

REGENERON PHARMACEUTICALS, INC.
RECONCILIATION OF ADDITIONAL NON-GAAP FINANCIAL MEASURES PROVIDED ON THE Q4
2019 EARNINGS CONFERENCE CALL
(Unaudited)

	Three Months Ended	
	December 31,	
	2019	2018
GAAP Research and development (R&D)	\$ 683.1	\$ 601.2
<i>Adjustments:</i>		
R&D: Non-cash share-based compensation expense	(72.4)	(68.2)
R&D: Up-front payments related to license and collaboration agreements	(30.0)	-
Non-GAAP R&D	<u>\$ 580.7</u>	<u>\$ 533.0</u>
<i>Adjustments:</i>		
Sanofi Antibody - Reimbursement of research and development expenses	(61.2)	(64.3)
Sanofi Immuno-Oncology - Reimbursement of research and development expenses	(42.1)	(86.1)
Bayer - Reimbursement of development expense	(7.4)	(2.4)
Teva - Reimbursement of research and development expenses	(20.0)	(28.4)
Other - Reimbursement of research and development expenses	(57.3)	(4.7)
Non-GAAP Unreimbursed R&D	<u>\$ 392.7</u>	<u>\$ 347.1</u>
GAAP Selling, general, and administrative (SG&A)	\$ 586.8	\$ 491.3
<i>Adjustments:</i>		
SG&A: Non-cash share-based compensation expense	(45.4)	(50.8)
SG&A: Restructuring-related expenses	(35.2)	-
SG&A: Litigation contingencies	(60.0)	(30.0)
Non-GAAP SG&A	<u>\$ 446.2</u>	<u>\$ 410.5</u>
GAAP Cost of goods sold and Cost of collaboration and contract manufacturing (COGS and COCM)	\$ 223.9	\$ 117.2
<i>Adjustments:</i>		
COGS and COCM: Non-cash share-based compensation expense	(15.7)	(7.8)
Non-GAAP COGS and COCM	<u>\$ 208.2</u>	<u>\$ 109.4</u>
	Year Ended	
	December 31,	
	2019	
Net Cash Provided by Operating Activities	\$ 2,430.0	
<i>Adjustments:</i>		
Capital expenditures	(429.6)	
Free Cash Flow	<u>\$ 2,000.4</u>	

Non-GAAP R&D, non-GAAP unreimbursed R&D, non-GAAP SG&A, non-GAAP COGS and COCM, and free cash flow are financial measures that are not calculated in accordance with U.S. Generally Accepted Accounting Principles (GAAP). These and other non-GAAP financial measures used by the Company are computed by excluding certain non-cash and other items from the related GAAP financial measure.

The Company makes such adjustments for items the Company does not view as useful in evaluating its operating performance. For example, adjustments may be made for items that fluctuate from period to period based on factors that are not within the Company's control (such as the Company's stock price on the dates share-based grants are issued or changes in the fair value of the Company's equity investments) or items that are not associated with normal, recurring operations (such as restructuring-related expenses, including employee separation costs). Management uses these non-GAAP measures for planning, budgeting, forecasting, assessing historical performance, and making financial and operational decisions, and also provides forecasts to investors on this basis. Additionally, such non-GAAP measures provide investors with an enhanced understanding of the financial performance of the Company's core business operations. However, there are limitations in the use of these and other non-GAAP financial measures as they exclude certain expenses that are recurring in nature. Furthermore, the Company's non-GAAP financial measures may not be comparable with non-GAAP information provided by other companies. Any non-GAAP financial measure presented by Regeneron should be considered supplemental to, and not a substitute for, measures of financial performance prepared in accordance with GAAP.