MKS INSTRUMENTS INC
Form 4
April 27, 2006

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
EMERSON ELECTRIC CO

(Last) (First) (Middle)

8000 W. FLORISSANT AVE.

(Street)

ST LOUIS, MO 63136

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
MKS INSTRUMENTS INC [MKSI]

3. Date of Earliest Transaction (Month/Day/Year)
04/25/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
___ Form filed by One Reporting Person
_X_ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	04/25/2006		S		15,000	D	$ 24.316 (1)	7,221,711	I	Through a subsidiary (2)
Common Stock	04/26/2006		S		15,000	D	$ 24.0333 (3) (4)	7,206,711	I	Through a subsidiary (2)
Common Stock								1,065,182	D (5)	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
EMERSON ELECTRIC CO 8000 W. FLORISSANT AVE. ST LOUIS, MO 63136		X		
ASTEC AMERICA INC 5810 VAN ALLEN WAY CARLSBAD, CA 92008		X		

Signatures

/s/ Harley M. Smith, Assistant Secretary for Emerson Electric Co.	04/27/2006
**Signature of Reporting Person	Date
/s/ Harley M. Smith, Secretary for Astec America Inc.	04/27/2006
**Signature of Reporting Person	Date

Explanation of Responses:

***** If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The sales were effected in multiple transactions, at varying prices, on April 25, 2006, as follows: 987 shares at $24.30; 10,352 at $24.31; 982 at $24.32; 1,200 at $24.33; 13 at $24.34; 808 at $24.35; and 658 at $24.36. The weighted average sales price for these transactions was $24.3160 per share.

(2) The reported securities are owned directly by Astec America Inc. The Reporting Person is the ultimate parent company of Astec America Inc.

(3) The sales were effected in multiple transactions, at varying prices, on April 26, 2006, as follows and as described in Footnote 4 below: 100 shares at $23.51; 200 at $23.52; 400 at $23.63; 100 at $23.64; 200 at $23.65; 100 at $23.69; 95 at $23.70; 100 at $23.77; 100 at $23.80; 200 at $23.82; 100 at $23.86; 200 at $23.90; 100 at $23.91; 300 at $23.99; 200 at $24.01; 200 at $24.02; 877 at $24.03; and 622 at $24.04.

(4) This footnote sets forth additional detail with respect to the transactions described in Footnote 3, as follows: 1,500 shares at $24.05; 1,500 at $24.06; 1,100 at $24.07; 600 at $24.08; 1,000 at $24.09; 200 at $24.10; 1,400 at $24.11; 1,000 at $24.12; 1,000 at $24.13; 700 at $24.14; 500 at $24.15; 300 at $24.16; and 6 at $24.17. The weighted average sales price for these transactions was $24.0333 per share.

(5) The reported securities are owned directly by Emerson Electric Co.

Remarks:

See Exhibit 99.1 - Joint Filer Information

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. font-size:10pt;">

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—

(43,679
)

—

—

(43,679
)
Balance, December 31, 2015

1,913

2

106,378

106

3,099,526

852,700

8,572

(3,643
)

(306,069
)

3,654,837

Issuance of Common Stock in connection with exercise of stock options

—

—

1,697

2

115,180

—

—

—

—

115,182

Common Stock tendered upon exercise of stock options and vesting of restricted stock in connection with employee tax obligations

—

—

(382
)

—

(143,182
)

—

—

—

—

(143,182
)
Issuance of Common Stock in connection with conversion of convertible notes

—

—

121

—

48,004

—

—

—

Explanation of Responses:

—

48,004

F- 6

Explanation of Responses:

Table of Contents

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)

	Class A Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Stockholders' Equity
	Shares	Amount	Shares	Amount				Shares	Amount	
Issuance of Common Stock in connection with Company 401(k) Savings Plan	—	—	27	—	16,561	—	—	—	—	16,561
Issuance of restricted stock under Long-Term Incentive Plan	—	—	17	—	—	—	—	—	—	—
Class A Stock converted to Common Stock	(2)	—	2	—	—	—	—	—	—	—
Stock-based compensation charges	—	—	—	—	574,887	—	—	—	—	574,887
Acquisition of Common Stock in connection with exercise of convertible note hedges	—	—	—	—	10,171	—	—	(121)	(10,171)	—
Reduction of warrants	—	—	—	—	(643,365)	—	—	—	—	(643,365)
Reduction of equity component of convertible notes	—	—	—	—	(47,789)	—	—	—	—	(47,789)
Net income	—	—	—	—	—	895,522	—	—	—	895,522
Other comprehensive loss, net of tax	—	—	—	—	—	—	(21,412)	—	—	(21,412)
Balance, December 31, 2016	1,911	2	107,860	108	3,029,993	1,748,222	(12,840)	(3,764)	(316,240)	4,449,245
Issuance of Common Stock in connection with exercise of stock options	—	—	2,249	2	240,578	—	—	—	—	240,580
Common Stock tendered upon	—	—	(481)	—	(201,621)	—	—	—	—	(201,621)

exercise of stock options in connection with employee tax obligations	—	—	—	—	—	—	—	—	—	—
Issuance of restricted stock under Long-Term Incentive Plan	—	—	63	—	—	—	—	—	—	—
Common Stock tendered upon vesting of restricted stock in connection with employee tax obligations	—	—	(259)	—	(100,067)	—	—	—	—	(100,067)
Issuance of Common Stock in connection with Company 401(k) Savings Plan	—	—	45	—	19,416	—	—	—	—	19,416
Stock-based compensation charges	—	—	—	—	524,534	—	—	—	—	524,534
Net income	—	—	—	—	—	1,198,511	—	—	—	1,198,511
Other comprehensive income, net of tax	—	—	—	—	—	—	13,480	—	—	13,480
Balance, December 31, 2017	1,911	$ 2	109,477	$ 110	$3,512,833	$2,946,733	$ 640	(3,764)	$(316,240)	$6,144,078

The accompanying notes are an integral part of the financial statements.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income	$1,198,511	$895,522	$636,056
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	145,467	104,745	74,909
Non-cash compensation expense	507,277	559,878	459,049
Other non-cash charges and expenses, net	63,581	45,139	52,562
Deferred taxes	318,809	(360,078)	(121,623)
Changes in assets and liabilities:			
Increase in Sanofi, Bayer, and trade accounts receivable	(362,720)	(143,827)	(491,421)
Increase in inventories	(314,195)	(149,776)	(111,825)
(Increase) decrease in prepaid expenses and other assets	(113,331)	23,543	(79,476)
(Decrease) increase in deferred revenue	(113,099)	244,270	608,892
(Decrease) increase in accounts payable, accrued expenses, and other liabilities	(23,188)	253,980	303,657
Total adjustments	108,601	577,874	694,724
Net cash provided by operating activities	1,307,112	1,473,396	1,330,780
Cash flows from investing activities:			
Purchases of marketable and other securities	(1,277,140)	(809,419)	(557,105)
Sales or maturities of marketable securities	544,584	274,456	327,437
Capital expenditures	(272,626)	(511,941)	(677,933)
Net cash used in investing activities	(1,005,182)	(1,046,904)	(907,601)
Cash flows from financing activities:			
Proceeds in connection with capital and facility lease obligations	57,000	5,085	27,373
Payments in connection with capital and facility lease obligations	(19,925)	(32,774)	(1,353)
Repayments of convertible senior notes	—	(12,894)	(166,467)
Payments in connection with reduction of outstanding warrants	—	(643,365)	(573,487)
Proceeds from issuance of Common Stock	240,213	126,739	206,358
Payments in connection with Common Stock tendered for employee tax obligations	(301,688)	(143,182)	(160,537)
Excess tax benefit from stock-based compensation	—	—	405,317
Net cash used in financing activities	(24,400)	(700,391)	(262,796)
Net increase (decrease) in cash and cash equivalents	277,530	(273,899)	160,383
Cash and cash equivalents at beginning of period	535,203	809,102	648,719
Cash and cash equivalents at end of period	$812,733	$535,203	$809,102
Supplemental disclosure of cash flow information			
Cash paid for interest (net of amounts capitalized)	$18,678	$5,454	$10,582
Cash paid for income taxes	$754,843	$481,360	$276,092

The accompanying notes are an integral part of the financial statements.

Explanation of Responses:

Explanation of Responses: 10

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unless otherwise noted, dollars in thousands, except per share data)

1. Business Overview and Summary of Significant Accounting Policies

Organization and Business

Regeneron Pharmaceuticals, Inc. and its subsidiaries (collectively, the "Company" or "Regeneron") is a fully integrated biopharmaceutical company that discovers, invents, develops, manufactures, and commercializes medicines for the treatment of serious diseases. The Company's commercialized medicines and product candidates in development are designed to help patients with eye disease, allergic and inflammatory diseases, heart disease, pain, cancer, and infectious and other serious medical conditions. The Company's products that have received marketing approval consist of EYLEA® (aflibercept), Dupixent® (dupilumab), Praluent® (alirocumab), Kevzara® (sarilumab), ARCALYST® (rilonacept), and ZALTRAP® (ziv-aflibercept). The Company is a party to collaboration agreements to develop and commercialize, as applicable, certain products and product candidates (see Note 3).

The Company operates in one business segment, which includes all activities related to the discovery, development, and commercialization of pharmaceutical products for the treatment of serious medical conditions. The Company's business is subject to certain risks including, but not limited to, uncertainties relating to conducting pharmaceutical research, product development, obtaining regulatory approvals, market acceptance, competition, and obtaining and enforcing patents.

Basis of Presentation

The consolidated financial statements include the accounts of Regeneron and its wholly-owned subsidiaries. Intercompany balances and transactions are eliminated in consolidation. Certain reclassifications have been made to prior period amounts to conform with the current period's presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates which could have a significant impact on the Company's financial statements include provisions related to product sales, such as rebates, chargebacks, and distribution-related fees; periods over which payments, including non-refundable up-front, license, and milestone payments, are recognized as revenue in connection with collaboration and other agreements; periods over which certain clinical trial costs are recognized; fair value of stock options; inventory that may expire prior to expected sale or has a cost basis in excess of its estimated realizable value; capitalization of inventory costs associated with the Company's products prior to regulatory approval; provisions for loss contingencies; deferred tax asset valuation allowances; the assessment of uncertain tax positions; and the provisional amount recorded in connection with the enactment of tax laws (see Note 16).

With respect to the Company's collaborations with Sanofi and Bayer:

- Included in Sanofi collaboration revenue is the Company's share of profits or losses from commercialization of antibodies, which is provided by Sanofi, and includes an estimate of the Company's share of profits or losses for the most recent fiscal quarter.
- Included in Bayer collaboration revenue is the Company's share of profits or losses from commercialization of EYLEA outside the United States, which is provided by Bayer, and includes an estimate of the Company's share of profits or losses for the most recent fiscal quarter.
- Included in research and development expenses is the Company's share of development expenses incurred by Bayer and Sanofi, including the Company's share of Bayer and Sanofi estimated development expenses for the most recent fiscal quarter.

These estimates for the most recent period are adjusted on a prospective basis, if necessary, in the subsequent period to reflect actual amounts.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. The carrying amount reported in the Consolidated Balance Sheet for cash and cash equivalents approximates its fair value.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

Marketable Securities

The Company has an investment policy that includes guidelines on acceptable investment securities, minimum credit quality, maturity parameters, and concentration and diversification. The Company invests its excess cash primarily in marketable securities issued by investment grade institutions. The Company considers its marketable securities to be "available-for-sale," as defined by authoritative guidance issued by the Financial Accounting Standards Board ("FASB"). These assets are carried at fair value and the unrealized gains and losses are included in accumulated other comprehensive income (loss). Realized gains and losses on marketable securities are included as a component of other income (expense), net. The Company reviews its portfolio of marketable securities, using both quantitative and qualitative factors, to determine if declines in fair value below cost are other-than-temporary. If a decline in the fair value of a marketable security in the Company's investment portfolio is deemed to be other-than-temporary, the Company writes down the cost basis of the security to its current fair value and recognizes a loss as a charge against income.

Accounts Receivable - Trade

The Company's trade accounts receivable arise from product sales and represent amounts due from its distributors and specialty pharmacies (collectively, the Company's "customers"), which are all located in the United States. The Company monitors the financial performance and credit worthiness of its large customers so that it can properly assess and respond to changes in their credit profile. The Company provides reserves against trade receivables for estimated losses, if any, that may result from a customer's inability to pay. Amounts determined to be uncollectible are written-off against the reserve.

Inventories

Inventories are stated at the lower of cost or estimated realizable value. The Company determines the cost of inventory using the first-in, first-out, or FIFO, method.

The Company capitalizes inventory costs associated with the Company's products prior to regulatory approval when, based on management's judgment, future commercialization is considered probable and the future economic benefit is expected to be realized; otherwise, such costs are expensed as research and development. The determination to capitalize inventory costs is based on various factors, including status and expectations of the regulatory approval process, any known safety or efficacy concerns, potential labeling restrictions, and any other impediments to obtaining regulatory approval.

The Company periodically analyzes its inventory levels to identify inventory that may expire prior to expected sale or has a cost basis in excess of its estimated realizable value, and writes-down such inventories as appropriate. In addition, the Company's products are subject to strict quality control and monitoring which the Company performs throughout the manufacturing process. If certain batches or units of product no longer meet quality specifications or become obsolete due to expiration, the Company records a charge to write down such unmarketable inventory to its estimated realizable value.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, net of accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets or the lease term. Costs of construction of certain long-lived assets include capitalized interest, which is amortized over the estimated useful life of the related asset. Expenditures for maintenance and repairs which do not materially extend the useful lives of the assets are charged to expense as incurred. The cost and accumulated depreciation or amortization of assets retired or sold are removed from the respective accounts, and any gain or loss is recognized in operations. The estimated useful lives of property, plant, and equipment are as follows:

Building and improvements	10–50 years
Laboratory and other equipment	3–10 years

Furniture and fixtures	5 years

The Company periodically assesses the recoverability of long-lived assets, such as property, plant, and equipment, and evaluates such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

Revenue Recognition
a. Product Revenue
Product revenue consists of U.S. sales of EYLEA and ARCALYST. Revenue from product sales is recognized when persuasive evidence of an arrangement exists, title to product and associated risk of loss have passed to the customer, the price is fixed or determinable, collection from the customer is reasonably assured, the Company has no further performance obligations, and returns can be reasonably estimated. The Company's written contracts with its customers stipulate product is shipped freight on board destination (FOB destination). The Company records revenue from product sales upon delivery to its customers.
The Company sells EYLEA in the United States to several distributors and specialty pharmacies. The Company sells ARCALYST in the United States to specialty pharmacies. Under these distribution models, the distributors and specialty pharmacies generally take physical delivery of product. For EYLEA, the distributors and specialty pharmacies generally sell the product directly to healthcare providers, whereas for ARCALYST, the specialty pharmacies sell the product directly to patients.
Revenue from product sales is recorded net of applicable provisions for rebates and chargebacks under governmental and other programs, distribution-related fees, and other sales-related deductions. Calculating these provisions involves estimates and judgments. The Company reviews its estimates of rebates, chargebacks, and other applicable provisions each period and records any necessary adjustments in the current period's net product sales.
Government Rebates and Chargebacks: The Company estimates reductions to product sales for Medicaid and Veterans' Administration ("VA") programs, and for certain other qualifying federal and state government programs. Based upon the Company's contracts with government agencies, statutorily-defined discounts applicable to government-funded programs, historical experience, and estimated payer mix, the Company estimates and records an allowance for rebates and chargebacks. The Company's liability for Medicaid rebates consists of estimates for claims that a state will make for a current quarter, claims for prior quarters that have been estimated for which an invoice has not been received, and invoices received for claims from prior quarters that have not been paid. The Company's reserves related to discounted pricing to VA, Public Health Services ("PHS"), and other institutions (collectively "qualified healthcare providers") represent the Company's estimated obligations resulting from contractual commitments to sell products to qualified healthcare providers at prices lower than the list prices the Company charges to its customers (i.e., distributors and specialty pharmacies). The Company's customers charge the Company for the difference between what they pay for the products and the ultimate selling price to the qualified healthcare providers. The Company's reserve for this discounted pricing is based on expected sales to qualified healthcare providers and the chargebacks that customers have already claimed.
Distribution-Related Fees: The Company has written contracts with its customers that include terms for distribution-related fees. The Company estimates and records distribution and related fees due to its customers generally based on gross sales.
Product Returns: Consistent with industry practice, the Company offers its customers a limited right to return product purchased directly from the Company, which is principally based upon the product's expiration date. The Company will accept returns for three months prior to and up to six months after the product expiration date. Product returned is generally not resalable given the nature of the Company's products and method of administration. The Company develops estimates for product returns based upon historical experience, inventory levels in the distribution channel, shelf life of the product, and other relevant factors. The Company monitors product supply levels in the distribution channel, as well as sales by its customers of EYLEA to healthcare providers and ARCALYST to patients using product-specific data provided by its customers. If necessary, the Company's estimates of product returns may be adjusted in the future based on actual returns experience, known or expected changes in the marketplace, or other factors.
b. Collaboration Revenue

The Company earns collaboration revenue in connection with collaboration agreements to develop and commercialize product candidates and utilize the Company's technology platforms. These arrangements may require the Company to deliver various rights, services, and/or goods across the entire life cycle of a product or product candidate. The terms of these agreements typically include that consideration be provided to the Company in the form of non-refundable up-front payments, milestone payments, payments for development and commercialization activities, and sharing of profits or losses arising from the commercialization of products.

In connection with non-refundable up-front payments, the Company's performance period estimates are principally based on projections of the scope, progress, and results of its research and development activities. Due to the variability in the scope of

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

activities and length of time necessary to develop a drug product, changes to development plans as programs progress, and uncertainty in the ultimate requirements to obtain regulatory approval for commercialization, revisions to performance period estimates are likely to occur periodically, and could result in material changes to the amount of revenue recognized each year. In addition, estimated performance periods may change if development programs encounter delays, or the Company and its collaborators decide to expand or contract the clinical plans for a drug candidate in various disease indications.

In arrangements involving multiple deliverables, each required deliverable is evaluated to determine whether it qualifies as a separate unit of accounting. This determination is generally based on whether the deliverables in the arrangement meet certain criteria, including whether the delivered item or items has value to the collaborator on a standalone basis. The arrangement's consideration that is fixed and determinable is allocated to each separate unit of accounting based on the relative selling price of each deliverable. If multiple collaboration activities or rights do not require separation, they are combined into a single unit of accounting and recognized over the performance period, which is the period over which the Company is obligated to deliver goods or services. The Company estimates its performance period based on the specific terms of each agreement, and adjusts the performance periods, if appropriate, based on the applicable facts and circumstances.

Payments which are based on achieving a specific substantive performance milestone, involving a degree of risk, are recognized as revenue when the milestone is achieved and the related payment is due and non-refundable, provided there is no future service obligation associated with that milestone. Substantive performance milestones typically consist of significant achievements in the development life-cycle of the related product candidate, such as completion of clinical trials, filing for approval with regulatory agencies, and receipt of approvals by regulatory agencies. In determining whether a payment is deemed to be a substantive performance milestone, the Company takes into consideration (i) the enhancement in value to the related development product candidate, (ii) the Company's performance and the relative level of effort required to achieve the milestone, (iii) whether the milestone relates solely to past performance, and (iv) whether the milestone payment is considered reasonable relative to all of the deliverables and payment terms. Payments for achieving milestones which are not considered substantive are deferred and recognized over the related performance period.

The Company enters into collaboration agreements that include varying arrangements regarding which parties perform and bear the costs of research and development activities. The Company may share the costs of research and development activities with a collaborator, or the Company may be reimbursed for all or a significant portion of the costs of the Company's research and development activities. The Company records its internal and third-party development costs associated with these collaborations as research and development expenses. When the Company is entitled to reimbursement of all or a portion of the research and development expenses that it incurs under a collaboration, the Company records those reimbursable amounts as collaboration revenue proportionately as the Company recognizes its expenses. If the collaboration is a cost-sharing arrangement in which both the Company and its collaborator perform development work and share costs, the Company also recognizes, as research and development expense in the period when its collaborator incurs development expenses, the portion of the collaborator's development expenses that the Company is obligated to reimburse. The Company may also be obligated to use commercially reasonable efforts to supply commercial bulk product to its collaborators. In such cases, the Company is reimbursed for its manufacturing costs as commercial product is shipped to its collaborators; however, recognition of such cost reimbursements as collaboration revenue is deferred until the product is sold by the Company's collaborators to third-party customers, at which time the Company's risk of inventory loss no longer exists. In addition, at that time, the related manufacturing costs for the sold product, which had been capitalized into inventory, are recognized by the Company.

Under the Company's collaboration agreements, product sales and cost of sales for products which are currently approved are recorded by the Company's collaborators as they are deemed to be the principal in the transaction. The

Company shares in any profits or losses arising from the commercialization of such products. The Company records its share of the profits or losses from commercialization of such products as collaboration revenue, representing net product sales less cost of goods sold and shared commercialization and other expenses.

Research and Development Expenses

Research and development expenses include costs directly attributable to the conduct of research and development programs, including the cost of salaries, payroll taxes, employee benefits, materials, supplies, depreciation on and maintenance of research equipment, costs related to research collaboration and licensing agreements, the cost of services provided by outside contractors, including services related to the Company's clinical trials, clinical trial expenses, the full cost of manufacturing drug for use in research, preclinical development, and clinical trials, amounts that the Company is obligated to reimburse to collaborators for research and development expenses that they incur, and the allocable portions of facility costs, such as rent, utilities, insurance, repairs and maintenance, depreciation, and general support services. Costs associated with research and development are expensed.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

Clinical trial costs are a significant component of research and development expenses and include costs associated with third-party contractors. The Company outsources a substantial portion of its clinical trial activities, utilizing external entities such as contract research organizations ("CROs"), independent clinical investigators, and other third-party service providers to assist the Company with the execution of its clinical studies. For each clinical trial that the Company conducts, certain clinical trial costs are expensed immediately, while others are expensed over time based on the expected total number of patients in the trial, the rate at which patients enter the trial, and/or the period over which clinical investigators or CROs are expected to provide services.

Clinical activities which relate principally to clinical sites and other administrative functions to manage the Company's clinical trials are performed primarily by CROs. CROs typically perform most of the start-up activities for the Company's trials, including document preparation, site identification, screening and preparation, pre-study visits, training, and program management. These start-up costs usually occur within a few months after the contract has been executed and are event-driven in nature. The remaining activities and related costs, such as patient monitoring and administration, generally occur ratably throughout the life of the individual contract or study. In the event of early termination of a clinical trial, the Company accrues and recognizes expenses in an amount based on its estimate of the remaining non-cancelable obligations associated with the winding down of the clinical trial and/or penalties.

For clinical study sites, where payments are made periodically on a per-patient basis to the institutions performing the clinical study, the Company accrues expenses on an estimated cost-per-patient basis, based on subject enrollment and activity in each quarter. The amount of clinical study expense recognized in a quarter may vary from period to period based on the duration and progress of the study, the activities to be performed by the sites each quarter, the required level of patient enrollment, the rate at which patients actually enroll in and drop-out of the clinical study, and the number of sites involved in the study. Clinical trials that bear the greatest risk of change in estimates are typically those that have a significant number of sites, require a large number of patients, have complex patient screening requirements, and span multiple years. During the course of a trial, the Company adjusts its rate of clinical expense recognition if actual results differ from the Company's estimates. The Company's estimates and assumptions for clinical expense recognition could differ significantly from its actual results, which could cause material increases or decreases in research and development expenses in future periods when the actual results become known.

Stock-based Compensation

The Company recognizes stock-based compensation expense for grants of stock option and restricted stock awards under the Company's Long-Term Incentive Plans to employees and non-employee members of the Company's board of directors based on the grant-date fair value of those awards. The grant-date fair value of an award is generally recognized as compensation expense over the award's requisite service period.

The Company uses the Black-Scholes model to compute the estimated fair value of stock option awards. Using this model, fair value is calculated based on assumptions with respect to (i) expected volatility of the Company's Common Stock price, (ii) the periods of time over which employees and members of the board of directors are expected to hold their options prior to exercise (expected lives), (iii) expected dividend yield on the Common Stock, and (iv) risk-free interest rates. Stock-based compensation expense also includes an estimate, which is made at the time of grant, of the number of awards that are expected to be forfeited. This estimate is revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined on the basis of the difference between the tax basis of assets and liabilities and their respective financial reporting amounts ("temporary differences") at enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is established for deferred tax assets for which it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Uncertain tax positions, for which management's assessment is that there is more than a 50% probability of sustaining the position upon challenge by a taxing authority based upon its technical merits, are subjected to certain recognition and measurement criteria. The Company re-evaluates uncertain tax positions and consider various factors, including, but not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, and changes in facts or circumstances related to a tax position. The Company adjusts the level of the liability to reflect any subsequent changes in the relevant facts and circumstances surrounding the uncertain positions. The Company recognizes interest and penalties related to income tax matters in income tax expense.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

Per Share Data

Basic net income per share is computed by dividing net income by the weighted average number of shares of Common Stock and Class A Stock outstanding. Net income per share is presented on a combined basis, inclusive of Common Stock and Class A Stock outstanding, as each class of stock has equivalent economic rights. Basic net income per share excludes restricted stock awards until vested. Diluted net income per share includes the potential dilutive effect of common stock equivalents as if such securities were converted or exercised during the period, when the effect is dilutive. Common stock equivalents include: (i) outstanding stock options and restricted stock under the Company's Long-Term Incentive Plans, which are included under the "treasury stock method" when dilutive, (ii) if applicable, Common Stock to be issued upon the assumed conversion of the Company's convertible senior notes, which are included under the "if-converted method" when dilutive, and (iii) if applicable, Common Stock to be issued upon the exercise of outstanding warrants, which are included under the "treasury stock method" when dilutive.

Concentration of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk consist of cash, cash equivalents, certain financial instruments, and accounts receivable. A large portion of the Company's cash is held by a few major financial institutions. In accordance with the Company's policies, the Company mandates asset diversification and monitors exposure with its counterparties.

Concentrations of credit risk with respect to accounts receivable are significant. The Company has a concentration of credit risk associated with the receivables due from its collaborators Bayer, Sanofi, and Teva. The Company is also subject to credit risk with accounts receivable from its product sales of EYLEA and ARCALYST, which are due from several distributors and specialty pharmacies (the Company's customers). As of December 31, 2017 and 2016, three individual customers accounted for 99% of the Company's net trade accounts receivable balances. The Company has contractual payment terms with each of its customers, and the Company monitors its customers' financial performance and credit worthiness so that it can properly assess and respond to any changes in their credit profile. In addition, the Company may insure a portion of its accounts receivables within its overall risk management practices. As of December 31, 2017 and 2016, there were no reserves against trade accounts receivable. In addition, during the years ended December 31, 2017, 2016, and 2015, the Company did not recognize any charges for write-offs of trade accounts receivable.

Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update 2014-09 ("ASU 2014-09"), Revenue from Contracts with Customers, which, along with subsequent amendments to ASU 2014-09 issued by the FASB, will replace existing revenue recognition guidance. The new standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. To achieve that core principle, an entity must identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the entity satisfies the performance obligation. The new standard will be effective for annual and interim reporting periods beginning after December 15, 2017. The standard allows for two transition methods - retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial adoption (modified retrospective method). The Company will adopt the standard using the modified retrospective method. The Company does not currently expect the new standard to have a material impact on total revenues. However, the adoption of the new standard may result in changes to the timing of revenue recognition related to collaboration agreements where the Company has concluded that bundled goods or services are not distinct. As a result, substantive development milestones, which were previously recognized in the period when the milestone was achieved, will be recognized over the remaining performance period under the new standard. The Company has substantially completed its impact assessment, and expects that the adoption of the new standard will require a cumulative-effect adjustment to reduce

retained earnings on January 1, 2018 by approximately $140 million, net of tax. In connection with adopting the new standard, the Company does not anticipate implementing significant changes to its internal controls or systems. The Company continues to evaluate the impact of the new guidance on its financial statement disclosures.

In January 2016, the FASB issued Accounting Standards Update 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. In addition, the amendments allow companies to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, and adjusted for observable price changes in orderly transactions for identical or similar investments of the same issuer. The Company has elected this measurement method for the equity investments it holds as

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

of January 1, 2018 that do not have readily determinable fair values. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. As of December 31, 2017, the Company's unrealized gain from equity securities was $6.6 million, which was recorded within accumulated other comprehensive income (loss). The Company will record a cumulative-effect adjustment to opening retained earnings for this unrealized gain as of the beginning of the year ending December 31, 2018. The amendments related to equity investments without readily determinable fair values shall be applied prospectively to equity investments that exist as of the date of adoption. The implementation of the amendments is expected to increase the volatility of the Company's net income.

In February 2016, the FASB issued Accounting Standards Update 2016-02, Leases. The new standard requires a lessee to recognize in its balance sheet (for both finance and operating leases) a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted; however, the Company expects to adopt this standard in the first quarter of 2019. The Company is evaluating the impact that this guidance will have on the Company's financial statements, including related disclosures, and expects the new standard to have a significant impact on its internal controls, systems, and processes.

2. Product Sales

Net product sales consist of the following:

	Year Ended December 31,		
Net Product Sales in the United States	2017	2016	2015
EYLEA	$3,701,917	$3,323,081	$2,676,040
ARCALYST	16,546	15,309	13,438
Net Product Sales	$3,718,463	$3,338,390	$2,689,478

The Company had product sales to certain customers that accounted for more than 10% of total gross product revenue for each of the years ended December 31, 2017, 2016, and 2015. Sales to each of these customers as a percentage of the Company's total gross product revenue are as follows:

	Year Ended December 31,		
	2017	2016	2015
Besse Medical, a subsidiary of AmerisourceBergen Corporation	51%	55%	67%
McKesson Corporation	29%	28%	26%
Curascript SD Specialty Distribution, a subsidiary of Express Scripts	19%	16%	**

** For the year ended December 31, 2015, sales to Curascript SD Specialty Distribution represented less than 10% of total gross product revenue.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

Revenue from product sales is recorded net of applicable provisions for rebates and chargebacks, distribution-related fees, and other sales-related deductions. Accruals for chargebacks are recorded as a direct reduction to accounts receivable and accruals for rebates and distribution-related fees are recorded within accrued liabilities. The following table summarizes the provisions, and credits/payments, for these sales-related deductions for the years ended December 31, 2017, 2016, and 2015.

	Rebates & Chargebacks	Distribution-Related Fees	Other Sales-Related Deductions	Total
Balance as of December 31, 2014	$ 3,083	$ 21,166	$ 532	$24,781
Provisions	61,124	122,466	9,600	193,190
Credits/payments	(57,788)	(95,319)	(9,615)	(162,722)
Balance as of December 31, 2015	6,419	48,313	517	55,249
Provisions	93,385	154,477	30,442	278,304
Credits/payments	(87,092)	(173,325)	(27,285)	(287,702)
Balance as of December 31, 2016	12,712	29,465	3,674	45,851
Provisions	167,755	194,132	46,383	408,270
Credits/payments	(150,627)	(189,455)	(28,737)	(368,819)
Balance as of December 31, 2017	$ 29,840	$ 34,142	$ 21,320	$85,302

3. Collaboration and License Agreements

The Company has entered into various agreements related to its activities to research, develop, manufacture, and commercialize product candidates and utilize its technology platforms. Significant agreements of this kind are described below.

a. Sanofi

Sanofi owned a total of 23,880,537 shares of the Company's Common Stock as of December 31, 2017, a portion of which was purchased in connection with the companies' ZALTRAP and antibody collaborations described below. See Note 13 for a description of the investor agreement between Sanofi and the Company.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

The collaboration revenue the Company earned from Sanofi is detailed below:

	Year Ended December 31,		
Sanofi Collaboration Revenue	2017	2016	2015
Antibody:			
Reimbursement of Regeneron research and development expenses	$508,364	$564,900	$735,439
Reimbursement of Regeneron commercialization-related expenses	368,859	305,947	155,271
Regeneron's share of losses in connection with commercialization of antibodies	(442,610)	(459,058)	(240,042)
Other	119,076	28,379	12,322
Total Antibody	553,689	440,168	662,990
Immuno-oncology:			
Reimbursement of Regeneron research and development expenses	239,981	138,497	39,961
Other	83,523	80,000	40,000
Total Immuno-oncology	323,504	218,497	79,961
ZALTRAP:			
Reimbursement of Regeneron research and development expenses	—	—	686
Other	—	—	15,236
Total ZALTRAP	—	—	15,922
	$877,193	$658,665	$758,873

Other selected financial information in connection with the Company's collaboration agreements with Sanofi is as follows:

	As of December 31,	
	2017	2016
Antibody:		
Accounts receivable, net	$121,001	$47,268
Deferred revenue	$117,682	$98,741
Immuno-oncology:		
Accounts receivable, net	$59,274	$40,647
Deferred revenue	$440,000	$520,000

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

Antibodies

In November 2007, the Company entered into a global, strategic collaboration with Sanofi to discover, develop, and commercialize fully human monoclonal antibodies (the "Antibody Collaboration"). The Antibody Collaboration was governed by the companies' Discovery and Preclinical Development Agreement ("Antibody Discovery Agreement") and a License and Collaboration Agreement (each as amended). In connection with the execution of the Antibody Discovery Agreement in 2007, the Company received a non-refundable up-front payment of $85.0 million from Sanofi. In addition, under the Antibody Discovery Agreement, Sanofi funded the Company's research to identify and validate potential drug discovery targets and develop fully human monoclonal antibodies against these targets. Pursuant to the Antibody Discovery Agreement, as amended, Sanofi agreed to fund the Company's research activities up to $145.0 million in 2015, and up to $130.0 million in both 2016 and 2017. The Company's Antibody Discovery Agreement with Sanofi ended on December 31, 2017 without any extension and, therefore, funding from Sanofi under the Antibody Discovery Agreement ceased after 2017. The Company accelerated the recognition of deferred revenue from the $85.0 million up-front payment and other payments in connection with Sanofi's decision to end the Antibody Discovery Agreement between the Company and Sanofi on December 31, 2017. The Company has the right to develop or continue to develop product candidates discovered under the Antibody Discovery Agreement, with the exception of those that are being developed (and commercialized, as applicable) under the Antibody License and Collaboration Agreement, independently or with other collaborators.

Under the License and Collaboration Agreement, agreed-upon worldwide development expenses incurred by both companies are funded by Sanofi, except that following receipt of the first positive Phase 3 trial results for a co-developed drug candidate, subsequent Phase 3 trial-related costs for that drug candidate ("Shared Phase 3 Trial Costs") are shared 80% by Sanofi and 20% by Regeneron. Consequently, the Company recognized as research and development expense $91.8 million, $108.6 million, and $92.6 million in 2017, 2016, and 2015, respectively, its share of antibody development expenses that Sanofi incurred related to Praluent, Kevzara (sarilumab), and, commencing in 2016, Dupixent (dupilumab). If the Antibody Collaboration becomes profitable, Regeneron will be obligated to reimburse Sanofi for 50% of worldwide development expenses that were fully funded by Sanofi and 30% of Shared Phase 3 Trial Costs, in accordance with a defined formula based on the amounts of these expenses and the Company's share of collaboration profits from commercialization of collaboration products. However, the Company is only required to apply 10% of its share of the profits from the Antibody Collaboration in any calendar quarter to reimburse Sanofi for these development costs. The Company's contingent reimbursement obligation to Sanofi under the Antibody Collaboration was approximately $2,558 million as of December 31, 2017.

Effective January 7, 2018, the Company and Sanofi entered into a letter agreement (the "Letter Agreement") in connection with, among other matters, the allocation of additional funds to certain activities relating to the development of dupilumab and REGN3500 and non-approval trials of dupilumab (collectively, the "Dupilumab/REGN3500 Eligible Investments"). Refer to the "Immuno-Oncology" section below for further details regarding the Letter Agreement.

Regeneron is obligated to use commercially reasonable efforts to supply clinical requirements of each drug candidate under the Antibody Collaboration until commercial supplies of that drug candidate are being manufactured. Sanofi leads commercialization activities for products developed under the License and Collaboration Agreement, subject to the Company's right to co-promote such products. The Company has exercised its option to co-promote Praluent, Kevzara, and Dupixent in the United States and thus far has not exercised any of its options to co-promote Praluent, Kevzara, and Dupixent outside the United States. The parties equally share profits and losses from sales within the United States. The parties share profits outside the United States on a sliding scale based on sales starting at 65% (Sanofi)/35% (Regeneron) and ending at 55% (Sanofi)/45% (Regeneron), and losses outside the United States at 55% (Sanofi)/45% (Regeneron). In addition to profit sharing, the Company is entitled to receive up to $250.0 million in sales milestone payments, with milestone payments commencing only if and after aggregate annual sales outside the

United States exceed $1.0 billion on a rolling twelve-month basis.
"Reimbursement of Regeneron commercialization-related expenses" in the table above represents reimbursement of internal and external costs in connection with commercializing Praluent, Kevzara, and, effective in 2016, Dupixent. During the same periods that the Company recorded reimbursements from Sanofi related to the Company's commercialization expenses, the Company also recorded its share of losses in connection with the companies commercializing Praluent, Kevzara, and Dupixent within Sanofi collaboration revenue. In March 2017, the U.S. Food and Drug Administration ("FDA") approved Dupixent for the treatment of adult patients with moderate-to-severe atopic dermatitis, and in September 2017, the European Commission granted marketing authorization for Dupixent for use in adults with moderate-to-severe atopic dermatitis who are candidates for systemic therapy. In May 2017, the FDA approved Kevzara for the treatment of adult patients with moderately to severely active rheumatoid

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

arthritis, and in June 2017, the European Commission granted marketing authorization for Kevzara for the treatment of rheumatoid arthritis in adult patients.

With respect to each antibody product in development under the License and Collaboration Agreement, Sanofi or the Company may, by giving twelve months' notice, opt-out of further development and/or commercialization of the product, in which event the other party retains exclusive rights to continue the development and/or commercialization of the product. The License and Collaboration Agreement contains other termination provisions, including for material breach by the other party. Upon termination of the collaboration in its entirety, the Company's obligation to reimburse Sanofi for development costs out of any future profits from collaboration products will terminate.

Immuno-Oncology

In July 2015, the Company and Sanofi entered into a collaboration to discover, develop, and commercialize antibody-based cancer treatments in the field of immuno-oncology (the "IO Collaboration"). The IO Collaboration is governed by an Immuno-oncology Discovery and Development Agreement ("IO Discovery Agreement"), and an Immuno-oncology License and Collaboration Agreement ("IO License and Collaboration Agreement"). In connection with the IO Discovery Agreement, Sanofi made a $265.0 million non-refundable up-front payment to the Company. Pursuant to the IO Discovery Agreement, the Company will spend up to $1,090.0 million ("IO Discovery Budget") to identify and validate potential immuno-oncology targets and develop therapeutic antibodies against such targets through clinical proof-of-concept. Sanofi will reimburse the Company for up to $825.0 million ("IO Discovery Funding") of these costs, subject to certain annual limits. The term of the IO Discovery Agreement will continue through the later of five years from the effective date of the IO Collaboration or the date the IO Discovery Budget is exhausted, subject to Sanofi’s option to extend it for up to an additional three years for the continued development (and funding) of selected ongoing programs. Pursuant to the IO Discovery Agreement, the Company is primarily responsible for the design and conduct of all research activities, including target identification and validation, antibody development, preclinical activities, toxicology studies, manufacture of preclinical and clinical supplies, filing of Investigational New Drug ("IND") Applications, and clinical development through proof-of-concept. The Company will reimburse Sanofi for half of the development costs they funded that are attributable to clinical development of antibody product candidates under the IO Discovery Agreement from Regeneron's share of future profits, if any, from commercialized IO Collaboration products to the extent they are sufficient for this purpose. However, the Company is only required to apply 10% of its share of the profits from IO Collaboration products in any calendar quarter towards reimbursing Sanofi for these development costs. The Company's contingent reimbursement obligation to Sanofi under the IO Collaboration was approximately $22 million as of December 31, 2017. With regard to product candidates for which proof-of-concept is established, Sanofi has the option to license rights to the product candidate pursuant to the IO License and Collaboration Agreement (as further described below). If Sanofi does not exercise its option to license rights to a product candidate, the Company will retain the exclusive right to develop and commercialize such product candidate and Sanofi will be entitled to receive a royalty on sales.

In connection with the IO License and Collaboration Agreement, Sanofi made a $375.0 million non-refundable up-front payment to the Company. If Sanofi exercises its option to license rights to a product candidate thereunder, it will co-develop the drug candidate with the Company through product approval. Principal control of development of each product candidate that enters development under the IO License and Collaboration Agreement alternates between the Company and Sanofi on a candidate-by-candidate basis. Sanofi funds drug candidate development costs up front for the candidates for which it is the principal controlling party and the Company will reimburse half of the total development costs for all such candidates from its share of future IO Collaboration profits to the extent they are sufficient for this purpose, subject to the same 10% reimbursement provision described above. In addition, Sanofi and the Company share equally, on an ongoing basis, the development costs for the drug candidates for which the Company is the principal controlling party. The party having principal control over the development of a product candidate also leads the commercialization activities for such product candidate in the United States. For all products

commercialized under the IO License and Collaboration Agreement, Sanofi will lead commercialization activities outside of the United States. Each party will have the right to co-promote licensed products in countries where it is not the lead commercialization party. The parties will share equally in profits and losses in connection with the commercialization of collaboration products. The Company is obligated to use commercially reasonable efforts to supply clinical requirements of each drug candidate under the IO License and Collaboration Agreement until commercial supplies of that IO drug candidate are being manufactured.

Under the terms of the IO License and Collaboration Agreement, the parties are co-developing the Company's antibody product candidate (cemiplimab) targeting the receptor known as programmed cell death protein 1 (PD-1). The parties share equally, on an ongoing basis, development expenses for cemiplimab up to a total of $1.640 billion, an increase of $990.0 million over the budget set forth in the original IO License and Collaboration Agreement. The cemiplimab development budget has been increased pursuant

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

to the Letter Agreement. Pursuant to the Letter Agreement, the Company has agreed to allow Sanofi to satisfy in whole or in part its funding obligations with respect to cemiplimab development and Dupilumab/REGN3500 Eligible Investments by selling up to 1,400,000 shares of the Company's Common Stock directly or indirectly owned by Sanofi through September 30, 2020. If Sanofi desires to sell shares of the Company's Common Stock during the term of the Letter Agreement to satisfy a portion or all of its funding obligations for the cemiplimab development and/or Dupilumab/REGN3500 Eligible Investments, the Company may elect to purchase, in whole or in part, such shares from Sanofi. If the Company does not elect to purchase such shares, Sanofi may sell the applicable number of shares (subject to certain daily and quarterly limits) in one or more open-market transactions.

The Company has principal control over the development of cemiplimab and will lead commercialization activities in the United States, subject to Sanofi’s right to co-promote, while Sanofi will lead commercialization activities outside of the United States and the parties will equally share profits from worldwide sales. The Company will be entitled to a milestone payment of $375.0 million in the event that global sales of certain licensed products targeting PD-1 (including cemiplimab), together with sales of any other products licensed under the IO License and Collaboration Agreement and sold for use in combination with any of such licensed products targeting PD-1, equal or exceed $2.0 billion in any consecutive twelve-month period.

With respect to each product candidate that enters development under the IO License and Collaboration Agreement, Sanofi or the Company may, by giving twelve months’ notice, opt-out of further development and/or commercialization of the product, in which event the other party will retain exclusive rights to continue the development and/or commercialization of such product.

At the inception of the IO Collaboration, the Company's significant deliverables consisted of (i) license to certain rights and intellectual property, (ii) providing research and development services, and (iii) manufacturing clinical supplies. The Company concluded that the license did not have standalone value, primarily due to the fact that such rights were not sold separately by the Company, nor could Sanofi receive any benefit from the license without the fulfillment of other ongoing obligations by the Company, including the clinical supply arrangement. Therefore, the deliverables were considered a single unit of accounting. Consequently, the $640.0 million in aggregate up-front payments made by Sanofi during 2015 in connection with the execution of the IO Collaboration has been recorded as deferred revenue, and is being recognized as revenue over the related performance period.

ZALTRAP

In September 2003, the Company entered into a collaboration agreement ("ZALTRAP Collaboration Agreement") with Aventis Pharmaceuticals Inc. (predecessor to Sanofi U.S.) to jointly develop and commercialize ZALTRAP. In February 2015, the Company and Sanofi entered into an amended and restated ZALTRAP agreement ("Amended ZALTRAP Agreement"), pursuant to which Sanofi is solely responsible for the development and commercialization of ZALTRAP for cancer indications worldwide. Sanofi bears the cost of all development and commercialization activities and reimburses Regeneron for its costs for any such activities. Sanofi pays the Company a percentage of aggregate net sales of ZALTRAP during each calendar year, which percentage shall be from 15% to 30%, depending on the aggregate net sales of ZALTRAP in such calendar year.

As a result of entering into the Amended ZALTRAP Agreement, in the first quarter of 2015, the Company recognized $14.9 million of collaboration revenue, which was previously recorded as deferred revenue under the ZALTRAP Collaboration Agreement. In addition, during the years ended December 31, 2017, 2016 and 2015, the Company recorded $24.8 million, $26.2 million, and $38.8 million, respectively, in other revenue, primarily related to a percentage of net sales of ZALTRAP and manufacturing ZALTRAP commercial supplies for Sanofi.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

b. Bayer
The collaboration revenue the Company earned from Bayer is detailed below:

	Year Ended December 31,		
Bayer Collaboration Revenue	2017	2016	2015
EYLEA:			
Regeneron's net profit in connection with commercialization of EYLEA outside the United States	$802,298	$649,232	$466,667
Sales milestones	—	—	15,000
Reimbursement of Regeneron EYLEA development expenses	13,325	9,010	8,887
Other	58,634	52,527	69,466
Total EYLEA	874,257	710,769	560,020
Ang2 antibody and PDGFR-beta antibody:			
Reimbursement of development expenses	17,841	18,327	10,075
Other	45,954	15,174	10,393
Total Ang2 antibody and PDGFR-beta antibody	63,795	33,501	20,468
	$938,052	$744,270	$580,488

Deferred revenue in connection with the Company's collaboration agreements with Bayer is as follows:

	As of December 31,	
	2017	2016
EYLEA	$68,734	$62,373
Ang2 antibody	—	$45,739

EYLEA outside the United States
In October 2006, the Company entered into a license and collaboration agreement with Bayer for the global development and commercialization outside the United States of EYLEA. Under the terms of the agreement, Bayer made a non-refundable up-front payment to the Company of $75.0 million. The Company also received from Bayer a $20.0 million development milestone payment in 2007 (which, for the purpose of revenue recognition, was not considered substantive). The $75.0 million up-front payment and the $20.0 million milestone payment are being recognized as collaboration revenue over the related estimated performance period.
All agreed-upon EYLEA development expenses incurred by the Company and Bayer, under a global development plan, are shared equally. The Company is also obligated to use commercially reasonable efforts to supply clinical and commercial bulk product of EYLEA. Bayer has the right to terminate the license and collaboration agreement without cause with at least six months' or twelve months' advance notice depending on defined circumstances at the time of termination. In the event of termination of the agreement for any reason, the Company retains all rights to EYLEA.
Bayer markets EYLEA outside the United States, where, for countries other than Japan, the companies share equally in profits and losses from sales of EYLEA. In Japan, the Company is entitled to receive a tiered percentage of between 33.5% and 40.0% of EYLEA net sales. Within the United States, the Company is responsible for commercialization of EYLEA and retains exclusive rights to all profits from such commercialization in the United States. The Company is obligated to reimburse Bayer out of its share of the collaboration profits (including the Company's percentage of sales of EYLEA in Japan) for 50% of the agreed-upon development expenses that Bayer has incurred in accordance with a formula based on the amount of development expenses that Bayer has incurred and the Company's share of the collaboration profits, or at a faster rate at the Company's option. The Company's contingent reimbursement obligation to Bayer was approximately $251 million as of December 31, 2017.

Explanation of Responses:

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

In 2015, the Company earned, and recorded as revenue, the final sales milestone payment from Bayer, in the amount of $15.0 million, upon total aggregate net sales of specific commercial supplies of EYLEA outside the United States exceeding $200.0 million over a twelve-month period.

In periods when Bayer incurs agreed-upon EYLEA development expenses that benefit the collaboration and Regeneron, the Company recognizes, as additional research and development expense, the portion of Bayer's EYLEA development expenses that the Company is obligated to reimburse. In 2015, the Company recognized as research and development expense $13.7 million of EYLEA development expenses that the Company was obligated to reimburse to Bayer. Such expenses were not material in 2017 and 2016.

Ang2 antibody outside the United States

In March 2016, the Company entered into an agreement with Bayer governing the joint development and commercialization outside the United States of nesvacumab, an antibody product candidate to angiopoietin-2 (Ang2), including REGN910-3 (Ang2 in combination with aflibercept), for the treatment of ocular diseases or disorders. In connection with the agreement, Bayer made a $50.0 million non-refundable up-front payment to the Company and is obligated to pay 25% of global development costs and 50% of development costs exclusively for the territory outside the United States.

At the inception of the agreement, the Company's significant deliverables consisted of (i) a license to certain rights and intellectual property, (ii) providing research and development services, and (iii) manufacturing clinical supplies. The Company concluded that the license did not have standalone value, as such right was not sold separately by the Company, nor could Bayer receive any benefit from the license without the fulfillment of other ongoing obligations by the Company, including the clinical supply arrangement. Therefore, the deliverables were considered a single unit of accounting. Consequently, the $50.0 million up-front payment was initially recorded as deferred revenue, and was being recognized as revenue over the related performance period.

In the fourth quarter of 2017, the Company reported that results from two Phase 2 studies that added nesvacumab to EYLEA did not provide sufficient differentiation to warrant Phase 3 development. Therefore, during the fourth quarter of 2017, the Company recognized $37.4 million of revenue related to the acceleration of the recognition of deferred revenue from the up-front payment received from Bayer.

PDGFR-beta antibody outside the United States

In January 2014, the Company entered into a license and collaboration agreement with Bayer governing the joint development and commercialization outside the United States of an antibody product candidate to Platelet Derived Growth Factor Receptor Beta (PDGFR-beta), including REGN2176-3, a combination product candidate comprised of an antibody to PDGFR-beta co-formulated with aflibercept. The agreement provided that the Company would conduct the initial development of the PDGFR-beta antibody through completion of the first proof-of-concept study, upon which Bayer would have a right to opt-in to license and collaborate on further development and commercialization outside the United States. In connection with the agreement, Bayer made a $25.5 million non-refundable up-front payment to the Company, and was obligated to pay 25% of global development costs and 50% of development costs exclusively for the territory outside the United States under the initial development plan.

From inception of the agreement until Bayer had the right to opt-in to the collaboration, the Company's sole significant deliverable was research and development services provided in accordance with the agreement. Therefore, the up-front payment was allocated to this deliverable, initially recorded as deferred revenue, and was recognized as revenue over the related performance period.

Effective in the first quarter of 2017, the Company discontinued clinical development of REGN2176-3, and on July 31, 2017, the Company and Bayer agreed to terminate this collaboration agreement.

c. Mitsubishi Tanabe Pharma

In September 2015, the Company and Mitsubishi Tanabe Pharma Corporation ("MTPC") entered into a collaboration agreement (the "MTPC Collaboration Agreement") providing MTPC with development and commercial rights to

fasinumab, the Company's nerve growth factor antibody in late-stage clinical development, in certain Asian countries (the "MTPC Territories"). In connection with the agreement, MTPC made a $10.0 million non-refundable up-front payment. In 2016, MTPC made additional payments totaling $60.0 million to the Company, which were recorded as deferred revenue and are being recognized as revenue over the same performance period as the up-front payment.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

In 2017, the Company earned, and recognized as a substantive milestone, a $30.0 million development milestone from MTPC upon initiation of a Phase 3 trial. In addition, in 2017, MTPC made additional payments totaling $25.0 million related to development milestones achieved by MTPC, which were recorded as deferred revenue and are being recognized as revenue over the same performance period as the up-front payment. The Company is entitled to receive up to an aggregate of $20.0 million in development milestones if achieved by the Company and $80.0 million in other contingent payments, primarily related to development milestones achieved by MTPC.

Under the MTPC Collaboration Agreement, the Company is obligated to manufacture and supply MTPC with clinical and commercial supplies of fasinumab. If fasinumab is commercialized in the MTPC Territories, the Company will supply the product to MTPC at a tiered purchase price, which ranges from 30% to 50% of net sales of the product (subject to adjustment in certain circumstances), and is eligible for additional payments up to an aggregate of $100.0 million upon the achievement of specified annual net sales amounts starting at $200.0 million. Unless terminated earlier in accordance with its provisions, the MTPC Collaboration Agreement will continue to be in effect until such time as MTPC has ceased developing or commercializing fasinumab in the MTPC Territories.

At the inception of the MTPC Collaboration Agreement, the Company's significant deliverables consisted of (i) exclusive rights to develop and commercialize fasinumab in the MTPC Territories, and (ii) manufacturing clinical supplies. The Company concluded that the license did not have standalone value, as such right was not sold separately by the Company, nor could MTPC receive any benefit from the license without the manufacturing services to be rendered by the Company. Therefore, the deliverables were considered a single unit of accounting. Consequently, the $10.0 million up-front payment was initially recorded as deferred revenue, and is being recognized as revenue over the related performance period.

The Company recognized $40.6 million and $14.4 million of revenue in 2017 and 2016, respectively, in connection with the MTPC Collaboration Agreement. Revenue recognized in connection with this agreement was not material in 2015.

d. Teva

In September 2016, the Company and Teva entered into a collaboration agreement (the "Teva Collaboration Agreement") to develop and commercialize fasinumab globally, excluding the MTPC Territories (as described above). In connection with the Teva Collaboration Agreement, Teva made a $250.0 million non-refundable up-front payment in September 2016. The Company leads global development activities, and the parties share development costs equally, on an ongoing basis, under a global development plan.

In 2017, the Company earned, and recognized as substantive milestones, development milestones of $25.0 million and $35.0 million, respectively, from Teva upon initiation of two Phase 3 trials. In addition, the Company is entitled to receive up to an aggregate of $400.0 million in development milestones and up to an aggregate of $1,890.0 million in contingent payments upon achievement of specified annual net sales amounts. The Company is responsible for the manufacture and supply of fasinumab globally.

Within the United States, the Company will lead commercialization activities, and the parties will share equally in any profits and losses in connection with commercialization of fasinumab. In the territory outside the United States, Teva will lead commercialization activities and the Company will supply product to Teva at a tiered purchase price, which is calculated as a percentage of net sales of the product (subject to adjustment in certain circumstances). Unless terminated earlier in accordance with its provisions, the Teva Collaboration Agreement will continue to be in effect until such time as neither party is developing or commercializing fasinumab.

At the inception of the Teva Collaboration Agreement, the Company's significant deliverables consisted of (i) a license to certain rights and intellectual property, (ii) providing research and development services, and (iii) manufacturing clinical supplies. The Company concluded that the license did not have standalone value, primarily due to the fact that such rights were not sold separately by the Company, nor could Teva receive any benefit from the license without the fulfillment of the other ongoing obligations by the Company, including the clinical supply

arrangement. Therefore, the deliverables were considered a single unit of accounting. Consequently, the $250.0 million up-front payment was initially recorded as deferred revenue, and is being recognized as revenue over the related performance period.

The Company recognized $221.5 million and $37.9 million of revenue in 2017 and 2016, respectively, in connection with the Teva Collaboration Agreement.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

e. Intellia Therapeutics
In April 2016, the Company entered into a license and collaboration agreement with Intellia Therapeutics, Inc. to advance CRISPR/Cas gene-editing technology for in vivo therapeutic development. The Company collaborates with Intellia to conduct research for the discovery, development, and commercialization of new therapies, in addition to the research and technology development of the CRISPR/Cas platform. In connection with the execution of the agreement, the Company made a $75.0 million up-front payment, which was recorded as research and development expense in the second quarter of 2016. In May 2016, Intellia completed an initial public offering ("IPO") of its common stock; as part of a concurrent private placement, the Company purchased $50.0 million of Intellia common stock (see Note 5).
f. Adicet Bio
In July 2016, the Company entered into a license and collaboration agreement with Adicet Bio, Inc., a privately held company, to develop next-generation engineered immune-cell therapeutics with fully human chimeric antigen receptors ("CARs") and T-cell receptors ("TCRs") directed to disease-specific cell surface antigens in order to enable the precise engagement and killing of tumor cells. In connection with the execution of the agreement, the Company made a $25.0 million up-front payment to Adicet, which was recorded as research and development expense in the third quarter of 2016, and is obligated to provide Adicet with research funding over the course of a five-year research term.
g. Decibel Therapeutics
In November 2017, the Company entered into an agreement with Decibel Therapeutics, Inc., a privately held company, to discover and develop new potential therapeutics to protect, repair, and restore hearing. In connection with the execution of the agreement, the Company made a $25.0 million up-front payment to Decibel, which was recorded as research and development expense in the fourth quarter of 2017. Simultaneous with the execution of the agreement, the Company also purchased an aggregate of $25.0 million of Decibel preferred stock, which was recorded within other assets (non-current) as of December 31, 2017.
Under the terms of the agreement, Decibel will lead development and commercialization activities and retains worldwide development and commercialization rights to any products developed under the agreement. The parties will equally share Decibel's development costs for products developed under the agreement, provided that the Company has the option to elect to cease funding the development of products at pre-determined development periods, and the Company may be required to pay additional amounts based upon potential development milestones achieved. The Company is entitled to tiered royalties on any future net sales of products developed and commercialized under the agreement.
h. Astellas
In March 2007, the Company entered into a six-year, non-exclusive license agreement with Astellas Pharma Inc. to allow Astellas to utilize the Company's VelocImmune® technology in its internal research programs to discover human monoclonal antibodies. In July 2010, the license agreement with Astellas was amended and extended through June 2023. Under the terms of the amended agreement, Astellas made a $165.0 million up-front payment to the Company in 2010, which was deferred upon receipt and is being recognized as revenue ratably over a seven-year period beginning in mid-2011. In addition, Astellas will make a $130.0 million second payment to the Company in June 2018 unless the license agreement has been terminated prior to that date. Astellas has the right to terminate the agreement at any time by providing 90 days' advance written notice. Under certain limited circumstances, such as a material breach of the agreement by the Company, Astellas may terminate the agreement and receive a refund of a portion of its up-front payment or, if such termination occurs after June 2018, a portion of its second payment, to the Company under the July 2010 amendment to the agreement. The Company is entitled to receive a mid-single digit royalty on any future sales of antibody products discovered by Astellas using the Company's VelocImmune technology.

i. Other

In addition to the collaboration agreements discussed above, the Company has various other collaboration agreements that are not individually, or in the aggregate, significant to its operating results or financial condition at this time. Pursuant to the terms of those agreements, the Company may be required to pay, or it may receive, additional amounts upon the achievement of various development and commercial milestones which in the aggregate could be significant. The Company may also incur, or get reimbursed for, significant research and development costs if the related product candidate(s) were to advance to late stage clinical trials. In addition, if any products related to these collaborations are approved for sale, the Company may be required to pay, or it

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

may receive, royalties on future sales. The payment or receipt of these amounts, however, is contingent upon the occurrence of various future events.

4. Marketable Securities

Marketable securities as of December 31, 2017 and 2016 consist of both debt securities of investment grade issuers as well as equity securities of publicly traded companies.

The following tables summarize the Company's investments in marketable securities:

As of December 31, 2017	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Corporate bonds	$1,717,976	$2,176	$(7,672)	$1,712,480
U.S. government and government agency obligations	186,699	34	(1,241)	185,492
Municipal bonds	4,600	—	(13)	4,587
Commercial paper	106,973	—	—	106,973
Certificates of deposit	11,024	—	—	11,024
Equity securities	56,191	6,594	—	62,785
	$2,083,463	$8,804	$(8,926)	$2,083,341
As of December 31, 2016				
Corporate bonds	$1,076,964	$630	$(4,743)	$1,072,851
U.S. government and government agency obligations	132,923	58	(641)	132,340
Municipal bonds	7,663	1	(20)	7,644
Commercial paper	63,074	1	—	63,075
Certificates of deposit	42,612	—	—	42,612
Equity securities	57,251	5,551	(13,583)	49,219
	$1,380,487	$6,241	$(18,987)	$1,367,741

The Company classifies its debt security investments based on their contractual maturity dates. The debt securities listed as of December 31, 2017 mature at various dates through October 2022. The fair values of debt security investments by contractual maturity consist of the following:

	As of December 31,	
	2017	2016
Maturities within one year	$593,783	$503,481
Maturities after one year through five years	1,426,773	815,041
	$2,020,556	$1,318,522

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

The following table shows the fair value of the Company's marketable securities that have unrealized losses and that are deemed to be only temporarily impaired, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position.

	Less than 12 Months		12 Months or Greater		Total	
As of December 31, 2017	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	$930,970	$(4,924)	$256,750	$(2,748)	$1,187,720	$(7,672)
U.S. government and government agency obligations	110,532	(409)	67,921	(832)	178,453	(1,241)
Municipal bonds	2,582	(10)	2,005	(3)	4,587	(13)
	$1,044,084	$(5,343)	$326,676	$(3,583)	$1,370,760	$(8,926)
As of December 31, 2016						
Corporate bonds	$759,222	$(4,685)	$36,407	$(58)	$795,629	$(4,743)
U.S. government and government agency obligations	81,170	(641)	—	—	81,170	(641)
Municipal bonds	7,141	(20)	—	—	7,141	(20)
Equity securities	36,417	(13,583)	—	—	36,417	(13,583)
	$883,950	$(18,929)	$36,407	$(58)	$920,357	$(18,987)

During the year ended December 31, 2016, the Company recorded an other-than-temporary impairment charge of $9.8 million related to its investment in an equity security. There were no other-than-temporary impairment charges recorded on the Company's investments during 2017 or 2015. During the year ended December 31, 2017, the Company recorded realized gains of $8.3 million and realized losses were not material. Realized gains and losses on sales of marketable securities were not material for the years ended December 31, 2016 and 2015.
With respect to marketable securities, for the years ended December 31, 2017, 2016, and 2015, amounts reclassified from accumulated other comprehensive income (loss) into other income (expense), net were related to the 2016 impairment charge on the equity security and realized gains and losses on sales described above.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

5. Fair Value Measurements

The Company's assets that are measured at fair value on a recurring basis consist of the following:

As of December 31, 2017	Fair Value	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Available-for-sale marketable securities:			
Corporate bonds	$1,712,480	—	$1,712,480
U.S. government and government agency obligations	185,492	—	185,492
Municipal bonds	4,587	—	4,587
Commercial paper	106,973	—	106,973
Certificates of deposit	11,024	—	11,024
Equity securities	62,785	$62,785	—
	$2,083,341	$62,785	$2,020,556
As of December 31, 2016			
Available-for-sale marketable securities:			
Corporate bonds	$1,072,851	—	$1,072,851
U.S. government and government agency obligations	132,340	—	132,340
Municipal bonds	7,644	—	7,644
Commercial paper	63,075	—	63,075
Certificates of deposit	42,612	—	42,612
Equity securities	49,219	$49,219	—
	$1,367,741	$49,219	$1,318,522

Marketable securities included in Level 2 are valued using quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuations in which significant inputs used are observable. The Company considers market liquidity in determining the fair value for these securities. The Company did not record any charges for other-than-temporary impairment of its Level 2 marketable securities in 2017, 2016, and 2015.

There were no purchases, sales, or maturities of Level 3 marketable securities and no unrealized gains or losses related to Level 3 marketable securities for the years ended December 31, 2017 and 2016. During 2016, transfers of marketable securities from Level 2 to Level 1 were $44.1 million in connection with the lapse of transfer restrictions in November 2016 on the Company's investment in Intellia common shares (see Note 3). The Company's policy for recognition of transfers between levels of the fair value hierarchy is to recognize any transfer at the beginning of the fiscal quarter in which the determination to transfer was made. There were no other transfers of marketable securities

between Levels 1, 2, or 3 classifications during the years ended December 31, 2017 and 2016.
The fair value of interest rate swap and interest rate cap contracts, which were recorded within other assets (non-current), was not material as of December 31, 2017 (see Note 6). The fair value of these contracts was determined based on Level 2 inputs, using significant inputs that are observable either directly or indirectly, including London Interbank Offered Rate ("LIBOR") and interest rate swap rates.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

6. Derivative Instruments and Hedging Activities

The Company is exposed to market fluctuations in interest rates, including those in connection with its March 2017 lease agreement (see Note 12). During 2017, the Company entered into interest rate swap and interest rate cap agreements to manage a portion of such interest rate risk. All of the Company's derivative instruments are utilized for risk management purposes, and are not used for trading or speculative purposes.

The Company's derivative instruments are designated as cash flow hedges for accounting purposes. Since the specific terms of the derivative instruments match those of the item being hedged, the derivative instruments are deemed to be highly effective in offsetting the changes in cash flows of the hedged item. As such, changes in the fair value of these derivatives are recorded in accumulated other comprehensive income (loss) until the underlying transaction affects earnings, and are then reclassified to earnings in the same account as the hedged transaction. The Company would record any gain or loss related to the ineffectiveness directly to earnings.

The Company assesses, both at inception and on an ongoing basis, whether derivatives used continue to be highly effective in offsetting changes in cash flows of the hedged items. The Company does not exclude any portion of the cash flow hedge contracts from the assessment of hedge effectiveness. If and when a derivative is no longer expected to be highly effective, hedge accounting is discontinued.

The following table summarizes the notional amounts of the Company's outstanding interest rate swap and cap agreements as of December 31, 2017:

	Notional Amount
Interest rate swap contracts	$75,000
Interest rate cap contracts	$75,000

As it relates to cash flow hedges, for the year ended December 31, 2017, amounts of gains and losses recognized in other comprehensive income (loss), and amounts reclassified from accumulated other comprehensive income (loss) into interest expense were not material. As of December 31, 2017, the amounts expected to be reclassified out of accumulated other comprehensive income into interest expense over the next 12 months are not expected to be material. For the year ended December 31, 2017, there were no gains or losses recorded related to the ineffective portion of the derivative instruments.

7. Inventories

Inventories consist of the following:

	As of December 31,	
	2017	2016
Raw materials	$190,045	$92,287
Work-in-process	302,042	202,301
Finished goods	21,791	13,334
Deferred costs	212,260	91,434
	$726,138	$399,356

Deferred costs represent the costs of product manufactured and shipped to the Company's collaborators for which recognition of revenue has been deferred (see Note 1).

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

8. Property, Plant, and Equipment

Property, plant, and equipment consists of the following:

	As of December 31,	
	2017	2016
Land	$192,757	$103,906
Building and improvements	1,441,565	1,278,283
Leasehold improvements	102,599	101,101
Construction-in-progress	408,857	318,929
Laboratory and other equipment	599,153	554,181
Furniture, computer and office equipment, and other	179,968	152,525
	2,924,899	2,508,925
Less, accumulated depreciation and amortization	(566,294)	(425,504)
	$2,358,605	$2,083,421

As of December 31, 2017 and 2016, $1,692.9 million and $1,441.2 million, respectively, of the Company's net property, plant, and equipment was located in the United States and $665.7 million and $642.2 million, respectively, was located in Europe (primarily in Ireland).

Depreciation and amortization expense (including amortization expense related to capital and facility leases) on property, plant, and equipment amounted to $142.2 million, $104.7 million, and $74.9 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Property, plant, and equipment, at cost, as of December 31, 2017 and 2016 included $724.1 million and $407.1 million, respectively, of leased property under the Company's capital and facility leases at its Tarrytown, New York facility. See Note 12. Accumulated amortization related to these assets amounted to $47.9 million and $44.0 million as of December 31, 2017 and 2016, respectively.

9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	As of December 31,	
	2017	2016
Accounts payable	$178,183	$134,984
Accrued payroll and related costs	191,825	153,086
Accrued clinical trial expense	120,891	91,753
Accrued sales-related charges, deductions, and royalties	194,542	159,985
Income taxes payable	227	235,776
Other accrued expenses and liabilities	129,410	103,512
	$815,078	$879,096

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

10. Deferred Revenue

Deferred revenue consists of the following:

	As of December 31,	
	2017	2016
Current portion:		
Received or receivable from Sanofi (see Note 3a)	$177,746	$115,267
Received or receivable from Bayer (see Note 3b)	39,000	31,084
Received or receivable from MTPC (see Note 3c)	14,027	9,188
Received or receivable from Teva (see Note 3d)	43,535	43,122
Received for technology license agreement (see Note 3h)	10,280	23,572
Other	35,550	9,431
	$320,138	$231,664
Long-term portion:		
Received or receivable from Sanofi (see Note 3a)	$379,936	$503,474
Received or receivable from Bayer (see Note 3b)	29,734	77,028
Received or receivable from MTPC (see Note 3c)	56,106	45,940
Received or receivable from Teva (see Note 3d)	153,823	194,050
Received for technology license agreement (see Note 3h)	—	10,280
Other	9,600	—
	$629,199	$830,772

11. Debt

a. Convertible Debt

In October 2011, the Company issued $400.0 million aggregate principal amount of 1.875% convertible senior notes (the "Notes") in a private placement, and the Notes matured on October 1, 2016. The Notes were convertible, subject to certain conditions, into cash, shares of the Company's Common Stock, or a combination of cash and shares of Common Stock, at the Company's option. The Notes initial conversion price was $84.02 per share. In connection with the offering of the Notes, the Company entered into convertible note hedge ("call option") and warrant transactions with multiple counterparties, including an affiliate of the initial purchaser of the Notes. The convertible note hedge covered, subject to customary anti-dilution adjustments, the number of shares of the Company's Common Stock that initially underlie the Notes, and were intended to reduce the potential dilutive impact of the conversion feature of the Notes.

During 2015, the Company settled conversion obligations for $166.5 million principal amount of the Company's Notes that was previously surrendered for conversion, and consequently paid $166.5 million in cash and issued 1,625,113 shares of Common Stock. In addition, in 2015, the Company allocated $819.7 million of the settlement consideration provided to the Note holders to the reacquisition of the equity component of the Notes, and recognized such amount as a reduction of stockholders' equity. In 2015, the Company also recognized an $18.9 million loss on the debt extinguishment. In connection with the Note conversions in 2015, the Company also exercised a proportionate amount of its convertible note hedges, for which the Company received 1,625,088 shares of Common Stock, which was approximately equal to the number of shares the Company was required to issue to settle the non-cash portion of the related Note conversions. The Company recorded the cost of the shares received, or $136.5 million, as Treasury Stock during 2015.

During 2016, the Company settled conversion obligations for $12.9 million principal amount of the Company's Notes. Consequently, in 2016, the Company paid $12.9 million in cash and issued 121,058 shares of Common Stock. In addition, the Company allocated $47.8 million of the settlement consideration provided to the Note holders to the reacquisition of the equity component of the Notes, and recognized such amount as a reduction of stockholders'

equity. The loss on the debt extinguishment in connection with the Notes that were surrendered for conversion during 2016 was not material. As a result of these Note

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Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

conversions, the Company also exercised a proportionate amount of its convertible note hedges during 2016, for which the Company received 121,048 shares of Common Stock, which was approximately equal to the number of shares the Company was required to issue to settle the non-cash portion of the related Note conversions. The Company recorded the cost of the shares received, or $10.2 million, as Treasury Stock during 2016.
Total interest expense associated with the Notes, net of capitalized interest as applicable, was not material in 2016 and 2015.
Warrant Transactions
In November 2015, the Company entered into an amendment agreement with a warrant holder whereby the parties agreed to reduce a portion of the number of warrants held by the warrant holder. The Company was able to settle, at its option, any payments due under the amendment agreement in cash or by delivering shares of Common Stock. As a result of the warrant holder closing out a portion of its hedge position prior to December 31, 2015, the Company paid a total of $50.0 million in 2015 to reduce the number of warrants it held by 115,970. Additionally, during January 2016, the warrant holder closed out additional portions of its hedge position, and, as a result, the Company paid a total of $135.3 million in the first quarter of 2016 to further reduce the number of warrants held by such warrant holder by 360,406.
In addition to the warrant transactions described above, during 2015, the Company entered into other agreements to reduce the number of warrants held by warrant holders. The Company was able to settle, at its option, any payments due under the amendment agreement in cash or by delivering shares of Common Stock. Pursuant to the agreements, the Company paid an aggregate amount of $399.5 million to the warrant holders during 2015 to reduce the number of shares of Common Stock issuable upon exercise of the warrant by 898,547 in the aggregate.
In February 2016, the Company entered into an amendment agreement with a warrant holder whereby the parties agreed to reduce a portion of the number of warrants held by the warrant holder. The Company was able to settle, at its option, any payments due under the amendment agreement in cash or by delivering shares of Common Stock. As a result of the warrant holder closing out a portion of its hedge position during 2016, the Company paid a total of $106.9 million to reduce the number of warrants held by such warrant holder by 403,665.
In November 2016, the Company and warrant holders entered into warrant termination agreements whereby the parties agreed to cancel the remaining warrants held by the warrant holders and to terminate the respective warrant agreements in consideration for payments by the Company of $401.2 million in the aggregate. The Company made the termination payments in the fourth quarter of 2016, and, as a result, no warrants remained outstanding as of December 31, 2016.
b. Credit Facility
In March 2015, the Company entered into an agreement with a syndicate of lenders (the "Credit Agreement") which provides for a $750.0 million senior unsecured five-year revolving credit facility (the "Credit Facility"). The Credit Agreement includes an option for the Company to elect to increase the commitments under the Credit Facility and/or to enter into one or more tranches of term loans in the aggregate principal amount of up to $250.0 million subject to the consent of the lenders providing the additional commitments or term loans, as applicable, and certain other conditions. Proceeds of the loans under the Credit Facility may be used to finance working capital needs, and for general corporate or other lawful purposes, of Regeneron and its subsidiaries. The Credit Agreement also provides a $100.0 million sublimit for letters of credit. The Credit Agreement includes an option for the Company to elect to extend the maturity date of the Credit Facility beyond March 2020, subject to the consent of the extending lenders and certain other conditions. Amounts borrowed under the Credit Facility may be prepaid, and the commitments under the Credit Facility may be terminated, at any time without premium or penalty.
Any loans under the Credit Facility have a variable interest rate based on either LIBOR or an alternate base rate, plus an applicable margin that varies with the Company's debt rating and total leverage ratio. The Company had no borrowings outstanding under the Credit Facility as of December 31, 2017.

The Credit Agreement contains financial and operating covenants. Financial covenants include a maximum total leverage ratio and a minimum interest expense coverage ratio. The Company was in compliance with all covenants of the Credit Facility as of December 31, 2017.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

12. Commitments and Contingencies

a. Leases

The Company leases laboratory and office facilities in Tarrytown, New York (the "Tarrytown Leases"). Prior to December 30, 2016, certain of the premises under the Tarrytown Leases had been accounted for as operating leases, while for certain other buildings the Company leased, the Company was deemed, in substance, to be the owner of the landlord's buildings (collectively, the "Build-to-Suit Buildings") in accordance with the application of FASB authoritative guidance. On December 30, 2016, the Company entered into a Purchase Agreement with BMR-Landmark at Eastview LLC and BMR-Landmark at Eastview IV LLC (collectively, "BMR"), pursuant to which the Company agreed to purchase BMR's Tarrytown, New York facilities (the "Facility") for a purchase price of $720.0 million. The Company occupies a significant portion of the Facility, with the remaining rentable area under leases to third-party tenants. In accordance with the terms of the Purchase Agreement, the Company paid $57.0 million toward the purchase price to BMR in December 2016.

Upon entering into the December 30, 2016 Purchase Agreement with BMR, the premises under the Company's Tarrytown Leases that were historically accounted for as operating leases were deemed to be modified, as the Company now had the option to purchase the Facility under terms that made it reasonably assured to be exercised. Consequently, the leases for such premises were re-classified as a capital lease upon execution of the Purchase Agreement, and a proportionate amount of the $57.0 million payment was recorded as reduction of the initial capital lease liability. The execution of the Purchase Agreement did not impact the balance sheet classification for the Build-to-Suit Buildings; however, a proportionate amount of the $57.0 million payment was recorded as a reduction to the related facility lease obligation.

On March 3, 2017, the Company also entered into a Participation Agreement with Banc of America Leasing & Capital LLC ("BAL"), as lessor, and a syndicate of lenders (collectively, the "Participants"). The Participation Agreement provided for lease financing in connection with the acquisition by BAL of the Facility and the Company's lease of the Facility from BAL. On March 3, 2017, the right to take title to the Facility under the Purchase Agreement was assigned by the Company to BAL, and the Participants advanced $720.0 million, which was used by BAL to finance the purchase price for the Facility and to reimburse the Company for the $57.0 million payment made to BMR in December 2016. The $57.0 million reimbursement was recorded by the Company in March 2017 as an increase to capital and facility lease obligations in amounts equal to those initially recorded as reductions upon making such payment to BMR in December 2016.

On March 3, 2017, the Company entered into a lease agreement (the "Lease") with BAL, pursuant to which the Company has leased the Facility from BAL for a five-year term. As a result of entering into the Lease, certain parts of the Facility became subleased from the Company by existing third-party tenants. The Lease requires the Company to pay all maintenance, insurance, taxes, and other costs arising out of the use of the Facility. The Company is also required to make monthly payments of basic rent during the term of the Lease in an amount equal to a variable rate per annum based on the one-month LIBOR, plus an applicable margin that varies with the Company’s debt rating and total leverage ratio.

The Participation Agreement and the Lease include an option for the Company to elect to extend the maturity date of the Participation Agreement and the term of the Lease for an additional five-year period, subject to the consent of all the Participants and certain other conditions. The Company also has the option prior to the end of the term of the Lease to (a) purchase the Facility by paying an amount equal to the outstanding principal amount of the Participants' advances under the Participation Agreement, all accrued and unpaid interest and yield thereon, and all other outstanding amounts under the Participation Agreement, the Lease, and certain related documents or (b) sell the Facility to a third party on behalf of BAL. The advances under the Participation Agreement mature, and all amounts outstanding thereunder will become due and payable in full at the end of the term of the Lease.

As a result of entering into the Lease, the premises that were classified as a capital lease as of December 31, 2016 were reassessed. As described above, the Company has the option to purchase the Facility, and as a result, the Company is deemed to have continuing involvement in such premises. Accordingly, these premises continue to be classified as a capital lease, with the related property, plant, and equipment and capital lease liability remaining on the Company's Consolidated Balance Sheet. In addition, as described above, upon entering into the Lease, the Company began to lease space occupied by third-party tenants. The lease of such premises is also classified as a capital lease. The execution of the Lease did not impact the balance sheet classification for the Build-to-Suit Buildings. However, in 2017, the Company recorded a $30.1 million loss on extinguishment of debt associated with the Build-to-Suit Buildings. In the aggregate, the Company recorded $720.0 million of capital and facility lease obligations upon execution of the Lease for the Facility.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

The Participation Agreement and the Lease contain financial and operating covenants, which are substantially similar to the covenants set forth in the Company's credit facility (see Note 11). The Company was in compliance with all covenants of the Participation Agreement and the Lease as of December 31, 2017.

Commitments under Operating Leases

The estimated future minimum noncancelable lease commitments under operating leases, as of December 31, 2017, are as follows:

	Facilities	Equipment	Total
2018	$2,866	$ 6,097	$8,963
2019	3,095	817	3,912
2020	2,713	426	3,139
2021	2,386	45	2,431
2022	1,901	26	1,927
Thereafter	1,498	8	1,506
	$14,459	$ 7,419	$21,878

Rent expense under operating leases was:

Year Ended December 31,	Facilities	Equipment	Total
2017	$3,138	$ 1,151	$4,289
2016	$15,861	$ 852	$16,713
2015	$14,659	$ 543	$15,202

Capital and Facility Lease Obligations

In 2017, 2016, and 2015, the Company recognized $19.5 million, $5.4 million, and $9.7 million, respectively, of interest expense in connection with the Company's capital and facility lease obligations.

As of December 31, 2017, the estimated future minimum noncancelable commitments under the Company's capital and facility lease obligations, excluding the purchase price the Company would be obligated to pay if the Company were to exercise its option to purchase the Facility (as described above), are as follows:

	Capital and Facility Lease Obligations
2018	$ 21,085
2019	23,838
2020	26,257
2021	27,650
2022	6,837
Thereafter	—
	$ 105,667

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

b. Research Collaboration and Licensing Agreements

As part of the Company's research and development efforts, the Company enters into research collaboration and licensing agreements with other companies, universities, and other organizations. These agreements contain varying terms and provisions which include fees to be paid by the Company, services to be provided, and license rights to certain proprietary technology developed under the agreements. Some of these agreements may require the Company to pay additional amounts upon the achievement of various development and commercial milestones, contingent upon the occurrence of various future events. Additionally, some of the agreements contain provisions which require the Company to pay royalties, as defined, at rates that range from 0.5% to 15.0%, in the event the Company sells or licenses any proprietary products developed under the respective agreements. The Company also has contingent reimbursement obligations to its collaborators Sanofi and Bayer once the applicable collaboration becomes profitable. See Note 3.

The Company and Genentech, a member of the Roche Group, entered into a Non-Exclusive License and Partial Settlement Agreement, as amended (the "Genentech Agreement"), that covered making, using, and selling EYLEA for the prevention of human eye diseases and disorders, and ended the litigation relating to those matters. Pursuant to the Genentech Agreement, the Company received a non-exclusive license to certain patents relating to VEGF receptor proteins, known as the Davis-Smyth patents, and other technology patents. The Genentech Agreement obligated the Company to make payments to Genentech based on worldwide sales of EYLEA through May 7, 2016, when the licenses granted to the Company thereunder became fully paid up and royalty free for the duration of the remaining term of the underlying patents. All payments to Genentech under the Genentech Agreement were made by the Company, and Bayer shared in all such payments based on the proportion of EYLEA sales outside the United States to worldwide EYLEA sales.

For the years ended December 31, 2017, 2016, and 2015, the Company recorded royalty expense of $30.8 million, $125.3 million, and $247.9 million, respectively, based on product sales of commercial products under various licensing agreements (including the Genentech Agreement described above).

13. Stockholders' Equity

The Company's Restated Certificate of Incorporation, as amended, provides for the issuance of up to 40 million shares of Class A Stock, par value $0.001 per share, and 320 million shares of Common Stock, par value $0.001 per share. Shares of Class A Stock are convertible, at any time, at the option of the holder into shares of Common Stock on a share-for-share basis. Holders of Class A Stock have rights and privileges identical to Common Stockholders except that each share of Class A is entitled to ten votes per share, while each share of Common Stock is entitled to one vote per share. Class A Stock may only be transferred to specified Permitted Transferees, as defined. Under the Company's Restated Certificate of Incorporation, the Company's board of directors is authorized to issue up to 30 million shares of Preferred Stock, in series, with rights, privileges, and qualifications of each series determined by the board of directors.

In December 2007, Sanofi purchased 12 million newly issued, unregistered shares of the Company's Common Stock. As a condition to the closing of this transaction, Sanofi entered into an investor agreement, as amended and restated, with the Company. Under the terms of the amended and restated investor agreement, Sanofi has three demand rights to require the Company to use all reasonable efforts to conduct a registered underwritten public offering with respect to shares of the Company's Common Stock held by Sanofi from time to time. Under the amended and restated investor agreement, Sanofi has also agreed not to dispose of any shares of the Company's Common Stock beneficially owned by Sanofi from time to time until December 20, 2020 (subject to the limited waiver described below). These restrictions on dispositions are subject to earlier termination upon the occurrence of certain events, such as the consummation of a change-of-control transaction involving the Company or the Company's dissolution or liquidation, and certain restrictions have been imposed on the manner of sales thereafter.

As described in Note 3, effective January 7, 2018, the Company and Sanofi entered into a Letter Agreement, which, among other things, has amended certain provisions of the amended and restated investor agreement. Pursuant to the Letter Agreement, the Company has granted Sanofi a limited waiver of the lock-up obligations under the investor agreement to allow Sanofi to sell up to an aggregate of 1,400,000 shares of the Company's Common Stock held by Sanofi for the quarterly periods through September 30, 2020.
Further, pursuant to the amended and restated investor agreement, Sanofi is bound by certain "standstill" provisions, which contractually prohibit Sanofi from seeking to directly or indirectly exert control of the Company or acquiring more than 30% of the outstanding shares of the Company's Class A Stock and Common Stock (taken together). This prohibition will remain in place until the earliest of (i) the later of the fifth anniversaries of the expiration or earlier termination of the Company's License and

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Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

Collaboration Agreement with Sanofi and the Company's ZALTRAP Agreement with Sanofi, each as amended, and (ii) other specified events. Sanofi has also agreed to vote as recommended by the Company's board of directors, except that it may elect to vote proportionally with the votes cast by all of the Company's other shareholders with respect to certain change-of-control transactions, and to vote in its sole discretion with respect to liquidation or dissolution, stock issuances equal to or exceeding 20% of the outstanding shares or voting rights of the Company's Class A Stock and Common Stock (taken together), and new equity compensation plans or amendments if not materially consistent with the Company's historical equity compensation practices. The rights and restrictions under the investor agreement are subject to termination upon the occurrence of certain events.

In addition, upon Sanofi reaching 20% ownership of the Company's outstanding shares of Class A Stock and Common Stock (taken together) during 2014, the Company was required to appoint an individual agreed upon by the Company and Sanofi to the Company's board of directors. This individual is required to be independent of the Company, and not to be a current or former officer, director, employee, or paid consultant of Sanofi. Subject to certain exceptions, the Company is required to use its reasonable efforts (including recommending that its shareholders vote in favor) to cause the election of this designee at the Company's annual shareholder meetings for so long as (other than during the term of the Letter Agreement) Sanofi maintains a specified equity interest in the Company.

In connection with the Company's license and collaboration agreements with Bayer for the joint development and commercialization outside the United States of antibody product candidates to PDGFR-beta and Ang2 (see Note 3b), Bayer is bound by certain "standstill" provisions, which contractually prohibit Bayer from seeking to influence the control of the Company or acquiring more than 20% of the Company's outstanding shares of Class A Stock and Common Stock (taken together). With respect to each of these agreements, this prohibition will remain in place until the earliest of (i) the fifth anniversary of the expiration or earlier termination of the agreement (which, in the case of the PDGFR-beta license and collaboration agreement, occurred on July 31, 2017) or (ii) other specified events.

Further, pursuant to the 2016 Teva Collaboration Agreement, Teva and its affiliates are bound by certain "standstill" provisions, which contractually prohibit them from seeking to directly or indirectly exert control of the Company or acquiring more than 5% of the Company's Class A Stock and Common Stock (taken together). This prohibition will remain in place until the earliest of (i) the fifth anniversary of the expiration or earlier termination of the agreement or (ii) other specified events.

As described in Note 11, during 2016 and 2015, the Company elected to settle Notes that which were surrendered for conversion through a combination of cash and shares of the Company's Common Stock; exercised convertible note hedges, for which the Company received shares of Common Stock; and made payments to reduce the number of warrants and/or cancel the remaining number of warrants held by warrant holders.

14. Long-Term Incentive Plans

In 2000, the Company established the Regeneron Pharmaceuticals, Inc. 2000 Long-Term Incentive Plan which, as amended and restated and approved by the Company's shareholders (the "2000 Incentive Plan"), provided for the issuance of up to 35,397,043 shares of Common Stock in respect of awards, in addition to any shares subject to awards that were returned to the 2000 Incentive Plan upon expiration, forfeiture, surrender, exchange, cancellation, or termination of previously granted awards.

In 2014, the Company established, and the Company's shareholders approved, the Regeneron Pharmaceuticals, Inc. 2014 Long-Term Incentive Plan (the "Original 2014 Incentive Plan"). In 2017, the Company adopted the Amended and Restated Regeneron Pharmaceuticals, Inc. 2014 Long-Term Incentive Plan (the "Amended and Restated 2014 Incentive Plan") and registered an additional 12,000,000 shares of Common Stock issuable under the Amended and Restated 2014 Incentive Plan. As of the shareholder approval date, the Amended and Restated 2014 Incentive Plan provided for the issuance of up to 18,559,431 shares of Common Stock in respect of awards. In addition, upon the expiration, forfeiture, surrender, exchange, cancellation, or termination of any award previously granted under the 2000 Incentive Plan, the Original 2014 Incentive Plan, or the Amended and Restated 2014 Incentive Plan, any shares

subject to such award are added to the pool of shares available for grant under the Amended and Restated 2014 Incentive Plan. Employees of the Company, including officers, and nonemployees, including consultants and nonemployee members of the Company's board of directors (collectively, "Participants"), may receive awards as determined by a committee of independent directors ("Committee"), subject to certain limitations set forth in the Amended and Restated 2014 Incentive Plan.

The awards that may be made under the Amended and Restated 2014 Incentive Plan include: (a) incentive stock options and nonqualified stock options, (b) shares of restricted stock, (c) shares of phantom stock, (d) stock appreciation rights (“SARs”), (e) stock bonuses, and (f) other awards.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

Stock option awards grant Participants the right to purchase shares of Common Stock at prices determined by the Committee, with exercise prices that are equal to or greater than the average of the high and low market prices of the Company's Common Stock on the date of grant (the "Market Price"). Options vest over a period of time determined by the Committee, generally on a pro rata basis over a three- to four-year period. The Committee also determines the expiration date of each option. The maximum term of options that have been awarded under the 2000 Incentive Plan, the Original 2014 Incentive Plan, and the Amended and Restated 2014 Incentive Plan (collectively, the "Incentive Plans") is ten years.

Restricted stock awards grant Participants shares of restricted Common Stock or allow Participants to purchase such shares at a price determined by the Committee. Such shares are nontransferable for a period determined by the Committee ("vesting period"). Should employment terminate, as specified in the Incentive Plans, except as determined by the Committee in its discretion and subject to the applicable Incentive Plan documents, the ownership of any unvested restricted stock will be transferred to the Company.

Phantom stock awards provide the Participant the right to receive, within 30 days of the date on which the share vests, an amount, in cash and/or shares of Common Stock as determined by the Committee, equal to the sum of the fair market value of a share of Common Stock on the date such share of phantom stock vests and the aggregate amount of cash dividends paid with respect to a share of Common Stock during the period from the grant date of the share of phantom stock to the date on which the share vests.

SARs entitle the Participant to a payment (in cash or shares) equal to the appreciation in the value of the Common Stock during a specified period above the base price specified by the Committee, which may not be less than 100% of the Market Price of the Common Stock on the day the SARs are granted. SARs granted under the Amended and Restated 2014 Incentive Plan are exercisable for a maximum period of 10 years from the date of grant (subject to early termination such as upon a termination of employment), or such lesser period as the Committee shall determine, and the vesting schedule is determined by the Committee.

Stock bonus awards are bonuses payable in shares of Common Stock which are granted at the discretion of the Committee. Other awards are other forms of awards which are valued based on the Common Stock. Subject to the provisions of the Amended and Restated 2014 Incentive Plan, the terms and provisions of such other awards are determined solely on the authority of the Committee.

The Incentive Plans contain provisions that allow for the Committee to provide for the immediate vesting of awards upon a change in control of the Company, as defined in the Incentive Plans.

As of December 31, 2017, there were 15,768,378 shares available for future grants under the Amended and Restated 2014 Incentive Plan. No additional awards may be made under the 2000 Incentive Plan or the Original 2014 Incentive Plan.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

a. Stock Options

Transactions involving stock option awards during 2017 under the Company's Incentive Plans are summarized in the table below.

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Intrinsic Value
Outstanding as of December 31, 2016	25,136,027	$ 269.69		
2017: Granted	4,235,015	$ 383.56		
Forfeited	(704,136)	$ 434.25		
Expired	(100,727)	$ 505.96		
Exercised	(2,360,806)	$ 122.92		
Outstanding as of December 31, 2017	26,205,373	$ 295.98	6.52	$2,904,974
Vested and expected to vest as of December 31, 2017	24,667,723	$ 293.65	6.46	$2,904,723
Exercisable as of December 31, 2017	16,263,766	$ 223.00	5.08	$2,894,474

The Company satisfies stock option exercises with newly issued shares of the Company's Common Stock. The total intrinsic value of stock options exercised during 2017, 2016, and 2015 was $735.6 million, $550.4 million, and $1,031.6 million, respectively. The intrinsic value represents the amount by which the market price of the underlying stock exceeds the exercise price of an option.

The table below summarizes the weighted-average exercise prices and weighted-average grant-date fair values of options issued during the years ended December 31, 2017, 2016, and 2015. The fair value of each option granted under the Company's Incentive Plans during these periods was estimated on the date of grant using the Black-Scholes option-pricing model.

	Number of Options Granted	Weighted-Average Exercise Price	Weighted-Average Fair Value
2017:			
Exercise price equal to Market Price	4,235,015	$ 383.56	$ 118.70
2016:			
Exercise price equal to Market Price	4,201,978	$ 386.44	$ 126.68
2015:			
Exercise price equal to Market Price	4,495,487	$ 537.29	$ 181.65

For the years ended December 31, 2017, 2016, and 2015, the Company recognized $492.8 million, $546.0 million, and $443.7 million, respectively, of non-cash stock-based compensation expense related to stock option awards (net of

amounts capitalized to inventory of $16.8 million, $14.6 million, and $4.8 million, respectively). As of December 31, 2017, there was $816.6 million of stock-based compensation cost related to outstanding stock options, net of estimated forfeitures, which had not yet been recognized. The Company expects to recognize this compensation cost over a weighted-average period of 1.9 years.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

Fair Value Assumptions:
The following table summarizes the weighted average values of the assumptions used in computing the fair value of option grants during 2017, 2016, and 2015.

	2017	2016	2015
Expected volatility	31 %	34 %	35 %
Expected lives from grant date	5.1 years	5.1 years	5.1 years
Expected dividend yield	0 %	0 %	0 %
Risk-free interest rate	2.16 %	1.84 %	1.68 %

Expected volatility has been estimated based on actual movements in the Company's stock price over the most recent historical periods equivalent to the options' expected lives. Expected lives are principally based on the Company's historical exercise experience with previously issued employee and board of directors' option grants. The expected dividend yield is zero as the Company has never paid dividends and does not currently anticipate paying any in the foreseeable future. The risk-free interest rates are based on quoted U.S. Treasury rates for securities with maturities approximating the options' expected lives.

b. Restricted Stock

A summary of the Company's activity related to restricted stock awards during 2017 is summarized below:

	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding as of December 31, 2016	546,820	$ 141.85
2017: Granted	63,030	$ 379.60
Vested	(501,590)	$ 115.07
Forfeited	(2,000)	$ 381.92
Outstanding as of December 31, 2017	106,260	$ 404.72

The Company recognized non-cash stock-based compensation expense from restricted stock awards of $14.5 million, $13.9 million, and $15.3 million in 2017, 2016, and 2015, respectively (net of amounts capitalized to inventory, which were not material for each of the three years). As of December 31, 2017, there was $34.9 million of stock-based compensation cost related to unvested shares of restricted stock which had not yet been recognized. The Company expects to recognize this compensation cost over a weighted-average period of 4.0 years.

15. Employee Savings Plans

The Company maintains the Regeneron Pharmaceuticals, Inc. 401(k) Savings Plan, as amended and restated (the "Savings Plan"). The terms of the Savings Plan allow U.S. employees (as defined by the Savings Plan) to contribute to the Savings Plan a percentage of their compensation. In addition, the Company may make discretionary contributions ("Contribution"), as defined, to the accounts of participants under the Savings Plan. The Company recognized $19.6 million, $17.7 million, and $15.4 million of Contribution expense in 2017, 2016, and 2015, respectively.

The Company also maintains the Regeneron Ireland Pension Plan (the "Ireland Plan"), a defined contribution occupational pension plan which covers all eligible Ireland-based employees (as defined by the Ireland Plan). Contributions to the Ireland Plan are comprised of two components: (i) a minimum mandatory employee and employer contribution rate, and (ii) a matching feature, whereby the Company will match employee contributions up to a certain percentage. Employees can make additional voluntary contributions to the Ireland Plan. Expenses recognized by the Company related to contributions to the Ireland Plan were not material during 2017, 2016, and

2015.

F- 38

Explanation of Responses:

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

16. Income Taxes

The Company is subject to U.S. federal, state, and foreign income taxes. Components of income before income taxes consist of the following:

	Year Ended December 31,		
	2017	2016	2015
United States	$1,964,759	$1,650,959	$1,665,087
Foreign	113,752	(321,144)	(439,990)
	$2,078,511	$1,329,815	$1,225,097

Components of income tax expense consist of the following:

	Year Ended December 31,		
	2017	2016	2015
Current:			
Federal	$560,250	$786,964	$686,561
State	(4,086)	8,769	28,568
Foreign	4,827	(1,362)	4,004
Total current tax expense	560,991	794,371	719,133
Deferred:			
Federal	317,064	(377,368)	(119,849)
State	(1,258)	13,431	(3,768)
Foreign	3,203	3,859	(6,475)
Total deferred tax expense (benefit)	319,009	(360,078)	(130,092)
	$880,000	$434,293	$589,041

On December 22, 2017, the bill known as the "Tax Cuts and Jobs Act" (the "Act") was signed into law. The Act, which became effective with respect to most of its provisions as of January 1, 2018, significantly revises U.S. corporate income tax laws by, among other things, reducing the U.S. federal corporate income tax rate from 35% to 21%, changing the taxation of foreign earnings (including taxation of certain global intangible low-taxed income ("GILTI")), allowing immediate expensing for qualified assets, repealing the deduction for domestic manufacturing, and imposing further limitations on the deductibility of executive compensation. As a result of the Act being signed into law, the Company recognized a provisional charge of $326.2 million in the fourth quarter of 2017 related to the re-measurement of its U.S. net deferred tax assets at the lower enacted corporate tax rates. The provisional charge recorded in the fourth quarter of 2017 is an estimate, and the measurement of deferred tax assets is subject to further analysis, such as developing interpretations and clarifications of the provisions of the Act, which could result in changes to this estimate during 2018. In addition, the Company has not yet elected an accounting method regarding whether to record deferred tax assets and liabilities for expected amounts of GILTI inclusions or whether to treat such amounts as a period cost.

The Company elected to early adopt Accounting Standards Update 2016-09, Compensation -Stock Compensation, Improvements to Employee Share-Based Payment Accounting, during the second quarter of 2016. Consequently, in 2017 and 2016, the Company recorded excess tax benefits of $191.0 million and $144.8 million, respectively, within income tax expense. In 2015, the Company utilized $405.3 million of excess tax benefits in connection with stock option exercises, which were credited to additional paid-in capital as realized.

The Company also recorded an income tax provision in its Statement of Comprehensive Income of $24.9 million during the year ended December 31, 2015, primarily related to unrealized gains on available-for-sale marketable securities. Such amounts were not material for the years ended December 31, 2017 and 2016.

Explanation of Responses:

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

A reconciliation of the U.S. statutory income tax rate to the Company's effective income tax rate is as follows:

	Year Ended December 31,		
	2017	2016	2015
U.S. federal statutory tax rate	35.0 %	35.0 %	35.0 %
Impact of change in U.S. corporate tax rate (the Act)	15.7	—	—
Stock-based compensation	(9.0)	(10.9)	—
State and local income taxes	0.1	1.3	0.9
Taxation of non-U.S. operations	0.7	8.8	12.2
Income tax credits	(1.3)	(1.2)	(1.6)
Non-deductible Branded Prescription Drug Fee	1.7	1.9	2.0
Domestic production activities deduction	(2.6)	(2.8)	(3.2)
Other permanent differences	2.0	0.6	2.8
Effective income tax rate	42.3 %	32.7 %	48.1 %

In 2017, the difference between the U.S. federal statutory rate of 35% and the Company's effective tax rate of 42.3% was primarily attributable to the negative impact of the charge related to the re-measurement of the Company's U.S. net deferred tax assets upon the enactment of the Act (see above), partly offset by the tax benefit associated with stock-based compensation. In 2016, the difference between the U.S. federal statutory rate of 35% and the Company's effective tax rate of 32.7% was primarily attributable to the tax benefit associated with stock-based compensation, partly offset by the negative impact of losses incurred in foreign jurisdictions with rates lower than the U.S. federal statutory rate. In 2015, the difference between the U.S. federal statutory rate of 35% and the Company's effective tax rate of 48.1% was primarily attributable to losses incurred in foreign jurisdictions with rates lower than the U.S. federal statutory rate, partly offset by the positive impact of the domestic manufacturing deduction.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	As of December 31,	
	2017	2016
Deferred tax assets:		
Deferred revenue	$102,441	$214,587
Deferred compensation	391,034	515,984
Fixed assets and intangible assets	—	21,139
Accrued expenses	38,312	37,188
Other	26,387	49,100
	558,174	837,998
Valuation allowance	(4,187)	(3,420)
Total deferred tax assets	553,987	834,578
Deferred tax liabilities:		
Fixed assets and intangible assets	(44,629)	—
Other	(3,067)	(9,275)
Total deferred tax liabilities	(47,696)	(9,275)
Net deferred tax assets	$506,291	$825,303

Explanation of Responses:

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

The Company's 2012 through 2016 federal income tax returns remain open to examination by the IRS. The Company's 2012 and 2013 federal income tax returns are currently under audit by the IRS. The Company's state income tax returns from 2013 to 2016 remain open to examination. The United States and many states generally have statutes of limitation ranging from 3 to 5 years; however, those statutes could be extended due to the Company's net operating loss and tax credit carryforward positions in a number of the Company's tax jurisdictions. In general, tax authorities have the ability to review income tax returns for loss periods in which the statute of limitation has previously expired to adjust the net operating loss carryforward or tax credits generated in those years.

The following table summarizes the gross amounts of unrecognized tax benefits. The amount of unrecognized tax benefits that, if settled, would impact the effective tax rate is $146.2 million, $107.2 million, and $102.1 million as of December 31, 2017, 2016, and 2015, respectively.

	2017	2016	2015
Balance as of January 1	$117,166	$116,572	$57,615
Gross increases related to current year tax positions	49,028	45,575	59,909
Gross decreases related to prior year tax positions	(5,606)	(42,284)	(952)
Gross decrease due to settlements, recapture, filed returns, and lapse of statutes of limitation	(14,430)	(2,697)	—
Balance as of December 31	$146,158	$117,166	$116,572

In 2017, 2016 and 2015, the increases in unrecognized tax benefits related primarily to the Company's calculation of certain tax credits and other items related to the Company's international operations. In addition, in 2017 and 2016, there was a decrease in unrecognized tax benefits related to a settlement in connection with a disputed state tax matter. In 2017, 2016, and 2015, accrued interest related to unrecognized tax benefits recorded by the Company was not material. The Company does not believe that it is reasonably possible that its unrecognized tax benefits as of December 31, 2017 will decrease within the next twelve months as a result of the resolution of tax exposures.

17. Legal Matters

From time to time, the Company is a party to legal proceedings in the course of the Company's business. Costs associated with the Company's involvement in legal proceedings are expensed as incurred. The outcome of any such proceedings, regardless of the merits, is inherently uncertain. If the Company were unable to prevail in any such proceedings, its consolidated financial position, results of operations, and future cash flows may be materially impacted.

Proceedings Relating to '287 Patent, '163 Patent, and '018 Patent

The Company is a party to patent infringement litigation initiated by the Company involving its European Patent No. 1,360,287 (the "'287 Patent"), its European Patent No. 2,264,163 (the "'163 Patent"), and its U.S. Patent No. 8,502,018 (the "'018 Patent"). Each of these patents concerns genetically engineered mice capable of producing chimeric antibodies that are part human and part mouse. Chimeric antibody sequences can be used to produce high-affinity fully human monoclonal antibodies. In these proceedings, the Company claims infringement of several claims of the '287 Patent, the '163 Patent, and the '018 Patent (as applicable), and seeks, among other types of relief, an injunction and an account of profits in connection with the defendants' infringing acts, which may include, among other things, the making, use, keeping, sale, or offer for sale of genetically engineered mice (or certain cells from which they are derived) that infringe one or more claims of the '287 Patent, the '163 Patent, and the '018 Patent (as applicable).

On September 25, 2013, the Company commenced patent infringement litigation against Kymab Ltd in the English High Court of Justice, Chancery Division, Patents Court, in London, asserting the '287 Patent and '163 Patent. A trial to adjudicate the claims of infringement and counterclaims of invalidity of the '287 Patent and the '163 Patent was held from November 16, 2015 through December 8, 2015. On February 1, 2016, the court issued a final judgment, finding that the asserted claims of the '287 and '163 Patents are novel, not obvious, and infringed by Kymab's genetically engineered mice. However, the court invalidated the '287 and '163 Patents on the ground of insufficiency.

The hearing for the Company's appeal and Kymab's cross-appeal was held on October 17–20, 2017.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

On March 11, 2014, the Company commenced '287 Patent infringement litigation and '018 Patent infringement litigation against Merus B.V., a company based in Utrecht, The Netherlands, in the District Court of The Hague (currently stayed by agreement of the parties) and the United States District Court for the Southern District of New York, respectively. On November 21, 2014, the United States District Court for the Southern District of New York issued its Opinion and Order on Claim Construction in the '018 Patent infringement litigation, in which it held the '018 Patent invalid and not infringed. On November 2, 2015, the United States District Court for the Southern District of New York issued an opinion and order finding that the '018 Patent was procured by inequitable conduct, thus rendering it unenforceable. On July 27, 2017, the United States Court of Appeals for the Federal Circuit (the "Federal Circuit") affirmed the District Court's decision regarding inequitable conduct without deciding the issues of validity and infringement. On September 12, 2017, the Company filed a petition for panel rehearing and/or rehearing en banc in the Federal Circuit. On December 26, 2017, the Federal Circuit issued an order denying the Company's petition for panel rehearing and rehearing en banc.

On July 8 and July 13, 2016, notices of opposition against the '163 Patent were filed in the European Patent Office (the "EPO") by Merus N.V. and Kymab and Novo Nordisk A/S, respectively. The notices assert, as applicable, lack of novelty, lack of inventive step, and insufficiency. The Company's response to the oppositions was filed on December 30, 2016. Following an oral hearing before the Opposition Division of the EPO on February 5–7, 2018, the Opposition Division upheld the '163 Patent without amendments.

With respect to the '287 Patent infringement and '018 Patent infringement litigation against Merus B.V., Merus has filed a motion seeking the payment of attorney's fees it incurred by the Company; if the Company is ultimately required to pay such fees, such payment is not expected to have a material impact on the Company's financial statements. Other than as noted in the preceding sentence, the Company is not at this time able to predict the outcome of, or estimate possible gain or a range of possible loss, if any, related to, the '287 Patent, '163 Patent, and '018 Patent proceedings.

Proceedings Relating to Praluent (alirocumab) Injection

As described in greater detail below, the Company is currently a party to patent infringement actions initiated by Amgen Inc. against the Company and Sanofi (and/or the Company's and Sanofi's respective affiliated entities) in a number of jurisdictions relating to Praluent, which the Company is jointly developing and commercializing with Sanofi.

In the United States, Amgen has asserted a number of U.S. patents, which were subsequently narrowed to U.S. Patent Nos. 8,829,165 (the "'165 Patent") and 8,859,741 (the "'741 Patent"), and seeks a permanent injunction to prevent the Company and the Sanofi defendants from commercial manufacturing, using, offering to sell, or selling within the United States (as well as importing into the United States) (collectively, "Commercializing") Praluent. Amgen also seeks a judgment of patent infringement of the asserted patents, monetary damages (together with interest), costs and expenses of the lawsuits, and attorneys' fees. A jury trial in this litigation was held in the United States District Court for the District of Delaware (the "District Court") from March 8 to March 16, 2016. During the course of the trial, the District Court ruled as a matter of law in favor of Amgen that the asserted patent claims were not obvious, and in favor of the Company and the Sanofi defendants that there was no willful infringement of the asserted patent claims by the Company or the Sanofi defendants. On March 16, 2016, the jury returned a verdict in favor of Amgen, finding that the asserted claims of the '165 and '741 Patents were not invalid based on either a lack of written description or a lack of enablement. On January 3, 2017, the District Court issued a final opinion and judgment, denying the Company and the Sanofi defendants' motions for new trial and judgment as a matter of law. The District Court also denied as moot Amgen's motion to strike the Company and the Sanofi defendants' request to obtain a judgment as a matter of law, which allowed the Federal Circuit to address the Company and the Sanofi defendants' patent invalidity arguments on appeal. On January 12, 2017, the Company and the Sanofi defendants filed a notice of appeal with the Federal Circuit. On April 19, 2017, the District Court granted Amgen's motion to amend the judgment on an accounting of

supplemental damages and enhancement of such damages if deemed appropriate, but deferred the order until after the Federal Circuit issued a decision on the appeal. Oral argument on the appeal was held on June 6, 2017. On October 5, 2017, the Federal Circuit reversed in part the District Court's decision, remanded for a new trial on the issues of written description and enablement, and, as discussed below, vacated the District Court's permanent injunction. In addition, it affirmed the District Court's ruling that Amgen's patents were not obvious. The Federal Circuit further concluded the Company and the Sanofi defendants were not entitled to judgment as a matter of law on the issues of written description and enablement on this record. On December 6, 2017, Amgen filed a petition for rehearing en banc in the Federal Circuit; and, on February 6, 2018, the Company and the Sanofi defendants filed their response.
On January 5, 2017, the District Court granted a permanent injunction prohibiting Regeneron and the Sanofi defendants from Commercializing Praluent in the United States but subsequently delayed its imposition until February 21, 2017. The Federal Circuit stayed the injunction pending appeal on February 8, 2017 and vacated it on October 5, 2017.

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

On July 25, 2016, Amgen filed a lawsuit against Regeneron, Sanofi-Aventis Groupe S.A., Sanofi-Synthelabo Limited, Aventis Pharma Limited, Sanofi Winthrop Industrie S.A., and Sanofi-Aventis Deutschland GmbH in the English High Court of Justice, Chancery Division, Patents Court, in London, seeking a declaration of infringement of Amgen's European Patent No. 2,215,124 (the "'124 Patent"), which pertains to PCSK9 monoclonal antibodies, by Praluent. The lawsuit also seeks a permanent injunction, damages, an accounting of profits, and costs and interest. On February 8, 2017, the court temporarily stayed this litigation on terms mutually agreed by the parties.

Also on July 25, 2016, Amgen filed a lawsuit for infringement of the '124 Patent against Regeneron, Sanofi-Aventis Groupe S.A., Sanofi Winthrop Industrie S.A., and Sanofi-Aventis Deutschland GmbH in the Regional Court of Düsseldorf, Germany (the "Düsseldorf Regional Court"), seeking a permanent injunction, an accounting of marketing activities, a recall of Praluent and its removal from distribution channels, and damages. On November 14, 2017, the Düsseldorf Regional Court issued a decision staying the infringement proceedings until a decision of the Opposition Division of the EPO concerning the pending opposition filed by the Company, Sanofi, and several other opponents against the '124 Patent (as discussed below). Following Amgen's request to reopen the proceedings in light of the issuance of the Preliminary Opinion (as defined below), the Düsseldorf Regional Court has scheduled an oral hearing for September 11, 2018.

On September 26, 2016, Amgen filed a lawsuit for infringement of the '124 Patent in the Tribunal de grande instance in Paris, France against Regeneron, Sanofi-Aventis Groupe S.A., Sanofi Winthrop Industrie, and Sanofi Chimie (subsequently added as a defendant). Amgen is seeking the prohibition of allegedly infringing activities with a €10,000 penalty per drug unit of Praluent produced in violation of the court order sought by Amgen; an appointment of an expert for the assessment of damages; disclosure of technical (including supply-chain) and accounting information to the expert and the court; provisional damages of €10.0 million (which would be awarded on an interim basis pending final determination); reimbursement of costs; publication of the ruling in three newspapers; and provisional enforcement of the decision to be issued, which would ensure enforcement of the decision (including any provisional damages) pending appeal. Amgen is not seeking a preliminary injunction in this proceeding at this time. On April 10, 2017, the Company and the Sanofi parties filed briefs seeking invalidation of certain of the claims of the '124 Patent, and Amgen filed a response on July 28, 2017. Oral hearing on this infringement lawsuit is currently scheduled for June 29, 2018.

The '124 Patent is also subject to opposition proceedings in the EPO seeking to invalidate certain of its claims, which were initiated by Sanofi on February 24, 2016 and, separately, by the Company, Sanofi, and several other opponents on November 24, 2016. On December 13, 2017, the Opposition Division of the EPO issued a preliminary, non-binding opinion (the "Preliminary Opinion") regarding the validity of the '124 Patent, indicating that it currently considers the claims of a new request filed by Amgen in response to the opposition to satisfy the requirements for patentability. The Preliminary Opinion was accompanied by a summons to oral hearing to be held on November 28–30, 2018.

On May 19, 2017, Amgen filed a lawsuit for infringement of Amgen's Japanese Patent Nos. 5,906,333 (the "'333 Patent") and 5,705,288 (the "'288 Patent") in the Tokyo District Court Civil Division against Sanofi K.K. Amgen's complaint alleges that manufacturing, selling or otherwise transferring, and offering to sell or otherwise transfer Praluent (alirocumab) in Japan (as well as importing Praluent (alirocumab) into Japan) infringe the '333 and '288 Patents. The complaint further seeks a permanent injunction, disposal of product, and court costs. The Company has not been named as a defendant in this litigation.

At this time, the Company is not able to predict the outcome of, or estimate a range of possible loss, if any, related to these proceedings.

Proceedings Relating to Dupixent (dupilumab) Injection

On March 20, 2017, the Company, Sanofi-Aventis U.S. LLC, and Genzyme Corporation filed a complaint against Amgen and Immunex Corporation, a wholly owned subsidiary of Amgen, in the United States District Court for the

District of Massachusetts seeking a declaratory judgment that the Company's and the other plaintiffs' Commercializing of Dupixent does not directly or indirectly infringe U.S. Patent No. 8,679,487 (the "'487 Patent") owned by Immunex Corporation relating to antibodies that bind the human interleukin-4 receptor. On May 1, 2017, the Company and the other plaintiffs filed a notice of voluntary dismissal of this action without prejudice.

On March 23, 2017, the Company, Sanofi-Aventis U.S. LLC, and Genzyme Corporation initiated an inter partes review ("IPR") in the United States Patent and Trademark Office ("USPTO") seeking a declaration of invalidity of the '487 Patent. On July 28 and 31, 2017, the same parties filed two additional IPR petitions in the USPTO seeking declarations of invalidity of the '487 Patent based on different grounds (the "Additional IPR Petitions"). On October 4, 2017, the Patent Trial and Appeal Board of the USPTO

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

issued a decision on the first IPR petition and declined to institute an IPR proceeding to review the validity of the '487 Patent. The Additional IPR Petitions are still pending.

On April 5, 2017, Immunex Corporation filed a complaint against the Company, Sanofi, Sanofi-Aventis U.S. LLC, Genzyme Corporation, and Aventisub LLC in the United States District Court for the Central District of California seeking a judgment of patent infringement of the '487 Patent and a declaratory judgment of infringement of the '487 Patent, in each case by the Company's and the other defendants' Commercializing of Dupixent; monetary damages (together with interest); an order of willful infringement of the '487 Patent, which would allow the court in its discretion to award damages up to three times the amount assessed; costs and expenses of the lawsuit; and attorneys' fees. Immunex is not seeking an injunction in this proceeding at this time. On June 21, 2017, the court denied a motion to dismiss Immunex's complaint previously filed by the Company and the Sanofi parties. On June 28, 2017, the Company and the Sanofi parties filed an answer to Immunex's complaint and counterclaims against Immunex and Amgen (which was amended on October 31, 2017 to, among other things, add an inequitable conduct allegation), and Immunex and Amgen filed an answer to the counterclaims on July 28, 2017. A combined hearing on the construction of certain disputed claim terms of the '487 Patent and summary judgment on the issue of indefiniteness of the '487 Patent claims has been scheduled for March 12, 2018. A jury trial has been scheduled to start on March 19, 2019.

At this time, the Company is not able to predict the outcome of, or estimate a range of possible loss, if any, related to these proceedings.

Proceedings Relating to Shareholder Derivative Claims

On December 30, 2015, an alleged shareholder filed a shareholder derivative complaint in the New York Supreme Court, naming the then current and certain former non-employee members of the Company's board of directors, the Chairman of the board of directors, the Company's Chief Executive Officer, and the Company's Chief Scientific Officer as defendants and Regeneron as a nominal defendant. The complaint asserts that the individual defendants breached their fiduciary duties and were unjustly enriched when they approved and/or received allegedly excessive compensation in 2013 and 2014. The complaint seeks damages in favor of the Company for the alleged breaches of fiduciary duties and unjust enrichment; changes to Regeneron's corporate governance and internal procedures; invalidation of the Regeneron Pharmaceuticals, Inc. 2014 Long-Term Incentive Plan with respect to the individual defendants' compensation and a shareholder vote regarding the individual defendants' equity compensation; equitable relief, including an equitable accounting with disgorgement; and award of the costs of the action, including attorneys' fees. On June 28, 2017, the court dismissed the plaintiff's claims with respect to certain compensation awarded in 2013 but denied the defendants' motion to dismiss the other claims set forth in the complaint. On November 8, 2017, another alleged shareholder filed a second shareholder derivative complaint in the New York Supreme Court, naming the then current and certain former non-employee members of the Company's board of directors, the Chairman of the board of directors, the Company's Chief Executive Officer, the Company's Chief Scientific Officer, and Regeneron as defendants. The complaint asserts that the individual defendants breached their fiduciary duties and were unjustly enriched when they approved and/or received allegedly excessive compensation in 2014, 2015, and 2016. The complaint seeks damages in favor of Regeneron for the alleged breaches of fiduciary duties and unjust enrichment; changes to Regeneron's corporate governance and internal procedures; invalidation of Regeneron's 2014 Long-Term Incentive Plan with respect to the individual defendants' compensation and the imposition of meaningful limits on the amount of equity payable to the individual defendants; a shareholder vote regarding the individual defendants' equity compensation; equitable relief, including an equitable accounting with disgorgement; and award of the costs of the action, including attorneys' fees. On December 4, 2017, the plaintiff in the second action moved to consolidate both actions, to be appointed lead plaintiff, and to have its counsel be appointed lead counsel in the proposed consolidated action. The court scheduled a hearing on the motion on March 7, 2018. The parties in both the first derivative action and the second derivative action have agreed to a schedule for document discovery and the filing of defendants' appeal of the court's June 28, 2017 decision, as well as a stay of all non-document discovery pending a decision on

defendants' appeal. Pursuant to the Company's By-Laws and the New York Business Corporation Law, expenses in connection with the foregoing are being advanced by the Company for the individual defendants.

On or about December 15, 2015, the Company received a shareholder litigation demand upon the Company's board of directors made by a purported Regeneron shareholder. On or about November 3, 2017, the Company received a second shareholder litigation demand upon the Company's board of directors made by another purported Regeneron shareholder, which is substantially similar to the December 15, 2015 shareholder litigation demand. The demands assert that the then current and certain former non-employee members of the board of directors and the Chairman of the board of directors excessively compensated themselves in 2013 and 2014. The demands request that the board of directors investigate and bring legal action against these directors for breach of fiduciary duty, unjust enrichment, and corporate waste, and implement internal controls and systems designed to prohibit and prevent similar actions in the future. On December 20, 2017, the parties to the shareholder derivative action filed on December

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Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

30, 2015, entered into a stipulation with the second demanding shareholder. The stipulation provides that the purported shareholder will intervene as a plaintiff in the action, and that the purported shareholder's litigation demand will be withdrawn and deemed null and void. The stipulation was approved by the court on January 18, 2018. The first shareholder litigation demand has also since been withdrawn.

At this time, the Company is not able to predict the outcome of, or estimate a range of possible loss, if any, relating to these matters.

Department of Justice Investigation

In January 2017, the Company received a subpoena from the U.S. Attorney's Office for the District of Massachusetts requesting documents relating to its support of 501(c)(3) organizations that provide financial assistance to patients; documents concerning its provision of financial assistance to patients with respect to products sold or developed by Regeneron (including EYLEA, Praluent, ARCALYST, and ZALTRAP); and certain other related documents and communications. The Company is cooperating with this investigation. The Company cannot predict the outcome or duration of this investigation or any other legal proceedings or any enforcement actions or other remedies that may be imposed on the Company arising out of this investigation.

18. Net Income Per Share

The Company's basic net income per share amounts have been computed by dividing net income by the weighted average number of shares of Common Stock and Class A Stock outstanding. Net income per share is presented on a combined basis, inclusive of Common Stock and Class A Stock outstanding, as each class of stock has equivalent economic rights. Diluted net income per share includes the potential dilutive effect of other securities as if such securities were converted or exercised during the period, when the effect is dilutive. The calculations of basic and diluted net income per share are as follows:

	Year Ended December 31,		
	2017	2016	2015
Net income - basic	$1,198,511	$895,522	$636,056
Effect of dilutive securities:			
Convertible senior notes - interest expense and amortization of discount and note issuance costs	—	397	—
Net income - diluted	$1,198,511	$895,919	$636,056
(Shares in thousands)			
Weighted average shares - basic	106,338	104,719	103,061
Effect of dilutive securities:			
Stock options	9,132	10,177	9,446
Restricted stock	484	474	477
Convertible senior notes	—	61	—
Warrants	—	936	2,246
Dilutive potential shares	9,616	11,648	12,169
Weighted average shares - diluted	115,954	116,367	115,230
Net income per share - basic	$11.27	$8.55	$6.17
Net income per share - diluted	$10.34	$7.70	$5.52

Table of Contents

REGENERON PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unless otherwise noted, dollars in thousands, except per share data)

Shares which have been excluded from diluted per share amounts because their effect would have been antidilutive, include the following:

	Year Ended December 31,		
(Shares in thousands)	2017	2016	2015
Stock options	9,161	8,041	1,343
Restricted stock	—	19	—
Convertible senior notes	—	—	994

19. Statement of Cash Flows

Supplemental disclosure of non-cash investing and financing activities

Included in accounts payable and accrued expenses as of December 31, 2017, 2016, and 2015 were $41.8 million, $28.2 million, and $50.7 million, respectively, of accrued capital expenditures.

The Company recognized additional capital and facility lease obligations of $201.2 million, $154.9 million, and $26.0 million during 2017, 2016 and 2015, respectively, in connection with the Company's Tarrytown Leases (see Note 12).

20. Unaudited Quarterly Results

Summarized quarterly financial data (unaudited) for the years ended December 31, 2017 and 2016 are set forth in the following tables.

	First Quarter Ended March 31, 2017	Second Quarter Ended June 30, 2017*	Third Quarter Ended September 30, 2017	Fourth Quarter Ended December 31, 2017**
Revenues	$1,318,991	$1,470,116	$1,500,673	$1,582,447
Net income	$248,931	$387,744	$388,317	$173,519
Net income per share - basic	$2.36	$3.66	$3.64	$1.62
Net income per share - diluted	$2.16	$3.34	$3.32	$1.50

	First Quarter Ended March 31, 2016***	Second Quarter Ended June 30, 2016	Third Quarter Ended September 30, 2016	Fourth Quarter Ended December 31, 2016
Revenues	$1,200,849	$1,212,629	$1,220,122	$1,226,827
Net income	$181,385	$196,218	$264,804	$253,115
Net income per share - basic	$1.74	$1.88	$2.53	$2.41
Net income per share - diluted	$1.59	$1.69	$2.27	$2.19

* During the quarterly period ended June 30, 2017, the Company recorded an out-of-period adjustment to reflect a correction in the Company's accounting for its lease of its Tarrytown, New York facility. The adjustment, which was related to the March 3, 2017 lease transaction, resulted in the recognition of a non-cash loss on debt extinguishment of $30.1 million.

** As a result of the Act being signed into law on December 22, 2017, the Company recognized a charge of $326.2 million in the fourth quarter of 2017 related to the re-measurement of its U.S. net deferred tax assets at the lower enacted corporate tax rate (see Note 16).

*** Due to the adoption of ASU 2016-09 in the second quarter of 2016, the Company revised its net income from the amounts originally reported for the quarterly period ended March 31, 2016 to include a $15.6 million income tax

benefit, which was originally recorded as additional paid-in capital.

F- 46