REGENERON PHARMACEUTICALS INC
Form 10-Q
October 28, 2010

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

Form 10-Q

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

OR

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

For the transition period from _____ to _____

Commission File Number 0-19034

REGENERON PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	13-3444607 (I.R.S. Employer Identification No.)
777 Old Saw Mill River Road Tarrytown, New York (Address of principal executive offices)	10591-6707 (Zip Code)

(914) 347-7000
(Registrant's telephone number, including area code)

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

Yes X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer X Accelerated filer ___

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company ___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

Number of shares outstanding of each of the registrant's classes of common stock as of October 15, 2010:

Class of Common Stock	Number of Shares
Class A Stock, $0.001 par value	2,181,831
Common Stock, $0.001 par value	80,111,128

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

REGENERON PHARMACEUTICALS, INC.
CONDENSED BALANCE SHEETS AT SEPTEMBER 30, 2010 AND DECEMBER 31, 2009 (Unaudited)
(In thousands, except share data)

ASSETS	September 30, 2010	December 31, 2009
Current assets		
Cash and cash equivalents	$ 325,286	$ 207,075
Marketable securities	153,767	134,255
Accounts receivable from the sanofi-aventis Group	79,239	62,703
Accounts receivable - other	3,048	2,865
Prepaid expenses and other current assets	14,379	18,610
Total current assets	575,719	425,508
Restricted cash	3,400	1,600
Marketable securities	37,956	47,080
Property, plant, and equipment, at cost, net of accumulated depreciation and amortization	318,498	259,676
Other assets	6,860	7,338
Total assets	$ 942,433	$ 741,202
LIABILITIES and STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 74,976	$ 49,031
Deferred revenue from sanofi-aventis, current portion	19,335	17,523
Deferred revenue - other, current portion	38,888	27,021
Facility lease obligations, current portion	634	
Total current liabilities	133,833	93,575
Deferred revenue from sanofi-aventis	99,726	90,933
Deferred revenue - other	197,139	46,951
Facility lease obligations	158,382	109,022
Other long term liabilities	5,289	3,959
Total liabilities	594,369	344,440
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $.01 par value; 30,000,000 shares authorized; issued and outstanding - none		
Class A Stock, convertible, $.001 par value; 40,000,000 shares authorized; shares issued and outstanding - 2,181,831 in 2010 and 2,244,698 in 2009	2	2
Common Stock, $.001 par value; 160,000,000 shares authorized; shares issued and outstanding - 80,042,523 in 2010 and 78,860,862 in 2009	80	79
Additional paid-in capital	1,379,123	1,336,732
Accumulated deficit	(1,030,966)	(941,095)

Accumulated other comprehensive (loss) income		(175)		1,044
Total stockholders' equity		348,064		396,762
Total liabilities and stockholders' equity	$	942,433	$	741,202

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

REGENERON PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF OPERATIONS (Unaudited)
(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Revenues				
Sanofi-aventis collaboration revenue	$ 75,583	$ 68,536	$ 229,195	$ 178,928
Other collaboration revenue	13,761	32,153	40,483	54,947
Technology licensing	10,037	10,000	30,112	30,000
Net product sales	4,936	4,973	19,985	13,364
Contract research and other	1,662	1,793	5,624	5,229
	105,979	117,455	325,399	282,468
Expenses				
Research and development	122,043	105,434	364,040	279,972
Selling, general, and administrative	15,658	12,840	44,560	35,892
Cost of goods sold	372	472	1,494	1,299
	138,073	118,746	410,094	317,163
Loss from operations	(32,094)	(1,291)	(84,695)	(34,695)
Other income (expense)				
Investment income	453	857	1,484	3,935
Interest expense	(2,234)	(581)	(6,660)	(581)
	(1,781)	276	(5,176)	3,354
Net loss	$ (33,875)	$ (1,015)	$ (89,871)	$ (31,341)
Net loss per share, basic and diluted	$ (0.41)	$ (0.01)	$ (1.10)	$ (0.39)
Weighted average shares outstanding, basic and diluted	81,638	79,866	81,433	79,663

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

REGENERON PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)
For the nine months ended September 30, 2010 and 2009
(In thousands)

	Class A Stock		Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'	Comprehensive
	Shares	Amount	Shares	Amount	Capital	Deficit	Income (Loss)	Equity	Loss
Balance, December 31, 2009	2,245	$ 2	78,861	$ 79	$ 1,336,732	$ (941,095)	$ 1,044	$ 396,762	
Issuance of Common Stock in connection with exercise of stock options, net of shares tendered			993	1	13,193			13,194	
Issuance of Common Stock in connection with Company 401(k) Savings Plan contribution			111		2,867			2,867	
Issuance of restricted Common Stock under Long-Term Incentive Plan			15						
Conversion of Class A Stock to Common Stock	(63)		63						
Stock-based compensation expense					26,331			26,331	
Net loss						(89,871)		(89,871)	$ (89,871)
Change in net unrealized gain (loss) on marketable securities							(1,219)	(1,219)	(1,219)
Balance, September 30, 2010	2,182	$ 2	80,043	$ 80	$ 1,379,123	$ (1,030,966)	$ (175)	$ 348,064	$ (91,090)
Balance, December 31, 2008	2,249	$ 2	77,642	$ 78	$ 1,294,813	$ (873,265)	$ (114)	$ 421,514	
Issuance of Common Stock in connection with exercise of stock options, net of shares tendered			518		4,626			4,626	
Issuance of Common Stock in connection with Company 401(k) Savings Plan contribution			81		1,391			1,391	
Conversion of Class A Stock to Common Stock	(2)		2						
Stock-based compensation expense					22,602			22,602	
Net loss						(31,341)		(31,341)	$ (31,341)
Change in net unrealized gain (loss) on marketable securities							3,651	3,651	3,651
Balance, September 30, 2009	2,247	$ 2	78,243	$ 78	$ 1,323,432	$ (904,606)	$ 3,537	$ 422,443	$ (27,690)

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

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

	Nine months ended September 30,	
	2010	2009
Cash flows from operating activities		
Net loss	$ (89,871)	$ (31,341)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	13,601	9,312
Non-cash compensation expense	26,331	22,602
Net realized loss (gain) on marketable securities	242	(56)
Changes in assets and liabilities		
Increase in accounts receivable	(16,719)	(32,554)
Decrease (increase) in prepaid expenses and other assets	3,446	(370)
Increase (decrease) in deferred revenue	172,660	(11,379)
Increase in accounts payable, accrued expenses, and other liabilities	28,353	17,960
Total adjustments	227,914	5,515
Net cash provided by (used in) operating activities	138,043	(25,826)
Cash flows from investing activities		
Purchases of marketable securities	(241,665)	(190,666)
Sales or maturities of marketable securities	230,513	284,934
Capital expenditures	(67,427)	(75,002)
(Increase) decrease in restricted cash	(1,800)	50
Net cash (used in) provided by investing activities	(80,379)	19,316
Cash flows from financing activities		
Proceeds in connection with facility lease obligations	47,544	5,182
Payments in connection with facility lease obligations	(757)	(773)
Net proceeds from the issuance of Common Stock	13,760	4,626
Net cash provided by financing activities	60,547	9,035
Net increase in cash and cash equivalents	118,211	2,525
Cash and cash equivalents at beginning of period	207,075	247,796
Cash and cash equivalents at end of period	$ 325,286	$ 250,321

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

REGENERON PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements (Unaudited)
(Unless otherwise noted, dollars in thousands, except per share data)

1. Interim Financial Statements

The interim Condensed Financial Statements of Regeneron Pharmaceuticals, Inc. ("Regeneron" or the "Company") have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and disclosures necessary for a presentation of the Company's financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, these financial statements reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the Company's financial position, results of operations, and cash flows for such periods. The results of operations for any interim periods are not necessarily indicative of the results for the full year. The December 31, 2009 Condensed Balance Sheet data were derived from audited financial statements, but do not include all disclosures required by accounting principles generally accepted in the United States of America. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

Effective in the first quarter of 2010, the estimated useful lives of certain capitalized laboratory and other equipment, which is a component of property, plant, and equipment, were extended. The effect of this change in estimate was to lower depreciation expense by $1.0 million and $3.0 million and to lower the Company's net loss per share by $0.02 and $0.04 for the three and nine months ended September 30, 2010, respectively.

2. ARCALYST® (rilonacept) Product Revenue

In February 2008, the Company received marketing approval from the U.S. Food and Drug Administration ("FDA") for ARCALYST® Injection for Subcutaneous Use for the treatment of Cryopyrin-Associated Periodic Syndromes ("CAPS"). The Company had limited historical return experience for ARCALYST® beginning with initial sales in 2008 through the end of 2009; therefore, ARCALYST® net product sales were deferred until the right of return no longer existed and rebates could be reasonably estimated. Effective in the first quarter of 2010, the Company determined that it had accumulated sufficient historical data to reasonably estimate both product returns and rebates of ARCALYST®. As a result, $4.8 million of previously deferred ARCALYST® net product sales were recognized as revenue in the first quarter of 2010.

ARCALYST® net product sales totaled $4.9 million and $5.0 million for the three months ended September 30, 2010 and 2009, respectively, and $20.0 million and $13.4 million for the nine months ended September 30, 2010 and 2009, respectively. ARCALYST® net product sales during the first nine months of 2010 included $15.2 million of net product sales made during this period and $4.8 million of previously deferred net product sales, as described above. There was no deferred ARCALYST® net product sales revenue at September 30, 2010. At September 30, 2009, deferred ARCALYST® net product sales revenue was $5.0 million. The effect of this change in estimate related to ARCALYST® net product sales revenue was to lower the Company's net loss per share by $0.06 for the nine months ended September 30, 2010.

Cost of goods sold related to ARCALYST® sales, which consisted primarily of royalties, totaled $0.4 million and $0.5 million for the three months ended September 30, 2010 and 2009, respectively, and $1.5 million and $1.3 million for the nine months ended September 30, 2010 and 2009, respectively. To date, ARCALYST® shipments to the Company's customers have consisted of supplies of inventory manufactured and expensed prior to FDA approval of ARCALYST® for the treatment of CAPS; therefore, the costs of these supplies were not included in costs of goods sold. At both September 30, 2010 and December 31, 2009, the Company had $0.4 million of inventoried work-in-process costs related to ARCALYST®, which is included in prepaid expenses and other current assets.

REGENERON PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements (Unaudited)
(Unless otherwise noted, dollars in thousands, except per share data)

3. Per Share Data

The Company's basic and diluted net loss per share amounts have been computed by dividing net loss by the weighted average number of shares of Common Stock and Class A Stock outstanding. Net loss 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. For the three and nine months ended September 30, 2010 and 2009, the Company reported net losses; therefore, no common stock equivalents were included in the computation of diluted net loss per share for these periods, since such inclusion would have been antidilutive. The calculations of basic and diluted net loss per share are as follows:

	Three Months Ended September 30,	
	2010	2009
Net loss (Numerator)	$ (33,875)	$ (1,015)
Weighted-average shares, in thousands (Denominator)	81,638	79,866
Basic and diluted net loss per share	$ (0.41)	$ (0.01)

	Nine Months Ended September 30,	
	2010	2009
Net loss (Numerator)	$ (89,871)	$ (31,341)
Weighted-average shares, in thousands (Denominator)	81,433	79,663
Basic and diluted net loss per share	$ (1.10)	$ (0.39)

Shares issuable upon the exercise of stock options and vesting of restricted stock awards, which have been excluded from the September 30, 2010 and 2009 diluted per share amounts because their effect would have been antidilutive, include the following:

	Three months ended September 30,	
	2010	2009
Stock Options:		
Weighted average number, in thousands	21,265	19,860
Weighted average exercise price	$ 18.76	$ 17.65
Restricted Stock:		
Weighted average number, in thousands	511	500

	Nine months ended September 30,	
	2010	2009
Stock Options:		
Weighted average number, in thousands	21,317	20,059
Weighted average exercise price	$ 18.67	$ 17.59
Restricted Stock:		
Weighted average number, in thousands	507	500

REGENERON PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements (Unaudited)
(Unless otherwise noted, dollars in thousands, except per share data)

4. Statement of Cash Flows

Supplemental disclosure of noncash investing and financing activities:

Included in accounts payable and accrued expenses at September 30, 2010 and December 31, 2009 were $12.0 million and $9.8 million, respectively, of accrued capital expenditures. Included in accounts payable and accrued expenses at September 30, 2009 and December 31, 2008 were $10.5 million and $7.0 million, respectively, of accrued capital expenditures.

Included in accounts payable and accrued expenses at December 31, 2009 and 2008 were $2.6 million and $1.5 million, respectively, of accrued Company 401(k) Savings Plan contribution expense. In the first quarter of 2010 and 2009, the Company contributed 111,419 and 81,086 shares, respectively, of Common Stock to the 401(k) Savings Plan in satisfaction of these obligations.

Pursuant to the application of authoritative guidance issued by the Financial Accounting Standards Board ("FASB") to the Company's lease of office and laboratory facilities in Tarrytown, New York, the Company recognized a facility lease obligation of $4.0 million for the nine months ended September 30, 2009, in connection with capitalizing, on the Company's books, the landlord's costs of constructing new facilities that the Company has leased.

Included in facility lease obligations and property, plant, and equipment at September 30, 2010 was $2.6 million of capitalized and deferred interest for the nine months ended September 30, 2010, as the related facilities being leased by the Company are currently under construction and lease payments on these facilities do not commence until January 2011.

Included in other assets at September 30, 2010 and December 31, 2009 was $0.1 million and $0.7 million, respectively, due to the Company in connection with employee exercises of stock options.

Included in marketable securities at September 30, 2010 and December 31, 2009 were $1.3 million and $0.6 million, respectively, of accrued interest income. Included in marketable securities at September 30, 2009 and December 31, 2008 were $1.0 million and $1.7 million, respectively, of accrued interest income.

5. Marketable Securities

Marketable securities at September 30, 2010 and December 31, 2009 consisted of debt securities, as detailed below, and an equity security, the aggregate fair value of which was $4.0 million and $5.5 million at September 30, 2010 and December 31, 2009, respectively, and the aggregate cost basis of which was $4.0 million at both September 30, 2010 and December 31, 2009. The following tables summarize the amortized cost basis of debt securities included in marketable securities, the aggregate fair value of those securities, and gross unrealized gains and losses on those securities at September 30, 2010 and December 31, 2009. The Company classifies its debt securities, other than mortgage-backed securities, based on their contractual maturity dates. Maturities of mortgage-backed securities have been estimated based primarily on repayment characteristics and experience of the senior tranches that the Company holds.

REGENERON PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements (Unaudited)
(Unless otherwise noted, dollars in thousands, except per share data)

At September 30, 2010	Amortized Cost Basis	Fair Value	Unrealized Gains	Unrealized (Losses)	Net
Maturities within one year					
U.S. government obligations	$ 106,140	$ 106,238	$ 101	$ (3)	$ 98
U.S. government guaranteed corporate bonds	44,054	44,237	183		183
U.S. government guaranteed collateralized mortgage obligations	2,481	2,611	130		130
Mortgage-backed securities	689	681		(8)	(8)
	153,364	153,767	414	(11)	403
Maturities between one and five years					
U.S. government obligations	9,046	9,072	26		26
U.S. government guaranteed corporate bonds	21,502	21,829	327		327
Municipal bonds	2,206	2,202	4	(8)	(4)
Mortgage-backed securities	842	675		(167)	(167)
	33,596	33,778	357	(175)	182
Maturities between five and seven years					
Mortgage-backed securities	182	142		(40)	(40)
	$ 187,142	$ 187,687	$ 771	$ (226)	$ 545
At December 31, 2009					
Maturities within one year					
U.S. government obligations	$ 100,491	$ 100,573	$ 82		$ 82
U.S. government guaranteed corporate bonds	17,176	17,340	164		164
Corporate bonds	10,142	10,342	200		200
U.S. government guaranteed collateralized mortgage obligations	3,612	3,662	50		50
Mortgage-backed securities	2,471	2,338		$ (133)	(133)
	133,892	134,255	496	(133)	363
Maturities between one and two years					
U.S. government obligations	9,413	9,367		(46)	(46)
U.S. government guaranteed corporate bonds	31,064	31,344	280		280
Mortgage-backed securities	1,168	900		(268)	(268)
	41,645	41,611	280	(314)	(34)
	$ 175,537	$ 175,866	$ 776	$ (447)	$ 329

At December 31, 2009, marketable securities included an additional unrealized gain of $1.4 million related to the equity security in the Company's marketable securities portfolio.

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, at September 30, 2010 and December 31, 2009. The debt securities listed at September 30, 2010, excluding mortgage-backed securities, mature at various dates through January 2012. The mortgage-backed securities listed at September 30, 2010 mature at various dates through November 2016.

REGENERON PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements (Unaudited)
(Unless otherwise noted, dollars in thousands, except per share data)

	Less than 12 Months		12 Months or Greater		Total	
At September 30, 2010	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government obligations	$ 12,624	$ (3)			$ 12,624	$ (3)
Municipal bonds	1,193	(8)			1,193	(8)
Mortgage-backed securities			$ 1,489	$ (215)	1,489	(215)
Equity security	4,036	(9)			4,036	(9)
	$ 17,853	$ (20)	$ 1,489	$ (215)	$ 19,342	$ (235)
At December 31, 2009						
U.S. government obligations	$ 9,367	$ (46)			$ 9,367	$ (46)
Mortgage-backed securities			$ 3,238	$ (401)	3,238	(401)
	$ 9,367	$ (46)	$ 3,238	$ (401)	$ 12,605	$ (447)

Realized gains and losses are included as a component of investment income. For the three and nine months ended September 30, 2010 and 2009, realized gains and losses on sales of marketable securities were not significant. In computing realized gains and losses, the Company computes the cost of its investments on a specific identification basis. Such cost includes the direct costs to acquire the security, adjusted for the amortization of any discount or premium.

The Company's assets that are measured at fair value on a recurring basis, at September 30, 2010 and December 31, 2009, were as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At September 30, 2010				
Available-for-sale marketable securities				
U.S. government obligations	$ 115,310		$ 115,310	
U.S. government guaranteed corporate bonds	66,066		66,066	
U.S. government guaranteed collateralized mortgage obligations	2,611		2,611	
Municipal bonds	2,202		2,202	
Mortgage-backed securities	1,498		1,498	
Equity security	4,036	$ 4,036		
	$ 191,723	$ 4,036	$ 187,687	
At December 31, 2009				
Available-for-sale marketable securities				
U.S. government obligations	$ 109,940		$ 109,940	
U.S. government guaranteed corporate				

bonds	48,684		48,684
Corporate bonds	10,342		10,342
U.S. government guaranteed collateralized mortgage obligations	3,662		3,662
Mortgage-backed securities	3,238		3,238
Equity security	5,469	$ 5,469	
	$ 181,335	$ 5,469	$ 175,866

REGENERON PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements (Unaudited)
(Unless otherwise noted, dollars in thousands, except per share data)

Marketable securities included in Level 2 were valued using a market approach utilizing prices and other relevant information, such as interest rates, yield curves, prepayment speeds, loss severities, credit risks and default rates, generated by market transactions involving identical or comparable assets. The Company considers market liquidity in determining the fair value for these securities. During the nine months ended September 30, 2010, deterioration in the credit quality of a marketable security from one issuer subjected the Company to the risk of not being able to recover the carrying value of the security. As a result, the Company recognized a $0.1 million impairment charge related to this Level 2 marketable security, which the Company considered to be other-than-temporarily impaired. During the three months ended September 30, 2010, and the three and nine months ended September 30, 2009, the Company did not record any charges for other-than-temporary impairment of its Level 2 marketable securities.

At December 31, 2008, the Company held one Level 3 marketable security whose fair value was $0.1 million. This Level 3 security was valued using information provided by the Company's investment advisors, including quoted bid prices which took into consideration the securities' lack of liquidity. During the three and nine months ended September 30, 2009, the Company recorded charges for other-than-temporary impairment of this Level 3 marketable security totaling $0.1 million. 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 three and nine months ended September 30, 2010 and 2009. The Company held no Level 3 marketable securities at September 30, 2010 and December 31, 2009. There were no transfers of marketable securities between Levels 1, 2, or 3 classifications during the three and nine months ended September 30, 2010 and 2009.

On a quarterly basis, 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. With respect to debt securities, this review process also includes an evaluation of the Company's (a) intent to sell an individual debt security or (b) need to sell the debt security before its anticipated recovery or maturity. With respect to equity securities, this review process includes an evaluation of the Company's ability and intent to hold the securities until their full value can be recovered.

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of September 30, 2010 and December 31, 2009 consist of the following:

	September 30, 2010	December 31, 2009
Accounts payable	$ 22,576	$ 18,638
Accrued payroll and related costs	23,583	9,444
Accrued clinical trial expense	14,213	11,673
Accrued property, plant, and equipment expenditures	8,495	1,883
Accrued expenses, other	6,109	6,207
Payable to Bayer HealthCare		1,186
	$ 74,976	$ 49,031

REGENERON PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements (Unaudited)
(Unless otherwise noted, dollars in thousands, except per share data)

7. Comprehensive Income (Loss)

Comprehensive income (loss) of the Company includes net loss adjusted for the change in net unrealized gain (loss) on marketable securities, net of any tax effect. For the three and nine months ended September 30, 2010 and 2009, the components of comprehensive income (loss) are:

	Three months ended September 30,	
	2010	2009
Net loss	$ (33,875)	$ (1,015)
Change in net unrealized gain (loss) on marketable securities	131	2,523
Total comprehensive (loss) income	$ (33,744)	$ 1,508

	Nine months ended September 30,	
	2010	2009
Net loss	$ (89,871)	$ (31,341)
Change in net unrealized gain (loss) on marketable securities	(1,219)	3,651
Total comprehensive loss	$ (91,090)	$ (27,690)

8. Extension of Technology Licensing Agreement with Astellas

In March 2007, the Company entered into a six-year non-exclusive license agreement with Astellas Pharma Inc. that allows Astellas to utilize the Company'sVelocImmune® technology in its internal research programs to discover human monoclonal antibodies. Under the terms of the agreement, Astellas made a $20.0 million annual, non-refundable payment to the Company in each of 2010, 2009, 2008, and 2007. 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 August 2010, which was deferred upon receipt and will be recognized as revenue ratably over the 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'sVelocImmune® technology. In connection with the Astellas license agreement, the Company recognized $15.0 million of technology revenue for both the nine months ended September 30, 2010 and 2009. In addition, deferred revenue at September 30, 2010 and December 31, 2009 was $178.7 million and $8.7 million, respectively.

9. Legal Matters

From time to time, the Company is a party to legal proceedings in the course of its business. The Company does not expect any such current legal proceedings to have a material adverse effect on the Company's business or financial condition.

10. Future Impact of Recently Issued Accounting Standards

In March 2010, the FASB amended its authoritative guidance on the milestone method of revenue recognition. The milestone method of revenue recognition has now been codified as an acceptable revenue recognition model when a milestone is deemed to be substantive. This guidance may be applied retrospectively to all arrangements or prospectively for milestones achieved after the adoption of the guidance. The Company will adopt this amended guidance for the fiscal year beginning January 1, 2011. Management does not anticipate that the adoption of this guidance will have a material impact on the Company's financial statements.

11. Subsequent Event – Public Offering of Common Stock

In October 2010, the Company completed an underwritten public offering of 6,325,000 shares of Common Stock and received net proceeds of approximately $174.7 million.

ITEM 2. MANAGEMENT'S DISCUSSIONAND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion below contains forward-looking statements that involve risks and uncertainties relating to future events and the future financial performance of Regeneron Pharmaceuticals, Inc., and actual events or results may differ materially. These statements concern, among other things, the possible success and therapeutic applications of our product candidates and research programs, anticipated sales of our marketed product, the timing and nature of the clinical and research programs now underway or planned, and the future sources and uses of capital and our financial needs. These statements are made by us based on management's current beliefs and judgment. In evaluating such statements, shareholders and potential investors should specifically consider the various factors identified under the caption "Risk Factors" which could cause actual results to differ materially from those indicated by such forward-looking statements. We do not undertake any obligation to update publicly any forward-looking statement, whether as a result of new information, future events, or otherwise, except as required by law.

Overview

Regeneron Pharmaceuticals, Inc. is a biopharmaceutical company that discovers, develops, and commercializes pharmaceutical products for the treatment of serious medical conditions. We currently have one marketed product: ARCALYST® (rilonacept) Injection for Subcutaneous Use, which is available for prescription in the United States for the treatment of Cryopyrin-Associated Periodic Syndromes (CAPS), including Familial Cold Auto-inflammatory Syndrome (FCAS) and Muckle-Wells Syndrome (MWS) in adults and children 12 and older.

We have eight product candidates in clinical development, including three product candidates that are in late-stage (Phase 3) clinical development. Our late stage programs are ARCALYST®, which is being developed for the prevention of gout flares in patients initiating uric acid-lowering treatment; VEGF Trap-Eye (aflibercept ophthalmic solution), which is being developed using intraocular delivery for the treatment of eye diseases in collaboration with Bayer HealthCare LLC; and aflibercept (VEGF Trap), which is being developed in oncology in collaboration with the sanofi-aventis Group. Our earlier stage clinical programs are REGN727, an antibody to PCSK9, which is being developed for low density lipoprotein (LDL) cholesterol reduction; REGN88, an antibody to the interleukin-6 receptor (IL-6R), which is being developed in rheumatoid arthritis and ankylosing spondylitis; REGN421, an antibody to Delta-like ligand-4 (Dll4), which is being developed in oncology; REGN668, an antibody to the interleukin-4 receptor (IL-4R), which is being developed in atopic dermatitis; and REGN475, an antibody to Nerve Growth Factor (NGF), which is being developed for the treatment of pain. In addition, we expect to file an IND for REGN910, an antibody to Angiopoietin-2 (ANG2), a novel angiogenesis target in the oncology setting, by the end of 2010. We also plan to initiate clinical trials with two additional antibodies by the end of the year, REGN846 and REGN728. Our earlier stage clinical programs are fully human antibodies that are being developed in collaboration with sanofi-aventis.

Our core business strategy is to maintain a strong foundation in basic scientific research and discovery-enabling technologies and combine that foundation with our clinical development and manufacturing capabilities. Our long-term objective is to build a successful, integrated biopharmaceutical company that provides patients and medical professionals with new and better options for preventing and treating human diseases. However, developing and commercializing new medicines entails significant risk and expense.

We believe that our ability to develop product candidates is enhanced by the application of our VelociSuite™ technology platforms. Our discovery platforms are designed to identify specific proteins of therapeutic interest for a particular disease or cell type and validate these targets through high-throughput production of genetically modified mice using our VelociGene® technology to understand the role of these proteins in normal physiology as well as in models of disease. Our human monoclonal antibody technology (VelocImmune®) and cell line expression technologies (VelociMab®) may then be utilized to design and produce new product candidates directed against the disease target. Our five antibody product candidates currently in clinical trials, as well as REGN910, REGN846, and REGN728, were developed using VelocImmune®. Under the terms of our antibody collaboration with sanofi-aventis, which was expanded during 2009, we plan to advance an average of four to five new antibody product candidates into clinical development each year, for an anticipated total of 30-40 candidates from 2010 through 2017. We continue to invest in the development of enabling technologies to assist in our efforts to identify, develop, manufacture, and commercialize new product candidates.

Commercial Product:

ARCALYST®– Cryopyrin-Associated Periodic Syndromes (CAPS)

Net product sales of ARCALYST® Injection for Subcutaneous Use in the third quarter of 2010 were $4.9 million, compared to $5.0 million during the same period of 2009. We recognized $20.0 million of net product sales during the first nine months of 2010, which included $15.2 million of ARCALYST® net product sales made during that period and $4.8 million of previously deferred net product sales, as described below under "Results of Operations." In the first nine months of 2009, we recognized $13.4 million of ARCALYST® net product sales. ARCALYST® is available for prescription in the United States for the treatment of Cryopyrin-Associated Periodic Syndromes (CAPS), including Familial Cold Auto-inflammatory Syndrome (FCAS) and Muckle-Wells Syndrome (MWS) in adults and children 12 and older.

ARCALYST® is a protein-based product designed to bind the interleukin-1 (called IL-1) cytokine and prevent its interaction with cell surface receptors. CAPS is a group of rare, inherited, auto-inflammatory conditions characterized by life-long, recurrent symptoms of rash, fever/chills, joint pain, eye redness/pain, and fatigue. Intermittent, disruptive exacerbations or flares can be triggered at any time by exposure to cooling temperatures, stress, exercise, or other unknown stimuli.

Clinical Programs:

1. ARCALYST®– Inflammatory Diseases

ARCALYST® is being developed for the prevention of gout flares in patients initiating uric acid-lowering therapy. Gout, a disease in which, as in CAPS, IL-1 may play an important role in pain and inflammation, is a very painful and common form of arthritis that results from high levels of uric acid, a bodily waste product normally excreted by the kidneys. The elevated uric acid can lead to formation of urate crystals in the joints of the toes, ankles, knees, wrists, fingers, and elbows. Uric acid-lowering therapy, most commonly with allopurinol, is prescribed to eliminate the urate crystals and prevent reformation. Paradoxically, the initiation of uric acid-lowering therapy often triggers an increase in the frequency of gout attacks in the first several months of treatment, which may lead to discontinuation of therapy. The break up of the urate crystals can result in stimulation of inflammatory mediators, including IL-1, resulting in acute flares of joint pain and inflammation. These painful flares generally persist for at least five days.

We are conducting a Phase 3 clinical development program with ARCALYST® in gout patients initiating uric acid-lowering therapy. The program currently consists of PRE-SURGE 1 (PREvention Study against URate-lowering drug-induced Gout Exacerbations), PRE-SURGE 2, and RE-SURGE (REview of Safety Utilizing Rilonacept in Gout Exacerbations), each of which are described below.

In June 2010, we announced that PRE-SURGE 1 showed that ARCALYST® prevented gout attacks, as measured by the primary study endpoint of the number of gout flares per patient over the 16 week treatment period. Patients initiating urate-lowering therapy who received ARCALYST® at a weekly, self-administered, subcutaneous dose of 160 milligrams (mg) had an 80% decrease in mean number of gout flares compared to the placebo group over the 16 week treatment period (0.21 flares vs. 1.06 flares, $p<0.0001$). Patients who received ARCALYST® at a weekly dose of 80 mg had a 73% decrease compared to the placebo group (0.29 flares vs. 1.06 flares, $p<0.0001$).

All secondary endpoints of the study were highly positive ($p<0.001$ vs. placebo). Among these endpoints, treatment with ARCALYST® reduced the proportion of patients who experienced two or more flares during the study period by up to 88% (3.7% with ARCALYST® 160 mg, 5.0% with ARCALYST® 80 mg, and 31.6% with placebo, $p<0.0001$). In addition, treatment with ARCALYST® reduced the proportion of patients who experienced at least one gout flare during the study period by up to 65% (16.3% with ARCALYST® 160 mg, 18.8% with ARCALYST® 80 mg, and 46.8% with placebo, $p<0.001$).

A total of 241 patients were randomized in PRE-SURGE 1, a North America-based double-blind, placebo-controlled study. ARCALYST® was generally well tolerated with no reported drug-related serious adverse events. Adverse events that occurred at a frequency of at least 5% in any study group were: injection site reaction (19.8% with ARCALYST® 160 mg, 8.8% with ARCALYST® 80 mg, and 1.3% with placebo), upper respiratory tract infection (9.9% with ARCALYST® 160 mg, 8.8% with ARCALYST® 80 mg, and 7.6% with placebo), lower respiratory tract infection (0% with ARCALYST® 160 mg, 5.0% with ARCALYST® 80 mg, and 2.5% with placebo), musculoskeletal pain/ discomfort (6.2% with ARCALYST® 160 mg, 7.5% with ARCALYST® 80 mg, and 8.9% with placebo), and headache, (3.7% with ARCALYST® 160 mg, 6.3% with ARCALYST® 80 mg, and 1.3% with placebo).

There are two ongoing studies in the Phase 3 program with ARCALYST® in the prevention of gout flares in patients initiating uric acid-lowering therapy. The global PRE-SURGE 2 study, which has a similar trial design as PRE-SURGE 1, is evaluating the number of gout flares per patient over the first 16 weeks of initiation of allopurinol therapy. The global RE-SURGE study is evaluating the safety of ARCALYST® versus placebo over 16 weeks in patients who are at risk for gout flares because they are taking uric acid-lowering drug treatment. PRE-SURGE 2 and RE-SURGE are fully enrolled, and we expect to have initial data from both studies by early 2011. We own worldwide rights to ARCALYST®.

Royalty Agreement with Novartis Pharma AG

Under a June 2009 agreement with Novartis Pharma AG (that replaced a previous collaboration and license agreement), we receive tiered royalties on worldwide sales of Novartis' canakinumab, a fully human anti-interleukin-IL1ß antibody. The multi-tiered royalty rates in the agreement start at 4% and reach 15% when annual sales exceed $1.5 billion. Canakinumab is approved to treat CAPS and is in development for gout, type 2 diabetes, and other inflammatory diseases.

2. VEGF Trap-Eye – Ophthalmologic Diseases

VEGF Trap-Eye is a specially purified and formulated form of VEGF Trap, which is being developed for use in intraocular applications. We and Bayer HealthCare are testing VEGF Trap-Eye in Phase 3 programs in patients with the neovascular form of age-related macular degeneration (wet AMD) and central retinal vein occlusion (CRVO). We and Bayer HealthCare are also conducting a Phase 2 study of VEGF Trap-Eye in patients with diabetic macular edema (DME). Wet AMD and diabetic retinopathy (which includes DME) are two of the leading causes of adult blindness in the developed world. In both conditions, severe visual loss is caused by a combination of retinal edema and neovascular proliferation.

The Phase 3 trials in wet AMD, known as VIEW 1 and VIEW 2 (VEGF Trap: Investigation of Efficacy and Safety in Wet age-related macular degeneration), are comparing VEGF Trap-Eye and Lucentis® (ranibizumab injection), owned by Genentech, Inc., an anti-angiogenic agent approved for use in wet AMD. VIEW 1 is being conducted in North America and VIEW 2 is being conducted in Europe, Asia Pacific, Japan, and Latin America. The VIEW 1 and VIEW 2 trials are both evaluating VEGF Trap-Eye doses of 0.5 milligrams (mg) and 2.0 mg at dosing intervals of four weeks and 2.0 mg at a dosing interval of eight weeks (after three monthly doses) compared with Lucentis (Genentech) dosed according to its U.S. label, which specifies doses of 0.5 mg administered every four weeks over the first year. As-needed dosing (PRN) with both agents will be evaluated in the second year of the studies, although patients will be dosed no less frequently than every 12 weeks. VIEW 1 and VIEW 2 are fully enrolled, and initial data from both studies are expected in the fourth quarter of 2010.

VEGF Trap-Eye is also in Phase 3 development for the treatment of CRVO, another cause of visual impairment. The COPERNICUS (COntrolled Phase 3 Evaluation of Repeated iNtravitreal administration of VEGF Trap-Eye In Central retinal vein occlusion: Utility and Safety) study is being led by Regeneron and the GALILEO (General Assessment Limiting InfiLtration of Exudates in central retinal vein Occlusion with VEGF Trap-Eye) study is being led by Bayer HealthCare. Patients in both studies will receive six monthly intravitreal injections of either VEGF Trap-Eye at a dose of 2 mg or sham control injections. The primary endpoint of both studies is improvement in visual acuity versus baseline after six months of treatment. At the end of the initial six months, patients will be dosed on a PRN basis for another six months. All patients will be eligible for rescue laser treatment. Both studies are fully enrolled, and initial data from both studies are anticipated in the first half of 2011.

The Phase 2 DME study, known as DA VINCI (DME And VEGF Trap-Eye: INvestigation of Clinical Impact), is a double-masked, randomized, controlled trial that is evaluating four different dosing regimens of VEGF Trap-Eye versus laser treatment. In February 2010, we and Bayer HealthCare announced that treatment with VEGF Trap-Eye demonstrated a statistically significant improvement in visual acuity compared to focal laser therapy, the primary endpoint of the study. Visual acuity was measured by the mean number of letters gained over the initial 24 weeks of the study. Patients in each of the four dosing groups receiving VEGF Trap-Eye achieved statistically significantly greater mean improvements in visual acuity (8.5 to 11.4 letters of vision gained) compared to patients receiving focal laser therapy (2.5 letters gained) at week 24 ($p< 0.01$ for each VEGF Trap-Eye group versus focal laser). VEGF Trap-Eye was generally well-tolerated, and no ocular or non-ocular drug-related serious adverse events were reported. The adverse events reported were those typically associated with intravitreal injections or the underlying disease. Following the initial 24 weeks of treatment, patients continue to be treated for another 24 weeks on the same dosing regimens. Initial one-year results from this trial will be available in the fourth quarter of 2010.

Collaboration with Bayer HealthCare

In October 2006, we entered into a collaboration agreement with Bayer HealthCare for the global development and commercialization outside the United States of VEGF Trap-Eye. Under the agreement, we and Bayer HealthCare will collaborate on, and share the costs of, the development of VEGF Trap-Eye through an integrated global plan that encompasses wet AMD, DME, and CRVO. Bayer HealthCare will market VEGF Trap-Eye outside the United States, where the companies will share equally in profits from any future sales of VEGF Trap-Eye. If VEGF Trap-Eye is granted marketing authorization in a major market country outside the United States, we will be obligated to reimburse Bayer HealthCare for 50% of the development costs that it has incurred under the agreement from our share of the collaboration profits. Within the United States, we retain exclusive commercialization rights to VEGF Trap-Eye and are entitled to all profits from any such sales. We can earn up to $70 million in future development and regulatory milestone payments related to the development of VEGF Trap-Eye and marketing approvals in major market countries outside the United States. We can also earn up to $135 million in sales milestone payments if total annual sales of VEGF Trap-Eye outside the United States achieve certain specified levels starting at $200 million.

3. Aflibercept (VEGF Trap) – Oncology

Aflibercept is a protein-based product candidate designed to bind all forms of Vascular Endothelial Growth Factor-A (called VEGF-A), VEGF-B, and the related Placental Growth Factor (called PlGF), and prevent their interaction with cell surface receptors. VEGF-A (and to a lesser degree, PlGF) is required for the growth of new blood vessels (a process known as angiogenesis) that are needed for tumors to grow.

Aflibercept is being developed globally in cancer indications in collaboration with sanofi-aventis. We and sanofi-aventis are conducting three randomized, double-blind Phase 3 trials, all of which are fully enrolled, that are evaluating combinations of standard chemotherapy regimens with either aflibercept or placebo for the treatment of cancer. One trial (VELOUR) is evaluating aflibercept as a 2nd-line treatment for metastatic colorectal cancer in combination with FOLFIRI (folinic acid [leucovorin], 5-fluorouracil, and irinotecan). A second trial (VITAL) is evaluating aflibercept as a 2nd-line treatment for locally advanced or metastatic non-small cell lung cancer in combination with docetaxel. A third trial (VENICE) is evaluating aflibercept as a 1st-line treatment for hormone-refractory metastatic prostate cancer in combination with docetaxel/prednisone. In addition, a Phase 2 study (AFFIRM) of aflibercept in 1st-line metastatic colorectal cancer in combination with FOLFOX (folinic acid [leucovorin], 5-fluorouracil, and oxaliplatin) is also fully enrolled.

Each of the Phase 3 studies is monitored by an Independent Data Monitoring Committee (IDMC), a body of independent clinical and statistical experts. The IDMCs meet periodically to evaluate data from the studies and may recommend changes in study design or study discontinuation. Both interim and final analyses will be conducted when a pre-specified number of events have occurred in each trial. In September 2010, we and sanofi aventis announced that, following a planned interim analysis, the VELOUR study's IDMC recommended that the VELOUR study continue to completion as planned, with no modifications due to efficacy or safety concerns. Both sanofi-aventis and our management and staff remain blinded to the interim study results. Based on projected event rates, final results are anticipated in the first half of 2011 from the VITAL study and in the second half of 2011 from the VELOUR study. Based on projected event rates, an interim analysis of the VENICE study is expected to be conducted by an IDMC in mid-2011, with final results anticipated in 2012. Initial data from the AFFIRM study are anticipated in the second half of 2011.

Aflibercept Collaboration with the sanofi-aventis Group

We and sanofi-aventis U.S. (successor to Aventis Pharmaceuticals, Inc.) globally collaborate on the development and commercialization of aflibercept. Under the terms of our September 2003 collaboration agreement, as amended, we and sanofi-aventis will share co-promotion rights and profits on sales, if any, of aflibercept outside of Japan for disease indications included in our collaboration. In Japan, we are entitled to a royalty of approximately 35% on annual sales of aflibercept, subject to certain potential adjustments. We may also receive up to $400 million in milestone payments upon receipt of specified marketing approvals, including up to $360 million related to the receipt of marketing approvals for up to eight aflibercept oncology and other indications in the United States or the European Union and up to $40 million related to the receipt of marketing approvals for up to five oncology indications in Japan.

Under the aflibercept collaboration agreement, as amended, agreed upon worldwide development expenses incurred by both companies during the term of the agreement will be funded by sanofi-aventis. If the collaboration becomes profitable, we will be obligated to reimburse sanofi-aventis for 50% of aflibercept development expenses in accordance with a formula based on the amount of development expenses and our share of the collaboration profits and Japan royalties, or at a faster rate at our option.

4. REGN727 (Anti-PCSK9 Antibody) for LDL cholesterol reduction

Elevated low density lipoprotein (LDL) cholesterol levels is a validated risk factor leading to cardiovascular disease. Statins are a class of drugs that lower LDL by upregulating the expression of the LDL receptor (LDLR), which removes LDL from circulation. PCSK9 (proprotein convertase substilisin/kexin type 9) is a protein that binds to LDLR and prevents LDLR from binding to and removing LDL from circulation. People who have a mutation that reduces the activity of PCSK9 have lower levels of LDL, as well as a reduced risk of adverse cardiovascular events. We used our VelocImmune® technology to generate a fully human monoclonal antibody inhibitor of PCSK9, called REGN727, that is intended to robustly lower LDL cholesterol through a novel mechanism of action. REGN727 is targeted at inhibiting PCSK9, which results in prevention of the degradation of LDLRs in the liver, thereby facilitating LDL clearance from the systemic circulation leading to lower LDL levels in the blood.

In May 2010, we announced that in an interim efficacy analysis of a dose-escalating, randomized, double-blind, placebo-controlled, Phase 1 trial in healthy volunteers, REGN727 achieved substantial, dose dependent decreases of LDL (bad) cholesterol. Each dosing cohort consisted of six treated and two placebo patients. In July 2010, we presented additional data from this Phase 1 program. At the highest intravenous dose tested, a single dose of REGN727 achieved a greater than 60% maximum mean reduction of LDL cholesterol from baseline that lasted for more than one month. At the highest subcutaneous dose tested, a single dose of REGN727 achieved a greater than 60% maximum mean reduction of LDL cholesterol from baseline that lasted for more than two weeks. No serious adverse events and no dose limiting toxicities have been reported. Dose escalation is ongoing in both studies.

In July 2010, we also presented the results of an interim efficacy analysis of a dose escalating, randomized, double-blind, placebo-controlled Phase 1 trial of subcutaneously delivered REGN727 in hyperlipidemic patients (familial hypercholesterolemia and non-familial hypercholesterolemia) on stable doses of statins whose LDL levels were greater than 100 milligrams per deciliter (mg/dL). At the highest dose tested at that time, in eleven patients, a single dose of REGN727 achieved an approximately 40% maximum mean additional reduction of LDL cholesterol from baseline. No serious adverse events and no dose limiting toxicities were reported. Dose escalation in this study is ongoing. We expect to begin a Phase 2 program in the first half of 2011. REGN727 is being developed in collaboration with sanofi-aventis.

5. REGN88 (Anti-IL-6R Antibody) for inflammatory diseases

Interleukin-6 (IL-6) is a key cytokine involved in the pathogenesis of rheumatoid arthritis, causing inflammation and joint destruction. A therapeutic antibody to the IL-6 receptor (IL-6R), Actemra® (tocilizumab), marketed by Genentech, has been approved for the treatment of rheumatoid arthritis.

REGN88 is a fully human monoclonal antibody to IL-6R generated using our VelocImmune® technology that has completed Phase 1 studies, the results of which were presented at the annual meeting of the European League Against Rheumatism (EULAR) in June 2010. REGN88 was well tolerated by patients with rheumatoid arthritis, and no dose-limiting toxicities were reported. Treatment with REGN88 resulted in dose-related reductions in biomarkers of inflammation. REGN88 is currently in a Phase 2/3 double-blind, placebo-controlled, dose-ranging study in patients with active rheumatoid arthritis and a Phase 2 double-blind, placebo-controlled, dose-ranging study in ankylosing spondylitis, a form of arthritis that primarily affects the spine. Both studies are enrolling patients. REGN88 is being developed in collaboration with sanofi-aventis.

6. REGN421 (Anti-Dll4 Antibody) for advanced malignancies

In many clinical settings, positively or negatively regulating blood vessel growth could have important therapeutic benefits, as could the repair of damaged and leaky vessels. VEGF was the first growth factor shown to be specific for blood vessels, by virtue of having its receptor primarily expressed on blood vessel cells. In the December 21, 2006 issue of the journal Nature, we reported data from a preclinical study demonstrating that blocking an important cell signaling molecule, known as Delta-like ligand 4 (Dll4), inhibited the growth of experimental tumors by interfering with their ability to produce a functional blood supply. The inhibition of tumor growth was seen in a variety of tumor types, including those that were resistant to blockade of VEGF, suggesting a novel anti-angiogenesis therapeutic approach. Moreover, inhibition of tumor growth is enhanced by the combination of Dll4 and VEGF blockade in many preclinical tumor models.

REGN421 is a fully human monoclonal antibody to Dll4 generated using our VelocImmune® technology. REGN421, which is being developed in collaboration with sanofi-aventis, is in Phase 1 clinical development.

7. REGN668 (Anti-IL-4R Antibody) for allergic and immune conditions

Interleukin-4 receptor (IL-4R) is required for signaling by the cytokines IL-4 and IL-13. Both of these cytokines are critical mediators of immune response, which, in turn, drives the formation of Immunoglobulin E (IgE) antibodies and the development of allergic responses, as well as the atopic state that underlies asthma and atopic dermatitis.

REGN668 is a fully human monoclonal antibody generated using our VelocImmune® technology that is designed to bind to IL-4R. REGN668, which is being developed in collaboration with sanofi-aventis, has completed a Phase 1 trial in healthy volunteers, and will be initiating a Phase 2 trial in atopic dermatitis in the fourth quarter of 2010.

8. REGN475 (Anti-NGF Antibody) for pain

Nerve growth factor (NGF) is a member of the neurotrophin family of secreted proteins. NGF antagonists have been shown to prevent increased sensitivity to pain and abnormal pain response in animal models of neuropathic and chronic inflammatory pain. Mutations in the genes that code for the NGF receptors were identified in people suffering from a loss of deep pain perception. For these and other reasons, we believe blocking NGF could be a promising therapeutic approach to a variety of pain indications.

REGN475 is a fully human monoclonal antibody to NGF, generated using our VelocImmune® technology, which is designed to block pain sensitization in neurons. Preclinical experiments indicate that REGN475 specifically binds to and blocks NGF activity and does not bind to or block cell signaling for closely related neurotrophins such as NT-3, NT-4, or BDNF. REGN475 is being developed in collaboration with sanofi-aventis.

In May 2010, we announced an interim analysis of a randomized, double-blind, four-arm, placebo-controlled Phase 2 trial in 217 patients with osteoarthritis of the knee. In July 2010, we presented additional results from this trial through 16 weeks. The primary endpoint of this study is safety, and REGN475 was generally well tolerated. Serious treatment emergent adverse events were rare and balanced between placebo and drug arms with three events (5.5%) in the placebo group and four events (2.5%) in the combined REGN475 groups. The most frequent adverse events reported among patients receiving REGN475 included sensory abnormalities, arthralgias, hyper/hypo-reflexia, peripheral edema, and injection site reactions. The types and frequencies of adverse events reported were similar to those previously reported from other investigational studies involving an anti-NGF antibody.

In the first interim efficacy analysis, REGN475 demonstrated significant improvements at the two highest doses tested as compared to placebo in average walking pain scores over 8 weeks following a single intravenous infusion ($p<0.01$). In July 2010, we reported that REGN475 demonstrated significant improvements at the two highest doses tested as compared to placebo in average walking pain scores over 16 weeks following a second intravenous infusion at week 8 ($p<0.01$). Pain was measured by the Numeric Rating Scale (NRS), as well as the Western Ontario and McMaster Osteoarthritis Index (WOMAC) pain and function subscales.

Analysis of efficacy data from a Phase 2 trial in the acute setting of nerve root compression induced pain (acute sciatica) suggests that REGN475 therapy will not be effective in this setting.

At the request of the U.S. Food and Drug Administration (FDA), another pharmaceutical company has suspended its anti-NGF antibody clinical program in osteoarthritis and certain other chronic pain indications. We have responded to FDA requests for information about patients in our REGN475 clinical trials. REGN475 is currently not on clinical hold, and our Phase 2 trials in patients with vertebral fracture pain and chronic pancreatitis pain are ongoing. Our Phase 2 trial in osteoarthritis of the knee has been completed.

9. REGN910 (Anti-ANG2 Antibody) for oncology

We expect to file an IND for REGN910, an antibody to Angiopoietin-2 (ANG2), a novel angiogenesis target in the oncology setting, by the end of 2010. REGN910 is being developed in collaboration with sanofi-aventis.

10. Additional antibody candidates

We plan to initiate clinical trials with two additional antibodies by the end of the year, REGN846 and REGN728, both being developed in collaboration with sanofi-aventis.

Research and Development Technologies:

Many proteins that are either on the surface of or secreted by cells play important roles in biology and disease. One way that a cell communicates with other cells is by releasing specific signaling proteins, either locally or into the bloodstream. These proteins have distinct functions, and are classified into different “families” of molecules, such as peptide hormones, growth factors, and cytokines. All of these secreted (or signaling) proteins travel to and are recognized by another set of proteins, called “receptors,” which reside on the surface of responding cells. These secreted proteins impact many critical cellular and biological processes, causing diverse effects ranging from the regulation of growth of particular cell types, to inflammation mediated by white blood cells. Secreted proteins can at times be overactive and thus result in a variety of diseases. In these disease settings, blocking the action of specific secreted proteins can have clinical benefit. In other cases, proteins on the cell-surface can mediate the interaction between cells, such as the processes that give rise to inflammation and autoimmunity.

Our scientists have developed two different technologies to design protein therapeutics to block the action of specific cell surface or secreted proteins. The first technology, termed the “Trap” technology, was used to generate our first approved product, ARCALYST®, as well as aflibercept and VEGF Trap-Eye, all of which are in Phase 3 clinical trials. These novel “Traps” are composed of fusions between two distinct receptor components and the constant region of an antibody molecule called the “Fc region”, resulting in high affinity product candidates. VelociSuiteTM is our second technology platform and it is used for discovering, developing, and producing fully human monoclonal antibodies that can address both secreted and cell-surface targets.

VelociSuiteTM

VelociSuiteTM consists of VelocImmune®, VelociGene®, VelociMouse®, and VelociMab®. The VelocImmune® mouse platform is utilized to produce fully human monoclonal antibodies. VelocImmune® was generated by exploiting our VelociGene® technology (see below), in a process in which six megabases of mouse immune gene loci were replaced, or “humanized,” with corresponding human immune gene loci.

VelocImmune® mice can be used to generate efficiently fully human monoclonal antibodies to targets of therapeutic interest. VelocImmune® and our entire VelociSuiteTM offer the potential to increase the speed and efficiency through which human monoclonal antibody therapeutics may be discovered and validated, thereby improving the overall efficiency of our early stage drug development activities. We are utilizing the VelocImmune® technology to produce our next generation of drug candidates for preclinical and clinical development.

Our VelociGene® platform allows custom and precise manipulation of very large sequences of DNA to produce highly customized alterations of a specified target gene, or genes, and accelerates the production of knock-out and transgenic expression models without using either positive/negative selection or isogenic DNA. In producing knock-out models, a color or fluorescent marker may be substituted in place of the actual gene sequence, allowing for high-resolution visualization of precisely where the gene is active in the body during normal body functioning as well as in disease processes. For the optimization of pre-clinical development and pharmacology programs, VelociGene® offers the opportunity to humanize targets by replacing the mouse gene with the human homolog. Thus, VelociGene® allows scientists to rapidly identify the physical and biological effects of deleting or over-expressing the target gene, as well as to characterize and test potential therapeutic molecules.

Our VelociMouse® technology platform allows for the direct and immediate generation of genetically altered mice from embryonic stem cells (ES cells), thereby avoiding the lengthy process involved in generating and breeding knockout mice from chimeras. Mice generated through this method are normal and healthy and exhibit a 100% germ-line transmission. Furthermore, the VelociMice are suitable for direct phenotyping or other studies. We have also developed our VelociMab® platform for the rapid screening of antibodies and rapid generation of expression cell lines for our Traps and our VelocImmune® human monoclonal antibodies.

Antibody Collaboration and License Agreements

sanofi-aventis. In November 2007, we and sanofi-aventis entered into a global, strategic collaboration to discover, develop, and commercialize fully human monoclonal antibodies. The collaboration is governed by a Discovery and Preclinical Development Agreement and a License and Collaboration Agreement. We received a non-refundable, up-front payment of $85.0 million from sanofi-aventis under the discovery agreement. In addition, sanofi-aventis is funding research at Regeneron to identify and validate potential drug discovery targets and develop fully human monoclonal antibodies against these targets. Sanofi-aventis funded approximately $175 million of research from the collaboration's inception through December 31, 2009.

In November 2009, we and sanofi-aventis amended these agreements to expand and extend our antibody collaboration. Sanofi-aventis will now fund up to $160 million per year of our antibody discovery activities over the period from 2010-2017, subject to a one-time option for sanofi-aventis to adjust the maximum reimbursement amount down to $120 million per year commencing in 2014 if over the prior two years certain specified criteria are not satisfied. In addition, sanofi-aventis will fund up to $30 million of agreed-upon costs we incur to expand our manufacturing capacity at our Rensselaer, New York facilities. In 2010, as we scale up our capacity to conduct antibody discovery activities, we will incur and seek reimbursement of only $130-$140 million of antibody discovery costs, with the balance between that amount and $160 million added to the funding otherwise available to us in 2011-2012. As under the original 2007 agreement, sanofi-aventis also has an option to extend the discovery program for up to an additional three years for further antibody development and preclinical activities. We will lead the design and conduct of research activities, including target identification and validation, antibody development, research and preclinical activities through filing of an Investigational New Drug Application or its equivalent, toxicology studies, and manufacture of preclinical and clinical supplies. The goal of the expanded collaboration is to advance an average of four to five new antibody product candidates into clinical development each year, for an anticipated total of 30-40 candidates from 2010 through 2017.

For each drug candidate identified under the discovery agreement, sanofi-aventis has the option to license rights to the candidate under the license agreement. If it elects to do so, sanofi-aventis will co-develop the drug candidate with us through product approval. Development costs will be shared between the companies, with sanofi-aventis generally funding drug candidate development costs up front, 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 will be shared 80% by sanofi-aventis and 20% by us. We are generally responsible for reimbursing sanofi-aventis for half of the total development costs for all collaboration antibody products from our share of profits from commercialization of collaboration products to the extent they are sufficient for this purpose. However, we are not required to apply more than 10% of our share of the profits from collaboration products in any calendar quarter towards reimbursing sanofi-aventis for these development costs.

Sanofi-aventis will lead commercialization activities for products developed under the license agreement, subject to our right to co-promote such products. The parties will equally share profits and losses from sales within the United States. The parties will share profits outside the United States on a sliding scale based on sales starting at 65% (sanofi-aventis)/35% (us) and ending at 55% (sanofi-aventis)/45% (us), and will share losses outside the United States at 55% (sanofi-aventis)/45% (us). In addition to profit sharing, we are entitled to receive up to $250 million in sales milestone payments, with milestone payments commencing after aggregate annual sales outside the United States exceed $1.0 billion on a rolling 12-month basis.

In August 2008, we entered into an agreement with sanofi-aventis to use our VelociGene® platform to supply sanofi-aventis with genetically modified mammalian models of gene function and disease. Sanofi-aventis will pay us a minimum of $21.5 million for the term of the agreement, which extends through December 2012, for knock-out and transgenic models of gene function for target genes identified by sanofi-aventis. Sanofi-aventis will use these models for its internal research programs that are outside of the scope of our antibody collaboration.

AstraZeneca UK Limited. In February 2007, we entered into a non-exclusive license agreement with AstraZeneca UK Limited that allows AstraZeneca to utilize our VelocImmune® technology in its internal research programs to discover human monoclonal antibodies. Under the terms of the agreement, AstraZeneca made $20.0 million annual, non-refundable payments to us in the first quarter of 2007, 2008, 2009, and 2010. AstraZeneca is required to make up to two additional annual payments of $20.0 million, subject to its ability to terminate the agreement. We are entitled to receive a mid-single-digit royalty on any future sales of antibody products discovered by AstraZeneca using our VelocImmune® technology.

Astellas Pharma Inc. In March 2007, we entered into a non-exclusive license agreement with Astellas Pharma Inc. that allows Astellas to utilize our VelocImmune® technology in its internal research programs to discover human monoclonal antibodies. Under the terms of the agreement, Astellas made $20.0 million annual, non-refundable payments to us in the second quarter of 2007, 2008, 2009, and 2010. 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 us in August 2010. In addition, Astellas will make a $130.0 million second payment to us 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 our material breach of the agreement, 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 us under the July 2010 amendment to the agreement. We are entitled to receive a mid-single-digit royalty on any future sales of antibody products discovered by Astellas using our VelocImmune® technology.

National Institutes of Health Grant

In September 2006, we were awarded a five-year grant from the National Institutes of Health (NIH) as part of the NIH's Knockout Mouse Project. The goal of the Knockout Mouse Project is to build a comprehensive and broadly available resource of knockout mice to accelerate the understanding of gene function and human diseases. Under the NIH grant, as amended, we have received $19.3 million from the grant's inception through September 30, 2010 and are entitled to receive an additional $6.0 million through the remaining term of the grant.

Research Programs

Our preclinical research programs are in the areas of oncology and angiogenesis, ophthalmology, metabolic and related diseases, muscle diseases and disorders, inflammation and immune diseases, bone and cartilage, pain, cardiovascular diseases, and infectious diseases.

General

Developing and commercializing new medicines entails significant risk and expense. Since inception we have not generated any significant sales or profits from the commercialization of ARCALYST® or any of our other product candidates. Before significant revenues from the commercialization of ARCALYST® or our other product candidates can be realized, we (or our collaborators) must overcome a number of hurdles which include successfully completing research and development and obtaining regulatory approval from the FDA and regulatory authorities in other countries. In addition, the biotechnology and pharmaceutical industries are rapidly evolving and highly competitive, and new developments may render our products and technologies uncompetitive or obsolete.

From inception on January 8, 1988 through September 30, 2010, we had a cumulative loss of $1.0 billion. In the absence of significant revenues from the commercialization of ARCALYST® or our other product candidates or other sources, the amount, timing, nature, and source of which cannot be predicted, our losses will continue as we conduct our research and development activities. We expect to incur substantial losses over the next several years as we continue the clinical development of VEGF Trap-Eye and ARCALYST®; advance new product candidates into clinical development from our existing research programs utilizing our technology for discovering fully human monoclonal antibodies; continue our research and development programs; and commercialize additional product candidates that receive regulatory approval, if any. Also, our activities may expand over time and require additional resources, and we expect our operating losses to be substantial over at least the next several years. Our losses may fluctuate from quarter to quarter and will depend on, among other factors, the progress of our research and development efforts, the timing of certain expenses, and the amount and timing of payments that we receive from collaborators.

The planning, execution, and results of our clinical programs are significant factors that can affect our operating and financial results. In our clinical programs, key events to date in 2010 and plans over the next 12 months are as follows:

Clinical Program	2010 Events to Date	2010-11 Plans (next 12 months)
ARCALYST® (rilonacept)	• Reported positive results from PRE-SURGE 1 and completed patient enrollment of PRE-SURGE 2 and RE-SURGE. PRE-SURGE 1 and 2 are Phase 3 studies that are evaluating ARCALYST® in the prevention of gout flares associated with the initiation of uric acid-lowering drug therapy • Reported results showing no significant improvement in pain relief from a separate Phase 3 study evaluating ARCALYST® in the treatment of acute gout flares	• Report data from PRE-SURGE 2 and RE-SURGE in early 2011
VEGF Trap – Eye	• Completed patient enrollment in two Phase 3 CRVO trials (COPERNICUS and GALILEO) • Reported positive 24-week primary endpoint results from the Phase 2 DME trial (DA VINCI)	• Report data from VIEW 1 and VIEW 2 trials in the fourth quarter of 2010 • Report data from GALILEO and COPERNICUS trials in the first half of 2011 • Report one-year results from the DA VINCI trial in the fourth quarter of 2010
Aflibercept (VEGF Trap – Oncology)	• Completed patient enrollment in the Phase 3 studies in non-small cell lung cancer (VITAL), prostate cancer (VENICE), and colorectal cancer (VELOUR) • Completed patient enrollment in a Phase 2 1st-line study in metastatic colorectal cancer (AFFIRM) in combination with chemotherapy • An IDMC conducted an interim analysis of the VELOUR study in colorectal cancer and recommended that the study continue to completion as planned with no modifications due	• Report data from the VITAL study in non-small cell lung cancer in the first half of 2011 • An IDMC is expected to conduct an interim analysis of the VENICE study in prostate cancer in mid-2011 • Report data from the VELOUR study in metastatic colorectal cancer in the second half of 2011

to efficacy or safety concerns

Clinical Program	2010 Events to Date	2010-11 Plans (next 12 months)
REGN727 (PCSK9 Antibody)	• Reported proof-of-concept data from a Phase 1 study for LDL cholesterol reduction	• Report additional data from the Phase 1 program and initiate a Phase 2 program for LDL cholesterol reduction
REGN88 (IL-6R Antibody)	• Initiated a Phase 2/3 dose-ranging study in rheumatoid arthritis and a Phase 2 dose-ranging study in ankylosing spondylitis • Reported data from the Phase 1 program in rheumatoid arthritis	• Report data from the Phase 2 portion of a Phase 2/3 study in rheumatoid arthritis
REGN421 (Dll4 Antibody)		• Initiate a Phase 2 program in advanced malignancies
REGN668 (IL-4RAntibody)	• Completed a Phase 1 study in healthy volunteers	• Initiate a Phase 2 program in the treatment of atopic dermatitis in the fourth quarter of 2010
REGN475 (NGF Antibody)	• Reported interim data from the Phase 2 studies in osteoarthritis of the knee and acute sciatica	• Report additional data from the Phase 2 study in osteoarthritis of the knee
REGN910 (ANG2 Antibody)	• Completed preclinical development	• Initiate a Phase 1 study in oncology by the end of 2010

Results of Operations

Three Months Ended September 30, 2010 and 2009

Net Loss

Regeneron reported a net loss of $33.9 million, or $0.41 per share (basic and diluted), for the third quarter of 2010, compared to a net loss of $1.0 million, or $0.01 per share (basic and diluted) for the third quarter of 2009. The increase in our net loss was principally due to higher research and development expenses in 2010, as detailed below, as well as a decrease in collaboration revenue due to the receipt of a $20.0 million substantive milestone payment from Bayer HealthCare in 2009.

Revenues

Revenues for the three months ended September 30, 2010 and 2009 consist of the following:

(In millions)	2010	2009
Collaboration revenue		
Sanofi-aventis	$ 75.6	$ 68.5
Bayer HealthCare	13.8	32.2
Total collaboration revenue	89.4	100.7
Technology licensing revenue	10.0	10.0
Net product sales	4.9	5.0
Contract research and other revenue	1.7	1.8
Total revenue	$ 106.0	$ 117.5

Sanofi-aventis Collaboration Revenue

The collaboration revenue we earn from sanofi-aventis, as detailed below, consists primarily of reimbursement for research and development expenses and recognition of revenue related to non-refundable up-front payments of $105.0 million related to the aflibercept collaboration and $85.0 million related to the antibody collaboration.

Sanofi-aventis Collaboration Revenue	Three months ended September 30,	
(In millions)	2010	2009
Aflibercept:		
Regeneron expense reimbursement	$ 3.9	$ 7.0
Recognition of deferred revenue related to up-front payments	2.5	2.5
Total aflibercept	6.4	9.5
Antibody:		
Regeneron expense reimbursement	66.8	55.7
Recognition of deferred revenue related to up-front and other payments	2.0	2.6
Recognition of revenue related to VelociGene® agreement	0.4	0.7
Total antibody	69.2	59.0
Total sanofi-aventis collaboration revenue	$ 75.6	$ 68.5

Sanofi-aventis' reimbursement of our aflibercept expenses decreased in the third quarter of 2010 compared to same period in 2009, primarily due to lower costs related to manufacturing aflibercept clinical supplies as well as a decrease in internal research activities. As of September 30, 2010, $35.0 million of the original $105.0 million of up-front payments related to our aflibercept collaboration with sanofi-aventis was deferred and will be recognized as revenue in future periods.

In the third quarter of 2010, sanofi-aventis' reimbursement of our antibody expenses consisted of $36.9 million under the discovery agreement and $29.9 million of development costs under the license agreement, compared to $25.7 million and $30.0 million, respectively, in the third quarter of 2009. The higher reimbursement of our antibody expenses in the third quarter of 2010 compared to the same period in 2009 was due to an increase in our research activities conducted under the discovery agreement.

Recognition of deferred revenue, related primarily to sanofi-aventis' $85.0 million up-front payment, decreased during the third quarter of 2010 compared to the same period in 2009 due to the November 2009 amendments to expand and extend the companies' antibody collaboration. In connection with the November 2009 amendment of the discovery agreement, sanofi-aventis is funding up to $30 million of agreed-upon costs incurred by us to expand our manufacturing capacity at our Rensselaer, New York facilities, of which $21.6 million was received or receivable from sanofi-aventis as of September 30, 2010. Payments for such funding from sanofi-aventis are deferred and recognized as collaboration revenue prospectively over the related performance period in conjunction with the original $85.0 million up-front payment. As of September 30,

2010, $80.0 million of the original up-front payment and subsequent payments to fund expansion of our Rensselaer facilities was deferred and will be recognized as revenue in future periods.

In August 2008, we entered into a separate VelociGene® agreement with sanofi-aventis. For the three months ended September 30, 2010 and 2009, we recognized $0.4 million and $0.7 million, respectively, in revenue related to this agreement.

Bayer HealthCare Collaboration Revenue

The collaboration revenue we earn from Bayer HealthCare, as detailed below, consists of cost sharing of Regeneron VEGF Trap-Eye development expenses, substantive performance milestone payments, and recognition of revenue related to a non-refundable $75.0 million up-front payment received in October 2006 and a $20.0 million milestone payment received in August 2007 (which, for the purpose of revenue recognition, was not considered substantive).

Bayer HealthCare Collaboration Revenue (In millions)	Three months ended September 30, 2010	2009
Cost-sharing of Regeneron VEGF Trap-Eye development expenses	$ 11.3	$ 9.7
Substantive performance milestone payment		20.0
Recognition of deferred revenue related to up-front and milestone payments	2.5	2.5
Total Bayer HealthCare collaboration revenue	$ 13.8	$ 32.2

In periods when we recognize VEGF Trap-Eye development expenses that we incur under our collaboration with Bayer HealthCare, we also recognize, as collaboration revenue, the portion of those VEGF Trap-Eye development expenses that is reimbursable by Bayer HealthCare. Cost-sharing of our VEGF Trap-Eye development expenses with Bayer HealthCare increased in the third quarter of 2010, compared to the same period in 2009, due to higher internal development activities and higher costs related to manufacturing VEGF Trap-Eye clinical supplies. In 2010 and 2009, development expenses incurred by Regeneron and Bayer HealthCare under the VEGF Trap-Eye global development plan were shared equally. As of September 30, 2010, $49.4 million of the $75.0 million up-front licensing and $20.0 million milestone payments was deferred and will be recognized as revenue in future periods. In July 2009, we received a $20.0 million substantive milestone payment from Bayer HealthCare in connection with the dosing of the first patient in a Phase 3 trial of VEGF Trap-Eye in CRVO. The payment was recognized in other collaboration revenue for the three months ended September 30, 2009.

Technology Licensing Revenue

In connection with our VelocImmune® license agreements with AstraZeneca and Astellas, each of the $20.0 million annual, non-refundable payments have been deferred upon receipt and recognized as revenue ratably over approximately the ensuing year of each agreement. In the third quarter of both 2010 and 2009, we recognized $10.0 million of technology licensing revenue related to these agreements. In addition, in connection with the amendment and extension of our license agreement with Astellas, as described above under “Antibody Collaboration and License Agreements,” the $165.0 million up-front payment was deferred upon receipt in August 2010 and will be recognized as revenue ratably over a seven-year period beginning in mid-2011.

Net Product Sales

For the three months ended September 30, 2010, ARCALYST® net product sales were $4.9 million, compared to $5.0 million during the same period in 2009. There was no deferred ARCALYST® net product sales revenue at September 30, 2010. At September 30, 2009, deferred ARCALYST® net product sales revenue was $5.0 million.

Contract Research and Other Revenue

Contract research and other revenue for the three months ended September 30, 2010 and 2009 included $1.2 million and $1.4 million, respectively, recognized in connection with our five-year grant from the NIH, which we were awarded in September 2006 as part of the NIH's Knockout Mouse Project.

Expenses

Total operating expenses increased to $138.1 million in the third quarter of 2010 from $118.7 million in the third quarter of 2009. Our average headcount increased to 1,317 in the third quarter of 2010 from 998 in the same period of 2009 principally as a result of our expanding research and development activities, which are primarily attributable to our antibody collaboration with sanofi-aventis.

Operating expenses in the third quarter of 2010 and 2009 include a total of $8.8 million and $7.5 million, respectively, of non-cash compensation expense related to employee stock option and restricted stock awards (Non-cash Compensation Expense), as detailed below:

	For the three months ended September 30, 2010		
Expenses (In millions)	Expenses before inclusion of Non-cash Compensation Expense	Non-cash Compensation Expense	Expenses as Reported
Research and development	$ 116.7	$ 5.3	$ 122.0
Selling, general, and administrative	12.2	3.5	15.7
Cost of goods sold	0.4		0.4
Total operating expenses	$ 129.3	$ 8.8	$ 138.1

	For the three months ended September 30, 2009		
Expenses (In millions)	Expenses before inclusion of Non-cash Compensation Expense	Non-cash Compensation Expense	Expenses as Reported
Research and development	$ 100.8	$ 4.6	$ 105.4
Selling, general, and administrative	9.9	2.9	12.8
Cost of goods sold	0.5		0.5
Total operating expenses	$ 111.2	$ 7.5	$ 118.7

Research and Development Expenses

Research and development expenses increased to $122.0 million in the third quarter of 2010 from $105.4 million in the same period of 2009. The following table summarizes the major categories of our research and development expenses for the three months ended September 30, 2010 and 2009:

Research and Development Expenses (In millions)	For the three months ended September 30, 2010	2009	Increase (Decrease)
Payroll and benefits (1)	$ 34.7	$ 24.5	$ 10.2
Clinical trial expenses	23.1	29.4	(6.3)

Clinical manufacturing costs (2)	25.1	18.0	7.1
Research and other development costs	13.8	11.1	2.7
Occupancy and other operating costs	13.5	10.5	3.0
Cost-sharing of Bayer HealthCare VEGF Trap-Eye development expenses (3)	11.8	11.9	(0.1)
Total research and development expenses	$ 122.0	$ 105.4	$ 16.6

(1) Includes $4.6 million and $3.9 million of Non-cash Compensation Expense for the three months ended September 30, 2010 and 2009, respectively.

(2) Represents the full cost of manufacturing drug for use in research, preclinical development, and clinical trials, including related payroll and benefits, Non-cash Compensation Expense, manufacturing materials and supplies, depreciation, and occupancy costs of our Rensselaer manufacturing facility. Includes $0.7 million of Non-cash Compensation Expense for both the three months ended September 30, 2010 and 2009.

(3) Under our collaboration with Bayer HealthCare, in periods when Bayer HealthCare incurs VEGF Trap-Eye development expenses, we also recognize, as additional research and development expense, the portion of Bayer HealthCare's VEGF Trap-Eye development expenses that we are obligated to reimburse. Bayer HealthCare provides us with estimated VEGF Trap-Eye development expenses for the most recent fiscal quarter. Bayer HealthCare's estimate is reconciled to its actual expenses for such quarter in the subsequent fiscal quarter and our portion of its VEGF Trap-Eye development expenses that we are obligated to reimburse is adjusted accordingly.

Payroll and benefits increased principally due to the increase in employee headcount, as described above. Clinical trial expenses decreased due primarily to lower costs related to our ARCALYST® clinical development program in gout and certain monoclonal antibodies which are in earlier stage clinical development. Clinical manufacturing costs increased primarily due to higher facility-related costs in connection with the expansion of our manufacturing capacity at our Rensselaer facility. In addition, we incurred higher costs related to manufacturing clinical supplies of ARCALYST® and VEGF Trap-Eye, partly offset by lower costs related to manufacturing clinical supplies of monoclonal antibodies and aflibercept. Research and other development costs increased primarily due to higher costs associated with our VEGF Trap-Eye, ARCALYST®, and antibody programs. Occupancy and other operating costs increased principally in connection with our higher headcount, expanded research and development activities, and new and expanded leased laboratory and office facilities in Tarrytown, New York. Cost-sharing of Bayer HealthCare's VEGF Trap-Eye development expenses decreased slightly primarily due to lower costs associated with the VIEW 2 trial in wet AMD which were offset by higher costs in connection with the GALILEO trial in CRVO, both of which are being conducted by Bayer HealthCare.

We prepare estimates of research and development costs for projects in clinical development, which include direct costs and allocations of certain costs such as indirect labor, Non-cash Compensation Expense, and manufacturing and other costs related to activities that benefit multiple projects, and, under our collaboration with Bayer HealthCare, the portion of Bayer HealthCare's VEGF Trap-Eye development expenses that we are obligated to reimburse. Our estimates of research and development costs for clinical development programs are shown below:

Project Costs (In millions)	For the three months ended September 30, 2010	2009	Increase (Decrease)
ARCALYST®	$ 16.5	$ 15.5	$ 1.0
VEGF Trap-Eye	33.2	29.9	3.3
Aflibercept	2.8	6.1	(3.3)
REGN88	6.0	10.0	(4.0)
Other antibody candidates in clinical development	18.4	9.5	8.9
Other research programs & unallocated costs	45.1	34.4	10.7
Total research and development expenses	$ 122.0	$ 105.4	$ 16.6

Drug development and approval in the United States is a multi-step process regulated by the FDA. The process begins with discovery and preclinical evaluation, leading up to the submission of an IND to the FDA which, if successful, allows the opportunity for study in humans, or clinical study, of the potential new drug. Clinical development typically involves three phases of study: Phases 1, 2, and 3. The most significant costs in clinical development are in Phase 3 clinical trials, as they tend to be the longest and largest studies in the drug development process. Following successful completion of Phase 3 clinical trials for a biological product, a biologics license application (or BLA) must be submitted to, and accepted by, the FDA, and the FDA must approve the BLA prior to commercialization of the drug. It is not uncommon for the FDA to request additional data following its review of a BLA, which can significantly increase the drug development timeline and expenses. We may elect either on our own, or at the request of the FDA, to conduct further studies that are referred to as Phase 3B and 4 studies. Phase 3B studies are initiated and either completed or substantially completed while the BLA is under FDA review. These studies are conducted under an IND. Phase 4 studies, also referred to as post-marketing studies, are studies that are initiated and conducted after the FDA has approved a product for marketing. In addition, as discovery research, preclinical development, and clinical programs progress, opportunities to expand development of drug candidates into new disease indications can emerge. We may elect to add such new disease indications to our development efforts (with the approval of our collaborator for joint development programs), thereby extending the period in which we will be developing a product. For example, we, and our collaborators where applicable, continue to explore further development of ARCALYST®, aflibercept, and VEGF Trap-Eye in different disease indications.

There are numerous uncertainties associated with drug development, including uncertainties related to safety and efficacy data from each phase of drug development, uncertainties related to the enrollment and performance of clinical trials, changes in regulatory requirements, changes in the competitive landscape affecting a product candidate, and other risks and uncertainties described in Item 1A, “Risk Factors” under “Risks Related to ARCALYST® (rilonacept) and the Development of Our Product Candidates,” “Regulatory and Litigation Risks,” and “Risks Related to Commercialization of Products.” The lengthy process of seeking FDA approvals, and subsequent compliance with applicable statutes and regulations, require the expenditure of substantial resources. Any failure by us to obtain, or delay in obtaining, regulatory approvals could materially adversely affect our business.

For these reasons and due to the variability in the costs necessary to develop a product and the uncertainties related to future indications to be studied, the estimated cost and scope of the projects, and our ultimate ability to obtain governmental approval for commercialization, accurate and meaningful estimates of the total cost to bring our product candidates to market are not available. Similarly, we are currently unable to reasonably estimate if our product candidates in clinical development will generate material product revenues and net cash inflows. In 2008, we received FDA approval for ARCALYST® for the treatment of CAPS, a group of rare, inherited auto-inflammatory diseases that affect a very small group of people. We currently do not expect to generate material product revenues and net cash inflows from the sale of ARCALYST® for the treatment of CAPS.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses increased to $15.7 million in the third quarter of 2010 from $12.8 million in the same period of 2009. In the third quarter of 2010, we incurred higher compensation expense due primarily to increases in headcount, higher Non-cash Compensation Expense, and higher recruitment costs.

Cost of Goods Sold

Cost of goods sold related to ARCALYST® sales, which consisted primarily of royalties and other period costs, totaled $0.4 million and $0.5 million for the quarters ended September 30, 2010 and 2009, respectively. To date, ARCALYST® shipments to our customers have consisted of supplies of inventory manufactured and expensed prior to FDA approval of ARCALYST® for the treatment of CAPS in February 2008; therefore, the costs of these supplies were not included in costs of goods sold.

Other Income and Expense

Investment income decreased to $0.5 million in the third quarter of 2010 from $0.9 million in the comparable quarter of 2009, primarily due to lower average balances of, and lower yields on, cash and marketable securities. Interest expense of $2.2 million and $0.6 million in the third quarter of 2010 and 2009, respectively, was attributable to the imputed interest portion of payments to our landlord to lease newly constructed laboratory and office facilities in Tarrytown, New York. These payments commenced in the third quarter of 2009.

Nine Months Ended September 30, 2010 and 2009

Net Loss

Regeneron reported a net loss of $89.9 million, or $1.10 per share (basic and diluted), for the first nine months of 2010, compared to a net loss of $31.3 million, or $0.39 per share (basic and diluted) for the first nine months of 2009. The increase in our net loss was principally due to higher research and development expenses in 2010, as detailed below, partly offset by higher collaboration revenue in 2010 primarily in connection with our antibody collaboration with sanofi-aventis.

Revenues

Revenues for the nine months ended September 30, 2010 and 2009 consist of the following:

(In millions)	2010	2009
Collaboration revenue		
Sanofi-aventis	$ 229.2	$ 178.9
Bayer HealthCare	40.5	54.9
Total collaboration revenue	269.7	233.8
Technology licensing revenue	30.1	30.0
Net product sales	20.0	13.4
Contract research and other revenue	5.6	5.3
Total revenue	$ 325.4	$ 282.5

Sanofi-aventis Collaboration Revenue

The collaboration revenue we earn from sanofi-aventis, as detailed below, consists primarily of reimbursement for research and development expenses and recognition of revenue related to non-refundable up-front payments of $105.0 million related to the aflibercept collaboration and $85.0 million related to the antibody collaboration.

Sanofi-aventis Collaboration Revenue (In millions)	Nine months ended September 30, 2010	2009
Aflibercept:		
Regeneron expense reimbursement	$ 12.6	$ 21.6
Recognition of deferred revenue related to up-front payments	7.4	7.4
Total aflibercept	20.0	29.0
Antibody:		
Regeneron expense reimbursement	202.7	139.8
Recognition of deferred revenue related to up-front and other payments	5.3	7.9
Recognition of revenue related to VelociGene® agreement	1.2	2.2
Total antibody	209.2	149.9
Total sanofi-aventis collaboration revenue	$ 229.2	$ 178.9

Sanofi-aventis' reimbursement of our aflibercept expenses decreased in the first nine months of 2010 compared to the same period in 2009, primarily due to lower costs related to manufacturing aflibercept clinical supplies as well as a decrease in internal research activities.

In the first nine months of 2010, sanofi-aventis' reimbursement of our antibody expenses consisted of $100.3 million under the discovery agreement and $102.4 million of development costs under the license agreement, compared to $76.7 million and $63.1 million, respectively, in the first nine months of 2009. The higher reimbursement amounts in the first nine months of 2010 compared to the same period in 2009 were

due to an increase in our research activities conducted under the discovery agreement and increases in our development activities for antibody candidates under the license agreement.

Recognition of deferred revenue, related primarily to sanofi-aventis' $85.0 million up-front payment, decreased during the first nine months of 2010 compared to the same period in 2009 due to the November 2009 amendments to expand and extend the companies' antibody collaboration.

In August 2008, we entered into a separate VelociGene® agreement with sanofi-aventis. For the nine months ended September 30, 2010 and 2009, we recognized $1.2 million and $2.2 million, respectively, in revenue related to this agreement.

Bayer HealthCare Collaboration Revenue

The collaboration revenue we earn from Bayer HealthCare, as detailed below, consists of cost sharing of Regeneron VEGF Trap-Eye development expenses, substantive performance milestone payments, and recognition of revenue related to a non-refundable $75.0 million up-front payment received in October 2006 and a $20.0 million milestone payment received in August 2007 (which, for the purpose of revenue recognition, was not considered substantive).

Bayer HealthCare Collaboration Revenue (In millions)	Nine months ended September 30, 2010	2009
Cost-sharing of Regeneron VEGF Trap-Eye development expenses	$ 33.1	$ 27.5
Substantive performance milestone payment		20.0
Recognition of deferred revenue related to up-front and milestone payments	7.4	7.4
Total Bayer HealthCare collaboration revenue	$ 40.5	$ 54.9

Cost-sharing of our VEGF Trap-Eye development expenses with Bayer HealthCare increased in the first nine months of 2010, compared to the same period in 2009, due to higher internal development activities, higher costs related to manufacturing VEGF Trap-Eye clinical supplies, and higher clinical development costs in connection with our Phase 3 trial in CRVO. In July 2009, we received a $20.0 million substantive milestone payment from Bayer HealthCare in connection with the dosing of the first patient in a Phase 3 trial of VEGF Trap-Eye in CRVO. The payment was recognized in other collaboration revenue for the nine months ended September 30, 2009.

Technology Licensing Revenue

In connection with our VelocImmune® license agreements with AstraZeneca and Astellas, each of the $20.0 million annual, non-refundable payments have been deferred upon receipt and recognized as revenue ratably over approximately the ensuing year of each agreement In the first nine months of both 2010 and 2009, we recognized $30.0 million of technology licensing revenue related to these agreements. In addition, in connection with the amendment and extension of our license agreement with Astellas, the $165.0 million up-front payment was deferred upon receipt in August 2010 and will be recognized as revenue ratably over a seven-year period beginning in mid-2011.

Net Product Sales

In February 2008, we received marketing approval from the FDA for ARCALYST® for the treatment of CAPS. We had limited historical return experience for ARCALYST® beginning with initial sales in 2008 through the end of 2009; therefore, ARCALYST® net product sales were deferred until the right of return no longer existed and rebates could be reasonably estimated. Effective in the first quarter of 2010, we determined that we had accumulated sufficient historical data to reasonably estimate both product returns and rebates of ARCALYST®. As a result, for the nine months ended September 30, 2010, we recognized as revenue $20.0 million of ARCALYST® net product sales, which included $15.2 million of ARCALYST® net product sales made during the period and $4.8 million of previously deferred net product sales. For the nine months ended September 30, 2009, we recognized as revenue $13.4 million of ARCALYST® net product sales.

Contract Research and Other Revenue

Contract research and other revenue for the first nine months of 2010 and 2009 included $3.5 million and $4.4 million, respectively, recognized in connection with our five-year grant from the NIH, which we were awarded in September 2006 as part of the NIH's Knockout Mouse Project.

Expenses

Total operating expenses increased to $410.1 million in the first nine months of 2010 from $317.2 million in the same period of 2009. Our average headcount increased to 1,206 in the first nine months of 2010 from 967 in the same period of 2009 principally as a result of our expanding research and development activities, which are primarily attributable to our antibody collaboration with sanofi-aventis.

Operating expenses in the first nine months of 2010 and 2009 include a total of $26.3 million and $22.6 million, respectively, of Non-cash Compensation Expense, as detailed below:

	For the nine months ended September 30, 2010		
Expenses (In millions)	Expenses before inclusion of Non-cash Compensation Expense	Non-cash Compensation Expense	Expenses as Reported
Research and development	$ 348.7	$ 15.3	$ 364.0
Selling, general, and administrative	33.6	11.0	44.6
Cost of goods sold	1.5		1.5
Total operating expenses	$ 383.8	$ 26.3	$ 410.1

	For the nine months ended September 30, 2009		
Expenses (In millions)	Expenses before inclusion of Non-cash Compensation Expense	Non-cash Compensation Expense	Expenses as Reported
Research and development	$ 266.0	$ 14.0	$ 280.0
Selling, general, and administrative	27.3	8.6	35.9
Cost of goods sold	1.3		1.3
Total operating expenses	$ 294.6	$ 22.6	$ 317.2

Research and Development Expenses

Research and development expenses increased to $364.0 million in the first nine months of 2010 from $280.0 million in the same period of 2009. The following table summarizes the major categories of our research and development expenses for the nine months ended September 30, 2010 and 2009:

	For the nine months ended September 30,		
Research and Development Expenses (In millions)	2010	2009	Increase
Payroll and benefits (1)	$ 94.3	$ 71.0	$ 23.3
Clinical trial expenses	83.8	78.9	4.9

Clinical manufacturing costs (2)	72.6	46.0	26.6
Research and other development costs	40.4	29.5	10.9
Occupancy and other operating costs	38.3	27.9	10.4
Cost-sharing of Bayer HealthCare VEGF Trap-Eye development expenses (3)	34.6	26.7	7.9
Total research and development expenses	$ 364.0	$ 280.0	$ 84.0

(1) Includes $13.1 million and $11.8 million of Non-cash Compensation Expense for the nine months ended September 30, 2010 and 2009, respectively.

(2) Represents the full cost of manufacturing drug for use in research, preclinical development, and clinical trials, including related payroll and benefits, Non-cash Compensation Expense, manufacturing materials and supplies, depreciation, and occupancy costs of our Rensselaer manufacturing facility. Includes $2.2 million of Non-cash Compensation Expense for both the nine months ended September 30, 2010 and 2009.

(3) Under our collaboration with Bayer HealthCare, in periods when Bayer HealthCare incurs VEGF Trap-Eye development expenses, we also recognize, as additional research and development expense, the portion of Bayer HealthCare's VEGF Trap-Eye development expenses that we are obligated to reimburse. Bayer HealthCare provides us with estimated VEGF Trap-Eye development expenses for the most recent fiscal quarter. Bayer HealthCare's estimate is reconciled to its actual expenses for such quarter in the subsequent fiscal quarter and our portion of its VEGF Trap-Eye development expenses that we are obligated to reimburse is adjusted accordingly.

Payroll and benefits increased principally due to the increase in employee headcount, as described above. Clinical trial expenses increased due primarily to higher costs related to our clinical development programs for VEGF Trap-Eye, principally in connection with our COPERNICUS trial in CRVO, and certain monoclonal antibody candidates, which are in earlier stage clinical development, partly offset by lower costs related to our Phase 3 clinical development program for ARCALYST® in gout. Clinical manufacturing costs increased primarily due to higher facility-related costs in connection with the expansion of our manufacturing capacity at our Rensselaer facility. In addition, we incurred higher costs related to manufacturing clinical supplies of VEGF Trap-Eye, ARCALYST®, and certain monoclonal antibodies partly offset by lower costs related to manufacturing clinical supplies of aflibercept. Research and other development costs increased primarily due to higher costs associated with our VEGF Trap-Eye, ARCALYST®, and antibody programs. Occupancy and other operating costs increased principally in connection with our higher headcount, expanded research and development activities, and new and expanded leased laboratory and office facilities in Tarrytown, New York. Cost-sharing of Bayer HealthCare's VEGF Trap-Eye development expenses increased primarily due to higher costs in connection with the VIEW 2 trial in wet AMD and the GALILEO trial in CRVO, both of which are being conducted by Bayer HealthCare.

We prepare estimates of research and development costs for projects in clinical development, which include direct costs and allocations of certain costs such as indirect labor, Non-cash Compensation Expense, and manufacturing and other costs related to activities that benefit multiple projects, and, under our collaboration with Bayer HealthCare, the portion of Bayer HealthCare's VEGF Trap-Eye development expenses that we are obligated to reimburse. Our estimates of research and development costs for clinical development programs are shown below:

Project Costs (In millions)	For the nine months ended September 30, 2010	2009	Increase (Decrease)
ARCALYST®	$ 48.2	$ 49.1	$ (0.9)
VEGF Trap-Eye	98.0	77.7	20.3
Aflibercept	9.8	17.7	(7.9)
REGN88	20.7	27.5	(6.8)
Other antibody candidates in clinical development	68.7	19.4	49.3
Other research programs & unallocated costs	118.6	88.6	30.0
Total research and development expenses	$ 364.0	$ 280.0	$ 84.0

For the reasons described above under "Research and Development Expenses" for the three months ended September 30, 2010 and 2009, and due to the variability in the costs necessary to develop a product and the uncertainties related to future indications to be studied, the estimated cost and scope of the projects, and our ultimate ability to obtain governmental approval for commercialization, accurate and meaningful estimates of the total cost to bring our product candidates to market are not available. Similarly, we are currently unable to reasonably estimate if our product candidates in clinical development will generate material product revenues and net cash inflows. In 2008, we received FDA approval for ARCALYST® for the treatment of CAPS, a group of rare, inherited auto-inflammatory diseases that affect a very small group of people. We currently do not expect to generate material product revenues and net cash inflows from the sale of ARCALYST® for the treatment of CAPS.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses increased to $44.6 million in the first nine months of 2010 from $35.9 million in the same period of 2009. In the first nine months of 2010, we incurred higher compensation expense due primarily to increases in headcount, higher Non-cash Compensation Expense, higher recruitment costs, and higher patent-related costs associated with our monoclonal antibody programs.

Cost of Goods Sold

Cost of goods sold related to ARCALYST® sales, which consisted primarily of royalties and other period costs, totaled $1.5 million and $1.3 million for the nine months ended September 30, 2010 and 2009, respectively. To date, ARCALYST® shipments to our customers have consisted of supplies of inventory manufactured and expensed prior to FDA approval of ARCALYST® for the treatment of CAPS in February 2008; therefore, the costs of these supplies were not included in costs of goods sold.

Other Income and Expense

Investment income decreased to $1.5 million in the first nine months of 2010 from $3.9 million in the comparable period of 2009, primarily due to lower average balances of, and lower yields on, cash and marketable securities and a $0.1 million other-than-temporary impairment charge. Interest expense of $6.7 million and $0.6 million in the first nine months of 2010 and 2009, respectively, was attributable to the imputed interest portion of payments to our landlord to lease newly constructed laboratory and office facilities in Tarrytown, New York. These payments commenced in the third quarter of 2009.

Liquidity and Capital Resources

Since our inception in 1988, we have financed our operations primarily through offerings of our equity securities, a private placement of convertible debt (which was repurchased or repaid in 2008), purchases of our equity securities by our collaborators, including sanofi-aventis, revenue earned under our past and present research and development agreements, including our agreements with sanofi-aventis and Bayer HealthCare, our past contract manufacturing agreements, our technology licensing agreements, ARCALYST® product revenue, and investment income.

Nine months ended September 30, 2010 and 2009

At September 30, 2010, we had $520.4 million in cash, cash equivalents, restricted cash, and marketable securities compared with $390.0 million at December 31, 2009. In February 2010, we received $47.5 million from our landlord in connection with tenant improvement costs for the new laboratory and office facilities that we lease in Tarrytown, New York. In February and June 2010, we received $20.0 million annual technology licensing payments from both AstraZeneca and Astellas. In August 2010, we received a $165.0 million up-front payment in connection with the amendment and extension of our VelocImmune license agreement with Astellas, as described above under “Antibody Collaboration and License Agreements.”

Cash Provided by (Used in) Operating Activities:

Net cash provided by operating activities was $138.0 million in the first nine months of 2010 and net cash used in operating activities was $25.8 million in the first nine months of 2009. Our net losses of $89.9 million in the first nine months of 2010 and $31.3 million in the first nine months of 2009 included $26.3 million and $22.6 million, respectively, of Non-cash Compensation Expense, and $13.6 million and $9.3 million, respectively, of depreciation and amortization.

At September 30, 2010, accounts receivable increased by $16.7 million, compared to end-of-year 2009, primarily due to a higher receivable balance related to our antibody collaboration with sanofi-aventis. Also, our deferred revenue balances at September 30, 2010 increased by $172.7 million, compared to end-of-year 2009, primarily due to (i) the receipt of the $165.0 million up-front payment from Astellas, as described above, which was deferred and will be recognized ratably over the seven-year period commencing in mid-2011, (ii) the receipt of the $20.0 million payments from AstraZeneca and Astellas, as described above, which were deferred and are being recognized ratably over the ensuing year, and (iii) sanofi-aventis' funding of $21.1 million of agreed-upon costs incurred by us during the first nine months of 2010 to expand our manufacturing capacity at our Rensselaer facilities, which was deferred and is being recognized as collaboration revenue prospectively over the related performance period in conjunction with the original $85.0 million up-front payment received from sanofi-aventis. These increases were partially offset by amortization of previously received deferred payments under our sanofi-aventis and Bayer HealthCare collaborations. At September 30, 2010, accounts payable, accrued expenses, and other liabilities increased by $28.4 million, compared to end-of-year 2009, primarily in connection with our expanded levels of activities and expenditures, including higher liabilities for payroll and related costs and clinical trial expenses.

At September 30, 2009, accounts receivable increased by $32.6 million, compared to end-of-year 2008, primarily due to a higher receivable balance related to our antibody collaboration with sanofi-aventis. Also, our deferred revenue balances at September 30, 2009 decreased by $11.4 million, compared to end-of-year 2008, primarily due to the amortization of previously received deferred payments under our collaborations with sanofi-aventis and Bayer HealthCare. This decrease was partly offset by the receipt of $20.0 million payments from AstraZeneca and Astellas in February and June 2009, respectively, which were deferred and recognized ratably over the ensuing year. At September 30, 2009, accounts payable, accrued expenses, and other liabilities increased by $18.0 million compared to end-of-year 2008. The increase was due primarily to higher liabilities for clinical trial and payroll-related costs, partially offset by a $7.0 million decrease in the cost-sharing payment due to Bayer HealthCare at September 30, 2009 compared to December 31, 2008 in connection with the companies' VEGF Trap-Eye collaboration.

Cash (Used in) Provided by Investing Activities:

Net cash used in investing activities was $80.4 million in the first nine months of 2010 and net cash provided by investing activities was $19.3 million in the first nine months of 2009. In the first nine months of 2010, purchases of marketable securities exceeded sales or maturities by $11.2 million, whereas in the first nine months of 2009, sales or maturities of marketable securities exceeded purchases by $94.3 million. Capital expenditures in the first nine months of 2010 and 2009 included costs in connection with expanding our manufacturing capacity at our Rensselaer, New York facilities and tenant improvements and related costs in connection with our leased office and laboratory facilities in Tarrytown, New York.

Cash Provided by Financing Activities:

Net cash provided by financing activities was $60.5 million in the first nine months of 2010 and $9.0 million in the first nine months of 2009. In the first nine months of 2010 and 2009, we received $47.5 million and $5.2 million, respectively, from our landlord in connection with tenant improvement costs for our new Tarrytown facilities, which we recognized as additional facility lease obligations since we are deemed to own these facilities in accordance with FASB authoritative guidance. In addition, proceeds from issuances of Common Stock in connection with exercises of employee stock options were $13.8 million in the first nine months of 2010 and $4.6 million in the first nine months of 2009.