20 |
| October | 40,276,768 | 92,433 | 54.65 | 50.80 | 53.25 |
| November | 46,385,756 | 128,867 | 57.85 | 53.20 | 56.50 |
| December | 36,930,793 | 100,097 | 60.00 | 55.10 | 59.70 |
| **2004** | | | | | |
| January | 80,319,492 | 219,513 | 63.25 | 54.10 | 57.20 |
| February | 45,249,750 | 126,940 | 58.30 | 54.30 | 55.00 |

Source: Euronext.

## *New York Stock Exchange (ADRs*)*

| Date | Transactions | | Price | | |
|---|---|---|---|---|---|
| | Number of shares traded | Average capital traded daily (USD) | Share price in euros High | Low | Closing share price of month in USD |
| **2002** | | | | | |
| July | 2,430,590 | 3,164,656 | 31.55 | 24.90 | 29.30 |
| August | 1,795,689 | 2,521,329 | 32.80 | 28.50 | 30.40 |
| September | 2,187,991 | 3,103,498 | 30.55 | 25.35 | 28.50 |
| October | 1,707,892 | 2,225,523 | 31.58 | 28.05 | 30.40 |
| November | 991,091 | 1,469,447 | 31.65 | 27.94 | 29.30 |
| December | 1,079,091 | 1,507,484 | 30.70 | 27.72 | 30.40 |
| **2003** | | | | | |
| January | 2,544,187 | 3,316,677 | 32.00 | 24.38 | 26.75 |
| February | 1,521,092 | 2,012,757 | 27.00 | 22.53 | 26.70 |
| March | 1,406,293 | 1,720,818 | 28.20 | 23.07 | 25.55 |
| april | 1,308,592 | 1,807,224 | 30.10 | 25.65 | 30.01 |
| May | 929,494 | 1,366,786 | 32.20 | 29.27 | 32.03 |
| June | 1,278,595 | 1,947,411 | 33.67 | 29.00 | 29.15 |
| July | 2,784,393 | 3,773,515 | 30.64 | 27.90 | 27.97 |
| August | 865,093 | 1,123,928 | 28.37 | 26.02 | 28.18 |
| September | 1,297,793 | 1,881,835 | 32.00 | 27.97 | 30.22 |
| October | 1,244,991 | 1,683,351 | 31.89 | 30.26 | 30.90 |
| November | 1,341,211 | 2,314,585 | 34.01 | 30.78 | 33.72 |
| December | 1,450,500 | 2,320,144 | 37.92 | 33.30 | 37.75 |
| **2004** | | | | | |
| January | 4,757,200 | 8,566,674 | 40.10 | 33.75 | 35.66 |
| February | 5,376,400 | 9,962,660 | 36.99 | 33.87 | 34.30 |

*1 ADR represents one-half of one ordinary share.

Source: The Bank of New-York.

# Corporate governance (additional information)

## Shares owned by members of the Board of Directors and of the Executive Committee

As of December 31, 2003, members of the Board of Directors (other than corporate members)[1] and members of the Executive Committee of Sanofi-Synthélabo between them owned 394,127 shares, i.e. 0.05% of the capital, and 455,403 voting rights for an Ordinary General Meeting (0.04%) and 237,563 voting rights for an Extraordinary General Meeting[2] (0.02%).

### Stock options

*Stock options granted and exercised during the year ended December 31, 2003.*

*Stock options granted to and exercised by corporate officers*

| Stock options granted to and exercised by each corporate officer | Number of options granted/shares subscribed for or purchased | Price (in euros) | Expires |
|---|---|---|---|
| Options granted to each corporate officer during the year by the issuer and any other Group company: | | | |
| – Jean-François Dehecq | 150,000 | 55.74 | Dec. 10, 2013 |
| – Gérard Le Fur | 90,000 | 55.74 | Dec. 10, 2013 |
| Options exercised during the year by each corporate officer: | | | |
| – Hervé Guérin | 100,000 | 28.38 | June 25, 2018 |

*Stock options granted to the ten employees (other than corporate officers[3]) receiving the highest number of stock options, and stock options exercised by the ten employees (other than corporate officers) exercising the highest number of options*

| Stock options granted to the ten employees (other than corporate officers) receiving the highest number of stock options, and stock options exercised by the ten employees (other than corporate officers) exercising the highest number of options | Number of options granted/ shares subscribed for or purchased | Weighted average price (in euros) | Expires |
|---|---|---|---|
| Options granted during the year by the issuer (no options were granted by any other Group company) to the ten employees of the issuer (or of any other company included in the scope of the stock option plans) receiving the highest number of stock options | 393,000 | 55.74 | Dec. 10, 2013 |
| Options relating to the shares of the issuer or of the aforementioned companies exercised during the period by the ten employees of the issuer or of the aforementioned companies who bought or subscribed for the highest number of shares | 153,960 | 17.9 | – |

(1) Includes permanent representatives and observers.
(2) Take account of shares subject to usufruct.
(3) Corporate officers comprise members of the Board of Directors, the Chairman and Chief Executive Officer, and the Senior Executive Vice-President.

## History of stock options granted - outstanding plans

The table below shows all plans under which options were exercised in 2003, including those which ended during the year either because the plan expiration date was reached or because all the options granted under the plan had been exercised. However, plans which ended prior to 2003 are not shown.

| Source | Date of General Meeting | Dateof Board Meeting | Options granted | *– of which corporate officers** | *– of which 10 employees granted most options*** |
|---|---|---|---|---|---|
| Synthélabo | 06/28/1990 | 12/15/1993 | 364,000 | *130,000* | *104,000* |
| Synthélabo | 06/28/1990 | 10/18/1994 | 330,200 | *0* | *200,200* |
| Synthélabo | 06/28/1990 | 12/15/1995 | 442,000 | *130,000* | *312,000* |
| Synthélabo | 06/28/1990 | 01/12/1996 | 208,000 | *0* | *52,000* |
| Synthélabo | 06/28/1990 | 04/05/1996 | 228,800 | *0* | *67,600* |
| Sanofi | 05/21/1992 | 09/18/1996 | 1,056,000 | *44,000* | *194,720* |
| Sanofi | 07/04/1997 | 09/22/1997 | 1,120,000 | *60,000* | *204,000* |
| Synthélabo | 06/28/1990 | 10/14/1997 | 262,080 | *0* | *165,360* |
| Synthélabo | 06/28/1990 | 06/25/1998 | 296,400 | *148,200* | *117,000* |
| Sanofi | 06/04/1997 | 12/10/1998 | 1,200,000 | *80,000* | *220,800* |
| Synthélabo | 06/23/1998 | 03/30/1999 | 716,040 | *0* | *176,800* |
| Sanofi-Synthélabo | 05/18/1999 | 05/24/2000 | 4,292,000 | *310,000* | *325,000* |
| Sanofi-Synthélabo | 05/18/1999 | 05/10/2001 | 2,936,500 | *145,000* | *286,000* |
| Sanofi-Synthélabo | 05/18/1999 | 05/22/2002 | 3,111,850 | *145,000* | *268,000* |
| Sanofi-Synthélabo | 05/18/1999 | 12/10/2003 | 4,217,700 | *240,000* | *393,000* |

* Holding office as of the date of grant.
** Calculated as of the date of grant.
*** Options exercised prior to the start date of the vesting period due to death of the grantee.

| Start date of vesting period | Expiration date | Exercise price (in euros) | Options exercised as of Dec. 31, 2003 | *Options canceled in 2003* | Options out-standing |
|---|---|---|---|---|---|
| 12/15/1998 | 12/15/2013 | 6.36 | 348,400 | *0* | 10,400 |
| 10/18/1999 | 10/18/2014 | 6.01 | 305,200 | *0* | 25,000 |
| 12/15/2000 | 12/15/2015 | 8.50 | 387,900 | *0* | 54,100 |
| 01/12/2001 | 01/12/2016 | 8.56 | 149,230 | *0* | 58,770 |
| 04/05/2001 | 04/05/2016 | 10.85 | 141,034 | *0* | 87,766 |
| 09/19/1997 | 09/18/2003 | 14.56 | 1,020,240 | *34,360* | 0 |
| 09/23/1999 | 09/22/2004 | 21.46 | 450,280 | *1,000* | 668,720 |
| 10/14/2002 | 10/14/2017 | 19.73 | 105,868 | *0* | 151,012 |
| 06/26/2003 | 06/25/2018 | 28.38 | 124,880 | *0* | 171,520 |
| 12/11/2000 | 12/10/2005 | 34.95 | 72,020 | *1,400* | 1,123,780 |
| 03/31/2004 | 03/30/2019 | 38.08 | 6,240*** | *0* | 704,080 |
| 04/25/2004 | 05/24/2010 | 43.25 | 8,000*** | *35,500* | 4,182,100 |
| 05/11/2005 | 05/10/2011 | 64.50 | – | *24,950* | 2,882,950 |
| 05/23/2006 | 05/22/2012 | 69.94 | – | *38,900* | 3,063,750 |
| 12/11/2007 | 12/10/2013 | 55.74 | – | *0* | 4,217,700 |

## Related-party agreements

For the year ended December 31, 2003, refer to the Special Report of the Statutory Auditors on page 79 of the present report.
Since January 1, 2004, the Board of Directors has authorized the following agreements relating to the public offer for Aventis shares, which qualify as related-party agreements under article L.225-38 of the French Commercial Code because Mr Lindsay Owen-Jones is a member of the Board of Directors of Sanofi-Synthélabo and a member of the Board of Directors of BNP Paribas:

- a credit agreement for an amount of 12,000 million euros contracted on January 25, 2004 between Sanofi-Synthélabo as borrower, and BNP PARIBAS and Merrill Lynch as mandated arrangers and initial lenders, together with the relevant banking documentation;
- a guarantee underwriting the commitments contracted by any Group company that becomes party to the credit agreement described above and becomes a borrower under part of said agreement. Sanofi-Synthélabo may be required to underwrite the commitments of these companies up to a maximum amount equal to the principal borrowed uplifted by 15% to cover interest, commission and incidental expenses;
- the engagement letters signed by Sanofi-Synthélabo and BNP PARIBAS mandating the latter in respect of the proposed public offers in France, the United States of America and Germany.

## Schemes for involving staff in the capital

### Statutory and voluntary profit-sharing agreements

All employees of the French companies within the Sanofi-Synthélabo Group belong to voluntary and statutory profit-sharing schemes.

**Voluntary scheme ("Intéressement des salariés"):**

These schemes are optional for the employer. The aim is to give employees an interest in the growth of the business and improvements in its performance. It must be a collective scheme and must be contingent upon performance.
On May 12, 2003, Sanofi-Synthélabo signed a 3-year Group-wide agreement covering the years 2003, 2004 and 2005, and based on growth in the Group's consolidated net income. This Group-based component may be supplemented by a component linked to the performance or activities of individual subsidiaries.
In 2003, the Group-based component amounted to 13 million euros, compared with 14 million euros in 2002, 24 million euros in 2001 and 25 million euros in 2000.

**Statutory scheme ("Participation des salariés aux résultats de l'Entreprise"):**

This scheme is a French legal obligation for businesses with more than 50 employees which made a profit during the previous year. Employees are entitled to a share of the profit for the year based on the relevant provisions of the Labor Code.
On April 24, 2003, Sanofi-Synthélabo signed a 3-year Group-wide agreement covering the years 2003, 2004 and 2005. For 2003, the gross amount of the special statutory profit-sharing reserve was 54 million euros, compared with 49 million euros in 2002, 51 million euros in 2001 and 34 million euros in 2000.

### *Disclosure Controls and Procedures*

The Annual Report under the 20-F form registered at the Security and Exchange Commission ("SEC") also contains the following information on the adequacy and effectiveness of the disclosure controls and procedures put into place by the management during its drafting:
We carried out an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required.

# Persons responsible and declarations

## Persons responsible for the registration document ("document de référence")

Jean-François Dehecq, Chairman and Chief Executive Officer.

## Declaration

"To the best of my knowledge, the data contained in the present registration document are accurate and include all the information necessary for investors to form a judgement on the net assets, operations, financial position, results and prospects of Sanofi-Synthélabo; they do not contain any omission liable to alter the import of the document."

Paris, April 2, 2004

Jean-François Dehecq
Chairman and Chief Executive Officer

## Persons responsible for the audit of the financial statements

### Statutory auditors

1) Ernst & Young Audit, represented by Mr Jean-Claude Lomberget and Mrs Valérie Quint
   11, allée de l'Arche - 92400 Courbevoie
   – appointed April 28, 1994
   – reappointed at the General Meeting of May 24, 2000
   – term of office expires at the end of the General Meeting held to approve the financial statements for the year ended December 31, 2005

2) PricewaterhouseCoopers Audit, represented by Mr Jacques Denizeau and Mr Jean-Christophe Georghiou
   32, rue Guersant - 75017 Paris
   – appointed March 12, 1999
   – term of office expires at the end of the General Meeting held to approve the financial statements for the year ended December 31, 2004

### Deputy statutory auditors

1) Mr Bruno Perrin
   100, rue Raymond Losserand - 75014 Paris
   – appointed March 12, 1999[1]
   – reappointed at the General Meeting of May 24, 2000
   – term of office expires at the end of the General Meeting held to approve the financial statements for the year ended December 31, 2005

2) Mr Pierre Coll
   11, rue Marguerite - 75017 Paris
   – appointed May 22, 2001[2]
   – term of office expires at the end of the General Meeting held to approve the financial statements for the year ended December 31, 2004.

(1) Mr Bruno Perrin was appointed to replace the previous deputy statutory auditor to Ernst & Young Audit for the previous statutory auditor's remaining term of office.
(2) Mr Pierre Coll was appointed to replace the previous deputy statutory auditor to PricewaterhouseCoopers Audit for the previous statutory auditor's remaining term of office.

# Report of the Statutory Auditors on the Registration Document (Document de Référence)

*An English translation of the report of the statutory auditors on the registration document ("document de référence") issued originally in French has been included solely for the convenience of English speaking readers.*

In our capacity as statutory auditors of Sanofi-Synthélabo and in compliance with the COB Regulation n° 98-01 , we have verified, in accordance with French professional standards, the information in respect of the financial position and historic financial statements included in the accompanying Registration Document (Document de Référence).

This Registration Document is the responsibility of the Chairman - Chief Executive Officer. Our responsibility is to issue an opinion on the fairness of the information contained therein with respect to the financial position and financial statements.

We conducted our review in accordance with French professional standards. This review consisted in assessing the fairness of the information on the financial position and financial statements and to verify their consistency with the audited accounts. We also reviewed other financial information contained in the Registration Document in order to identify any significant inconsistency with information in respect of the financial position and financial statements and to bring to your attention any obvious misstatements we noted based on our general understanding of the company gained through our audit. As the prospective information has been properly prepared, our review took into account Management's assumptions on which the prospective information is based.

We conducted an audit in accordance with French professional standards on the annual and consolidated accounts for the years ended December 31, 2003, 2002 and 2001, drawn up by the Board of Directors.

We issued an unqualified opinion on the annual and consolidated accounts for the year ended December 31, 2001.

Without qualifying our opinion on the annual and consolidated accounts for the year ended December 31, 2002, we drawn the attention to the change in accounting method resulting from the application of the new CRC rule 2000-06 on liabilities.

We issued an unqualified opinion on the annual and consolidated accounts for the year ended December 31, 2003. In accordance with the requirements of Article L.225-235 of French Company Law which took effect this year, we mentioned in our reports on the annual and consolidated accounts the following procedures that enable us to express our opinion on the financial statements taken as a whole:

## Relating to the annual accounts:

The equity investments presented in the balance sheet of your Company were valued in accordance with the principles described in note 1 c) to the financial statements. We have reviewed the elements used in estimating the values at year-end, and, when required, we have verified the computation of the reserves. We have nothing to report on these appreciations, with respect to the methodology used or to the reasonable basis of the valuation retained.

In 2002 and 2003, the Company implemented share repurchase programs under which the repurchased shares could be either held in treasury, sold, transferred or cancelled. Shares repurchased under these programs presented in the balance sheet under the line "long-term investments" for a net book value of 1 979 million euros as of December 31, 2003. The Company also has shares for its employee purchase option plans for a net book value of 613 million euros as of December 31, 2003, which are presented in the balance sheet under the line "Short term investments and deposits". The treasury shares were valued in accordance with the principles described in note 1 c) to the financial statements. We have verified that the accounting principles were correctly applied and the computation of the reserves as of December 31, 2003.

## Relating to the consolidated accounts:

Intangible assets are amortized and reviewed for impairment as described in Notes B.5 and B.6 to the financial statements. We have reviewed the methodology and the assumptions used for these impairment tests. Intangible assets do not include research and development costs which are expensed as incurred in accordance with the applicable accounting principle.

In 2002 and 2003, the Company implemented share repurchase programs under which the repurchased shares could be either held in treasury, sold, transferred or cancelled. Shares repurchased in 2003 under these programs represent an amount of 1 980 million euros as of December 31, 2003, and are presented as a reduction in shareholders' equity in the consolidated financial statements. The Company also holds shares in treasury for its employee-purchase option plans for a net amount of 613 million euros as of December 31, 2003. These shares are presented in the balance sheet under the heading "Short term investments and deposits" and have been valued as described in Notes B.10 and D.10 to the financial statements.

As indicated in Note B.2 to the financial statements, the adoption in 2003 of the CRC 2002-10 rule relating to the depreciation and amortization of assets had no material impact on the consolidated financial statements.

As part of our appreciation of the accounting principles applied by your Company, and of the assumptions referred to above, we ensured that the accounting principles, as stated above, were appropriate, as applied and described in the Notes to the financial statements, and that the assumptions made and the estimations based on these assumptions were reasonable.

We have nothing to report with respect to the fairness of the information on the financial position and financial statements contained in the Registration Document (Document de Référence).

Paris, April 2, 2004

The statutory auditors

Ernst & Young Audit
Jean-Claude Lomberget  Valérie Quint

PricewaterhouseCoopers Audit
Jacques Denizeau  Jean-Christophe Georghiou

## Person responsible for financial information

Individual and institutional shareholders, and financial analysts, are welcome to contact the Investor Relations Department with any question.

Contact: Philippe Goupit
Investor Relations Department
Tel.: 33 (0)1 53 77 45 45
Toll-free (France): 0800 07 58 76
e-mail: investor-relations@sanofi-synthelabo.com
Address: 174, avenue de France - 75013 Paris - France

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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The present registration document was filed with the Autorité des marchés financiers on April 2, 2004, in accordance with regulation 98-01 of the Commission des opérations de bourse. It may be used to support a financial operation if supplemented by a prospectus registered with the Autorité des marchés financiers.

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Because health matters

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