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

# Form 10-Q

(Mark One)

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

**For the quarterly period ended March 31, 2007**

**OR**

o **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 | 13-3444607 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 777 Old Saw Mill River Road<br>Tarrytown, New York | 10591-6707 |
| (Address of principal executive offices) | (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 ☑ No o

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

Large accelerated filer o Accelerated filer ☑ Non-accelerated filer o

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

Yes o No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of April 30, 2007:

| Class of Common Stock | Number of Shares |
|---|---|
| Class A Stock, $0.001 par value | 2,270,353 |
| Common Stock, $0.001 par value | 63,688,790 |

**REGENERON PHARMACEUTICALS, INC.**
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**March 31, 2007**

**PART I. FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**

**REGENERON PHARMACEUTICALS, INC.**
**CONDENSED BALANCE SHEETS AT MARCH 31, 2007 AND DECEMBER 31, 2006 (Unaudited)**
***(In thousands, except share data)***

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 156,484 | $ 237,876 |
| Marketable securities | 295,910 | 221,400 |
| Accounts receivable | 33,632 | 7,493 |
| Prepaid expenses and other current assets | 3,137 | 3,215 |
| Total current assets | 489,163 | 469,984 |
| Restricted cash | 1,600 | 1,600 |
| Marketable securities | 60,981 | 61,983 |
| Property, plant, and equipment, at cost, net of accumulated depreciation and amortization | 47,781 | 49,353 |
| Other assets | 1,906 | 2,170 |
| Total assets | $ 601,431 | $ 585,090 |
| **LIABILITIES and STOCKHOLDERS' EQUITY** | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | $ 20,081 | $ 21,471 |
| Deferred revenue, current portion | 63,523 | 23,543 |
| Total current liabilities | 83,604 | 45,014 |
| Deferred revenue | 121,138 | 123,452 |
| Notes payable | 200,000 | 200,000 |
| Total liabilities | 404,742 | 368,466 |
| 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 - 2,270,353 in 2007 and 2006 | 2 | 2 |
| Common Stock, $.001 par value; 160,000,000 shares authorized; shares issued and outstanding - 63,395,134 in 2007 and 63,130,962 in 2006 | 63 | 63 |
| Additional paid-in capital | 914,317 | 904,407 |
| Accumulated deficit | (717,534) | (687,617) |
| Accumulated other comprehensive loss | (159) | (231) |
| Total stockholders' equity | 196,689 | 216,624 |
| Total liabilities and stockholders' equity | $ 601,431 | $ 585,090 |

**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 March 31, 2007 | 2006 |
|---|---|---|
| Revenues | | |
| Contract research and development | $ 13,645 | $ 14,587 |
| Contract manufacturing | | 3,632 |
| Technology licensing | 2,143 | |
| | 15,788 | 18,219 |
| Expenses | | |
| Research and development | 41,235 | 32,084 |
| Contract manufacturing | | 1,852 |
| General and administrative | 8,202 | 5,946 |
| | 49,437 | 39,882 |
| Loss from operations | (33,649) | (21,663) |
| Other income (expense) | | |
| Investment income | 6,743 | 3,481 |
| Interest expense | (3,011) | (3,011) |
| | 3,732 | 470 |
| Net loss before cumulative effect of a change in accounting principle | (29,917) | (21,193) |
| Cumulative effect of adopting Statement of Financial Accounting Standards No. 123R ("SFAS 123R") | | 813 |
| Net loss | $(29,917) | $(20,380) |
| Net loss per share amounts, basic and diluted: | | |
| Net loss before cumulative effect of a change in accounting principle | $ (0.46) | $ (0.37) |
| Cumulative effect of adopting SFAS 123R | | 0.01 |
| Net loss | $ (0.46) | $ (0.36) |
| Weighted average shares outstanding, basic and diluted | 65,563 | 56,727 |

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

**REGENERON PHARMACEUTICALS, INC.**
**CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)**
**For the three months ended March 31, 2007**
***(In thousands)***

| | Class A Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Stockholders' Equity | Comprehensive Loss |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | |
| **Balance, December 31, 2006** | 2,270 | $ 2 | 63,131 | $ 63 | $ 904,407 | $ (687,617) | $ (231) | $ 216,624 | |
| Issuance of Common Stock in connection with exercise of stock options, net of shares tendered | | | 199 | | 1,958 | | | 1,958 | |
| Issuance of Common Stock in connection with Company 401(k) Savings Plan contribution | | | 65 | | 1,367 | | | 1,367 | |
| Stock-based compensation expense | | | | | 6,585 | | | 6,585 | |
| Net loss | | | | | | (29,917) | | (29,917) | $ (29,917) |
| Change in net unrealized loss on marketable securities | | | | | | | 72 | 72 | 72 |
| **Balance, March 31, 2007** | 2,270 | $ 2 | 63,395 | $ 63 | $ 914,317 | $ (717,534) | $ (159) | $ 196,689 | $ (29,845) |

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

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

| | Three months ended March 31, 2007 | 2006 |
|---|---|---|
| Cash flows from operating activities | | |
| Net loss | $ (29,917) | $ (20,380) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities | | |
| Depreciation and amortization | 2,855 | 3,798 |
| Non-cash compensation expense | 6,585 | 4,079 |
| Cumulative effect of a change in accounting principle | | (813) |
| Changes in assets and liabilities | | |
| (Increase) decrease in accounts receivable | (26,139) | 25,511 |
| (Increase) decrease in prepaid expenses and other assets | (440) | 1,023 |
| Increase in inventory | | (92) |
| Increase (decrease) in deferred revenue | 37,666 | (4,779) |
| Increase (decrease) in accounts payable, accrued expenses, and other liabilities | 152 | (3,069) |
| Total adjustments | 20,679 | 25,658 |
| Net cash (used in) provided by operating activities | (9,238) | 5,278 |
| Cash flows from investing activities | | |
| Purchases of marketable securities | (186,177) | (74,541) |
| Sales or maturities of marketable securities | 113,262 | 64,317 |
| Capital expenditures | (1,197) | (646) |
| Net cash used in investing activities | (74,112) | (10,870) |
| Cash flows from financing activities | | |
| Net proceeds from the issuance of Common Stock | 1,958 | 3,416 |
| Net cash provided by financing activities | 1,958 | 3,416 |
| Net decrease in cash and cash equivalents | (81,392) | (2,176) |
| Cash and cash equivalents at beginning of period | 237,876 | 184,508 |
| Cash and cash equivalents at end of period | $ 156,484 | $ 182,332 |

**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, 2006 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, 2006.

**2. 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. For the three months ended March 31, 2007 and 2006, 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 March 31, | |
|---|---|---|
| | 2007 | 2006 |
| Net loss (Numerator) | $(29,917) | $(20,380) |
| Weighted-average shares, in thousands (Denominator) | 65,563 | 56,727 |
| Basic and diluted net loss per share | $ (0.46) | $ (0.36) |

Shares issuable upon the exercise of stock options, vesting of restricted stock awards, and conversion of convertible debt, which have been excluded from the March 31, 2007 and 2006 diluted per share amounts because their effect would have been antidilutive, include the following:

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

| | Three months ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| Stock Options: | | |
| Weighted average number, in thousands | 15,549 | 14,401 |
| Weighted average exercise price | $ 15.65 | $ 14.27 |
| | | |
| Restricted Stock: | | |
| Weighted average number, in thousands | | 54 |
| | | |
| Convertible Debt: | | |
| Weighted average number, in thousands | 6,611 | 6,611 |
| Conversion price | $ 30.25 | $ 30.25 |

**3. Statement of Cash Flows**

Supplemental disclosure of noncash investing and financing activities:

Included in accounts payable and accrued expenses at March 31, 2007 and December 31, 2006 are $580 and $755, respectively, of accrued capital expenditures. Included in accounts payable and accrued expenses at March 31, 2006 and December 31, 2005 are $233 and $234, respectively, of accrued capital expenditures.

Included in accounts payable and accrued expenses at December 31, 2006 and 2005 are $1,367 and $1,884, respectively, of accrued Company 401(k) Savings Plan contribution expense. In the first quarter of 2007 and 2006, the Company contributed 64,532 and 120,960 shares, respectively, of Common Stock to the 401(k) Savings Plan in satisfaction of these obligations.

Included in marketable securities at March 31, 2007 and December 31, 2006 are $2,054 and $1,532, respectively, of accrued interest income. Included in marketable securities at March 31, 2006 and December 31, 2005 are $656 and $1,228, respectively, of accrued interest income.

**4. Accounts Receivable**

Accounts receivable as of March 31, 2007 and December 31, 2006 consist of the following:

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| Receivable from the sanofi-aventis Group | $ 9,676 | $ 6,900 |
| Receivable from Bayer HealthCare LLC | 3,070 | |
| Receivable from Astellas Pharma Inc. | 20,000 | |
| Other | 886 | 593 |
| | $ 33,632 | $ 7,493 |

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

**5. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses as of March 31, 2007 and December 31, 2006 consist of the following:

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| Accounts payable | $ 4,805 | $ 4,349 |
| Accrued payroll and related costs | 5,332 | 9,932 |
| Accrued clinical trial expense | 2,673 | 2,606 |
| Accrued expenses, other | 2,229 | 2,292 |
| Interest payable on convertible notes | 5,042 | 2,292 |
| | $ 20,081 | $ 21,471 |

**6. Comprehensive Loss**

Comprehensive loss represents the change in net assets of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive loss of the Company includes net loss adjusted for the change in net unrealized gain (loss) on marketable securities. The net effect of income taxes on comprehensive loss is immaterial. For the three months ended March 31, 2007 and 2006, the components of comprehensive loss are:

| | Three months ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| Net loss | $(29,917) | $(20,380) |
| Change in net unrealized gain (loss) on marketable securities | 72 | 99 |
| Total comprehensive loss | $(29,845) | $(20,281) |

**7. License Agreements**

***AstraZeneca***

In February 2007, the Company entered into a non-exclusive license agreement with AstraZeneca UK Limited that will allow AstraZeneca to utilize the Company's VelocImmune® technology in its internal research programs to discover human monoclonal antibodies. Under the terms of the agreement, AstraZeneca made a $20.0 million non-refundable up-front payment to the Company which was deferred and is being recognized as revenue ratably over approximately the first year of the agreement. AstraZeneca also will make up to five additional annual payments of $20.0 million, subject to its ability to terminate the agreement after making the first three additional payments or earlier if the technology does not meet minimum performance criteria. These additional payments will be recognized as revenue ratably over their

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

respective annual license periods. The Company is entitled to receive a mid-single-digit royalty on any future sales of antibody products discovered by AstraZeneca using the Company's VelocImmune technology. In the first quarter of 2007, the Company recognized $2,143 of revenue in connection with the AstraZeneca license agreement. At March 31, 2007, deferred revenue was $17,857.

***Astellas***

On March 30, 2007, the Company entered into a non-exclusive license agreement with Astellas Pharma Inc. that will allow Astellas to utilize the Company's VelocImmune technology in its internal research programs to discover human monoclonal antibodies. Under the terms of the agreement, Astellas made a $20.0 million non-refundable up-front payment to the Company, which was received in April 2007. Astellas also will make up to five additional annual payments of $20.0 million, subject to its ability to terminate the agreement after making the first three additional payments or earlier if the technology does not meet minimum performance criteria. These additional payments will be recognized as revenue ratably over their respective annual license periods. The Company is entitled to receive a mid-single-digit royalty on any future sales of antibody products discovered by Astellas using the Company's VelocImmune technology. At March 31, 2007, the $20.0 million up-front payment from Astellas was included in accounts receivable and deferred revenue.

**8. Income Taxes**

Effective January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109.* The implementation of FIN 48 had no impact on the Company's financial statements as the Company has no unrecognized tax benefits.

The Company is primarily subject to U.S. federal and New York State income tax. Tax years subsequent to 1991 remain open to examination by U.S. federal and state tax authorities.

The Company's policy is to recognize interest and penalties related to income tax matters in income tax expense. As of January 1 and March 31, 2007, the Company had no accruals for interest or penalties related to income tax matters.

**9. Segment Information**

Through 2006, the Company's operations were managed in two business segments: research and development, and contract manufacturing. Due to the expiration of the Company's manufacturing agreement with Merck & Co., Inc. in October 2006, beginning in 2007, the Company only has a research and development business segment.

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

Research and development: Includes all activities related to the discovery of pharmaceutical products for the treatment of serious medical conditions, and the development and commercialization of these discoveries. Also includes revenues and expenses related to activities conducted under contract research and technology licensing agreements.

Contract manufacturing: Includes all revenues and expenses related to the commercial production of products under contract manufacturing arrangements. During 2006, the Company produced a vaccine intermediate for Merck under the Merck Agreement, which expired in October 2006.

The table below presents information about reported segments for the three months ended March 31, 2007 and 2006.

| | Three months ended March 31, 2007 | | |
|---|---|---|---|
| | Research & Development | Reconciling Items | Total |
| Revenues | $ 15,788 | — | $ 15,788 |
| Depreciation and amortization | 2,594 | 261 | 2,855 |
| Non-cash compensation expense | 6,585 | — | 6,585 |
| Interest expense | — | 3,011 | 3,011 |
| Net (loss) income | (33,649) | 3,732(1) | (29,917) |
| Capital expenditures | 1,022 | — | 1,022 |
| Total assets | 81,413 | 520,018(2) | 601,431 |

| | Three months ended March 31, 2006 | | | |
|---|---|---|---|---|
| | Research & Development | Contract Manufacturing | Reconciling Items | Total |
| Revenues | $ 14,587 | $3,632 | — | $ 18,219 |
| Depreciation and amortization | 3,537 | —(3) | $ 261 | 3,798 |
| Non-cash compensation expense | 3,984 | 95 | (813)(4) | 3,266 |
| Interest expense | — | — | 3,011 | 3,011 |
| Net (loss) income | (23,443) | 1,780 | 1,283(1) | (20,380) |
| Capital expenditures | 645 | — | — | 645 |
| Total assets | 67,159 | 4,526 | 330,404(2) | 402,089 |

(1) Represents investment income, net of interest expense related primarily to convertible notes issued in October 2001. For the three months ended March 31, 2006, also includes the cumulative effect of adopting Statement of Financial Accounting Standards No. ("SFAS") 123R, *Share-Based Payment.*

(2) Includes cash and cash equivalents, marketable securities, restricted cash (where applicable), prepaid expenses and other current assets, and other assets.

(3) Depreciation and amortization related to contract manufacturing was capitalized into inventory and included in contract manufacturing expense when the product was shipped.

(4) Represents the cumulative effect of adopting SFAS 123R.

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

**10. Legal Matters**

From time to time, the Company is a party to legal proceedings in the course of the Company's 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.

**11. Future Impact of Recently Issued Accounting Standards**

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company will be required to adopt SFAS 159 effective for the fiscal year beginning January 1, 2008. Management is currently evaluating the potential impact of adopting SFAS 159 on the Company's financial statements.

**Item 2. Management's Discussion and 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, 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, stockholders 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 intends to commercialize pharmaceutical products for the treatment of serious medical conditions. We are currently focused on three development programs: IL-1 Trap (rilonacept) in various inflammatory indications, the VEGF Trap in oncology, and the VEGF Trap-Eye formulation in eye diseases using intraocular delivery. The VEGF Trap is being developed in oncology in collaboration with the sanofi-aventis Group. In October 2006, we entered into a collaboration with Bayer HealthCare LLC for the development of the VEGF Trap-Eye. 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, and cardiovascular diseases. We expect that our next generation of product candidates will be based on our proprietary technologies for developing human monoclonal antibodies. Developing and commercializing new medicines entails significant risk and expense. Since inception we have not generated any sales or profits from the commercialization of any of our product candidates.

Our core business strategy is to maintain a strong foundation in basic scientific research and discovery-enabling technology and combine that foundation with our manufacturing and clinical development capabilities to build a successful, integrated biopharmaceutical company. We believe that our ability to develop product candidates is enhanced by the application of our technology platforms. Our discovery platforms are designed to identify specific genes of therapeutic interest for a particular disease or cell type and validate targets through high-throughput production of mammalian models. Our human monoclonal antibody technology (VelocImmune®) and cell line expression technologies may then be utilized to design and produce new product candidates directed against the disease target. Based on the VelocImmune platform which we believe, in conjunction with our other proprietary technologies, can accelerate the development of fully human monoclonal antibodies, we plan to move our first new antibody product candidate into clinical trials in the fourth quarter of 2007. We plan to introduce two new antibody product candidates into clinical development each year. We continue to invest in the

development of enabling technologies to assist in our efforts to identify, develop, and commercialize new product candidates.

**Clinical Programs:**

Below is a summary of the clinical status of our clinical candidates as of March 31, 2007:

**1. IL-1 Trap — Inflammatory Diseases**

The IL-1 Trap (rilonacept) is a protein-based product candidate designed to bind the interleukin-1 (called IL-1) cytokine and prevent its interaction with cell surface receptors. We are evaluating the IL-1 Trap in a number of diseases and disorders where IL-1 may play an important role, including a spectrum of rare diseases called Cryopyrin-Associated Periodic Syndromes (CAPS) and other diseases associated with inflammation.

We recently completed the 24-week open-label safety extension phase of the Phase 3 clinical program in CAPS and are completing the trial analysis. We are preparing to submit a Biologics License Application (BLA) to the U.S. Food and Drug Administration (FDA) in the second quarter of 2007. The FDA has granted Orphan Drug status and Fast Track designation to the IL-1 Trap for the treatment of CAPS.

In October 2006, we announced positive data from this Phase 3 trial, which was designed to provide two separate demonstrations of efficacy for the IL-1 Trap within a single group of adult patients suffering from CAPS. This Phase 3 trial included two studies (Part A and Part B). Both studies met their primary endpoints (Part A: $p < 0.0001$ and Part B: $p < 0.001$). The primary endpoint of both studies was the change in disease activity, which was measured using a composite symptom score composed of a daily evaluation of fever/chills, rash, fatigue, joint pain, and eye redness/pain.

The first study (Part A) was a double-blind and placebo-controlled 6-week trial, in which patients randomized to receive the IL-1 Trap had an approximately 85% reduction in their mean symptom score compared to an approximately 13% reduction in patients treated with placebo ($p<0.0001$). Following a 9-week interval during which all patients received the IL-1 Trap, a “randomized withdrawal” study (Part B) was performed, in which the patients in Part A were re-randomized to either switch to placebo or continue treatment with the IL-1 Trap in a double-blind manner. During the 9-week randomized withdrawal period, patients who were switched to placebo had a five-fold increase in their mean symptom score, compared with those remaining on the IL-1 Trap who had no significant change ($p<0.001$). Both the Part A and Part B studies achieved statistical significance in all of their pre-specified secondary and exploratory endpoints.

Preliminary analysis of the safety data from both studies indicated that there were no drug-related serious adverse events. Injection site reactions and upper respiratory tract infections, all mild to moderate in nature, occurred more frequently in patients while on the IL-1 Trap than on placebo. In these studies, the IL-1 Trap appeared to be well tolerated; 46 of 47 randomized patients completed the Part A study, and 44 of 45 randomized patients completed the Part B study.

CAPS is a spectrum of rare inherited inflammatory conditions, including Familial Cold Autoinflammatory Syndrome (FCAS), Muckle-Wells Syndrome (MWS), and Neonatal Onset Multisystem Inflammatory Disease (NOMID). These syndromes are characterized by spontaneous systemic inflammation and are termed autoinflammatory disorders. A novel feature of these conditions (particularly FCAS and MWS) is that exposure to mild degrees of cold temperature can provoke a major inflammatory episode that occurs within hours. CAPS are caused by a range of mutations in the gene *CIAS1* (also known as NALP3) which encodes a protein named cryopyrin. Currently, there are no medicines approved for the treatment of CAPS.

We are also evaluating the potential use of the IL-1 Trap in other indications in which IL-1 may play a role. Based on preclinical evidence that IL-1 appears to play a critical role in gout, we initiated a proof of concept study of the IL-1 Trap in gout in the first quarter of 2007. We are also preparing to initiate exploratory proof of concept studies of the IL-1 Trap in other indications.

Under a March 2003 collaboration agreement with Novartis Pharma AG, we retain the right to elect to collaborate in the future development and commercialization of a Novartis IL-1 antibody, which is in clinical development. Following completion of Phase 2 development and submission to us of a written report on the Novartis IL-1 antibody, we have the right, in consideration for an opt-in payment, to elect to co-develop and co-commercialize the Novartis IL-1 antibody in North America. If we elect to exercise this right, we are responsible for paying 45% of post-election North American development costs for the antibody product. In return, we are entitled to co-promote the Novartis IL-1 antibody and to receive 45% of net profits on sales of the antibody product in North America. Under certain circumstances, we are also entitled to receive royalties on sales of the Novartis IL-1 antibody in Europe.

In addition, under the collaboration agreement, Novartis has the right to elect to collaborate in the development and commercialization of a second generation IL-1 Trap following completion of its Phase 2 development, should we decide to clinically develop such a second generation product candidate. Novartis does not have any rights or options with respect to our IL-1 Trap currently in clinical development.

**2. VEGF Trap — Oncology**

The VEGF Trap is a protein-based product candidate designed to bind all forms of Vascular Endothelial Growth Factor-A (called VEGF-A, also known as Vascular Permeability Factor or VPF) and the related Placental Growth Factor (called PlGF), and prevent their interaction with cell surface receptors. VEGF-A (and to a less validated degree, PlGF) is required for the growth of new blood vessels that are needed for tumors to grow and is a potent regulator of vascular permeability and leakage.

The VEGF Trap is being developed in cancer indications in collaboration with sanofi-aventis. Currently, the collaboration is conducting Phase 2 studies, with patient enrollment underway in advanced ovarian cancer (AOC), non-small cell lung adenocarcinoma (NSCLA), and AOC patients with symptomatic malignant ascites (SMA). In 2004, the FDA granted Fast Track designation to the VEGF Trap for the treatment of SMA. Sanofi-aventis reported in February

2007 that a registration filing is possible for the VEGF Trap in at least one of these single-agent indications in 2008.

In addition, six new Phase 2 single-agent studies have begun in conjunction with the National Cancer Institute (NCI) Cancer Therapy Evaluation Program (CTEP) in relapsed/refractory multiple myeloma, metastatic colorectal cancer, recurrent or metastatic cancer of the urothelium, locally advanced or metastatic gynecological soft tissue sarcoma, recurrent malignant gliomas, and metastatic breast cancer. We and sanofi-aventis are working to finalize plans with NCI/CTEP for at least four additional trials in different cancer types.

We and sanofi-aventis intend to initiate five Phase 3 trials evaluating the safety and efficacy of the VEGF Trap in combination with standard chemotherapy regimens in specific cancer types, the first three of which are planned to begin in 2007. The companies plan to initiate these Phase 3 trials in the following indications:

- first-line metastatic hormone resistant prostate cancer in combination with Taxotere® (Aventis),
- first-line metastatic pancreatic cancer in combination with gemcitabine-based regimen,
- first-line gastric cancer in combination with Taxotere® (Aventis),
- second-line non-small cell lung cancer in combination with Taxotere® (Aventis), and
- second-line metastatic colorectal cancer in combination with FOLFIRI (Folinic Acid (leucovorin), 5-fluorouracil, and irinotecan).

Five safety and tolerability studies of the VEGF Trap in combination with standard chemotherapy regimens are continuing in a variety of cancer types to support the planned Phase 3 clinical program. The companies have previously summarized information from two of these safety and tolerability trials. One study is evaluating the VEGF Trap in combination with oxaliplatin, 5-flourouracil, and leucovorin (FOLFOX4) in a Phase 1 trial of patients with advanced solid tumors. Another study is evaluating the VEGF Trap in combination with irinotecan, 5-fluorouracil, and leucovorin (LV5FU2-CPT11) in a Phase 1 trial of patients with advanced solid tumors. Abstracts published in the 2006 ASCO Annual Meeting Proceedings reported that the VEGF Trap could be safely combined with either FOLFOX4 or LV5FU2-CPT11 at the dose levels studied. The companies are also evaluating the VEGF Trap in separate Phase 1b studies in combination with Taxotere® (Aventis), cisplatin, and 5-fluorouracil; with Taxotere® (Aventis) and cisplatin; and with gemcitabine-erlotinib.

Cancer is a heterogeneous set of diseases and one of the leading causes of death in the developed world. A mutation in any one of dozens of normal genes can eventually result in a cell becoming cancerous; however, a common feature of cancer cells is that they need to obtain nutrients and remove waste products, just as normal cells do. The vascular system normally supplies nutrients to and removes waste from normal tissues. Cancer cells can use the vascular system either by taking over preexisting blood vessels or by promoting the growth of new blood vessels (a process known as angiogenesis). VEGF is secreted by many tumors to stimulate the growth of new blood vessels to supply nutrients and oxygen to the tumor. VEGF blockers have been shown to inhibit new vessel growth; and, in some cases, can cause regression of existing tumor vasculature. Countering the effects of VEGF, thereby blocking the blood supply to tumors, has demonstrated therapeutic benefits in clinical trials. This approach of inhibiting

angiogenesis as a mechanism of action for an oncology medicine was validated in February 2004, when the FDA approved Genentech, Inc.'s VEGF inhibitor, Avastin®. Avastin® (Genentech) is an antibody product designed to inhibit VEGF and interfere with the blood supply to tumors.

**Collaboration with the sanofi-aventis Group**

In September 2003, we entered into a collaboration agreement with Aventis Pharmaceuticals, Inc. (predecessor to sanofi-aventis U.S.) to collaborate on the development and commercialization of the VEGF Trap in all countries other than Japan, where we retained the exclusive right to develop and commercialize the VEGF Trap. In January 2005, we and sanofi-aventis amended the collaboration agreement to exclude from the scope of the collaboration the development and commercialization of the VEGF Trap for intraocular delivery to the eye. In December 2005, we and sanofi-aventis amended our collaboration agreement to expand the territory in which the companies are collaborating on the development of the VEGF Trap to include Japan. Under the collaboration agreement, as amended, we and sanofi-aventis will share co-promotion rights and profits on sales, if any, of the VEGF Trap 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 the VEGF Trap, subject to certain potential adjustments. We may also receive up to $400.0 million in milestone payments upon receipt of specified marketing approvals. This total includes up to $360.0 million in milestone payments related to receipt of marketing approvals for up to eight VEGF Trap oncology and other indications in the United States or the European Union. Another $40.0 million of milestone payments relate to receipt of marketing approvals for up to five VEGF Trap oncology indications in Japan.

Under the 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 the VEGF Trap 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.

**3. VEGF Trap — Eye Diseases**

The VEGF Trap-Eye is a form of the VEGF Trap that has been purified and formulated with excipients and at concentrations suitable for direct injection into the eye. The VEGF Trap-Eye currently is being tested in a Phase 2 trial in patients with the neovascular form of age-related macular degeneration (wet AMD) and in a small pilot study in patients with diabetic macular edema (DME).

In the second quarter of 2006, we initiated a 150 patient, 12 week, Phase 2 trial of the VEGF Trap-Eye in wet AMD. The trial is evaluating the safety and biological effect of treatment with multiple doses of the VEGF Trap-Eye using different doses and different dosing regimens. In March 2007, we announced positive preliminary data from a pre-planned interim analysis of this study. The VEGF Trap-Eye met its primary endpoint of a statistically significant reduction in retinal thickness after 12 weeks compared with baseline (all groups combined, decrease of 135 microns, $p < 0.0001$). Mean change from baseline in visual acuity, a key secondary endpoint of

the study, also demonstrated statistically significant improvement (all groups combined, increase of 5.9 letters, $p < 0.0001$). Moreover, patients in the dose groups that received only a single dose, on average, compared to baseline, demonstrated a decrease in excess retinal thickness ($p < 0.0001$) and an increase in visual acuity ($p = 0.012$) at 12 weeks. There were no drug-related serious adverse events, and treatment with the VEGF Trap-Eye was generally well-tolerated. The most common adverse events were those typically associated with intravitreal injections. Detailed data from this interim analysis is scheduled for presentation at an upcoming scientific conference. We also expect to complete three-month data on all 150 patients enrolled in the study by the end of 2007. We are also conducting a Phase 1 safety and tolerability trial of a new formulation of the VEGF Trap-Eye in wet AMD. An initial Phase 3 trial of the VEGF Trap-Eye in wet AMD utilizing the new formulation is planned to begin in the third quarter of 2007, and a second Phase 3 trial is planned once the full data from the Phase 2 trial has been analyzed.

Also in the second quarter of 2006, we initiated a small pilot study of the VEGF Trap in patients with DME. We expect to initiate a Phase 2 trial in DME in the second half of 2007.

VEGF-A both stimulates angiogenesis and increases vascular permeability. It has been shown in preclinical studies to be a major pathogenic factor in both wet AMD and diabetic retinopathy, and it is believed to be involved in other medical problems affecting the eyes. In clinical trials, blocking VEGF-A has been shown to be effective in patients with wet AMD, and Macugen® (OSI Pharmaceuticals, Inc.) and Lucentis® (Genentech, Inc.) have been approved to treat patients with this condition.

Wet AMD and diabetic retinopathy (DR) 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. DR is a major complication of diabetes mellitus that can lead to significant vision impairment. DR is characterized, in part, by vascular leakage, which results in the collection of fluid in the retina. When the macula, the central area of the retina that is responsible for fine visual acuity, is involved, loss of visual acuity occurs. This is referred to as diabetic macular edema (DME). DME is the most prevalent cause of moderate visual loss in patients with diabetes.

**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 the VEGF Trap-Eye. Under the agreement we and Bayer HealthCare will collaborate on, and share the costs of, the development of the VEGF Trap-Eye through an integrated global plan that encompasses wet AMD, diabetic eye diseases, and other diseases and disorders. The companies will share equally in profits from any future sales of the VEGF Trap-Eye outside the United States. If the 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 retained exclusive commercialization rights to the VEGF Trap-Eye and are entitled to all profits from any such sales. We received an up-front payment of $75.0 million from Bayer HealthCare and can earn up to $110.0 million in total development and regulatory milestones related to the development of the VEGF Trap-Eye and marketing approvals in major market

countries outside the United States. We can also earn up to $135.0 million in sales milestones if total annual sales of the VEGF Trap outside the United States achieve certain specified levels starting at $200.0 million.

**General**

Developing and commercializing new medicines entails significant risk and expense. Since inception we have not generated any sales or profits from the commercialization of any of our product candidates and may never receive such revenues. Before revenues from the commercialization of our 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 March 31, 2007, we had a cumulative loss of $717.5 million. In the absence of revenues from the commercialization of our 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 the VEGF Trap-Eye and IL-1 Trap; advance new product candidates into clinical development from our existing research programs utilizing our new technology for designing fully human monoclonal antibodies; continue our research and development programs; and commercialize 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 for 2007 and plans over the next 12 months are as follows:

| Clinical Program | 2007 Events to Date | 2007-8 Plans |
|---|---|---|
| VEGF Trap – Oncology | • NCI/CTEP initiated six Phase 2 studies of the VEGF Trap as a single agent | • Sanofi-aventis to initiate at least three of five Phase 3 studies of the VEGF Trap in combination with standard chemotherapy regimens in specific cancer indications<br>• NCI/CTEP to initiate at least four new exploratory efficacy/safety studies |
| VEGF Trap-Eye (intravitreal injection) | • Reported positive interim results of Phase 2 trial in wet AMD | • Initiate first Phase 3 trial in wet AMD of the VEGF Trap-Eye compared with Lucentis® (Genentech)<br>• Report final results of Phase 2 trial in wet AMD<br>• Initiate second Phase 3 trial in wet AMD<br>• Report results of the Phase 1 trial in DME<br>• Initiate Phase 2 trial in DME<br>• Explore additional eye disease indications |
| IL-1 Trap (rilonacept) | • Completed the 24 week open-label safety extension phase of the Phase 3 trial in CAPS | • Submit BLA to the FDA for CAPS<br>• Initiate proof-of-concept studies evaluating the IL-1 Trap in gout and report initial data<br>• Evaluate the IL-1 Trap in other disease indications in which IL-1 may play an important role |
| VelocImmune | | • Initiate first trial for antibody product candidate |

**License Agreements**

***AstraZeneca***

In February 2007, we entered into a non-exclusive license agreement with AstraZeneca UK Limited that will allow AstraZeneca to utilize our VelocImmune® technology in its internal research programs to discover human monoclonal antibodies. Under the terms of the agreement, AstraZeneca made a $20.0 million non-refundable up-front payment to us. AstraZeneca also will make up to five additional annual payments of $20.0 million, subject to its ability to terminate the agreement after making the first three additional payments or earlier if the technology does not meet minimum performance criteria. 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***

In March 2007, we entered into a non-exclusive license agreement with Astellas Pharma Inc. that will allow Astellas to utilize our VelocImmune technology in its internal research programs to discover human monoclonal antibodies. Under the terms of the agreement, Astellas made a $20.0 million non-refundable up-front payment to us, which was received in April 2007. Astellas also will make up to five additional annual payments of $20.0 million, subject to its ability to terminate the agreement after making the first three additional payments or earlier if the technology does not meet minimum performance criteria. We are entitled to receive a mid-single-digit royalty on any future sales of antibody products discovered by Astellas using our VelocImmune technology.

**Results of Operations**

***Three Months Ended March 31, 2007 and 2006***

*Net Income (Loss):*

Regeneron reported a net loss of $29.9 million, or $0.46 per share (basic and diluted), for the first quarter of 2007 compared to a net loss of $20.4 million, or $0.36 per share (basic and diluted), for the first quarter of 2006.

*Revenues:*

Revenues for the three months ended March 31, 2007 and 2006 consist of the following:

| *(In millions)* | 2007 | 2006 | Increase (Decrease) |
|---|---|---|---|
| Contract research & development revenue | | | |
| The sanofi-aventis Group | $ 11.8 | $ 13.9 | $ (2.1) |
| Other | 1.9 | 0.7 | 1.2 |
| Total contract research & development revenue | 13.7 | 14.6 | (0.9) |
| Contract manufacturing revenue | | 3.6 | (3.6) |
| Technology licensing revenue | 2.1 | | 2.1 |
| Total revenue | $ 15.8 | $ 18.2 | $ (2.4) |

We recognize revenue from sanofi-aventis, in connection with the companies' VEGF Trap collaboration, in accordance with Staff Accounting Bulletin No. 104, *Revenue Recognition* (SAB 104) and FASB Emerging Issue Task Force Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables* (EITF 00-21). We earn contract research and development revenue from sanofi-aventis which, as detailed below, consists partly of reimbursement for research and development expenses and partly of the recognition of revenue related to a total of $105.0 million of non-refundable, up-front payments received in 2003 and 2006. Non-refundable up-front license payments are recorded as deferred revenue and recognized over the period over which we are obligated to perform services. We estimate our performance period based on the specific terms of each agreement, and adjust the performance periods, if appropriate, based on the applicable facts and circumstances.

| Sanofi-aventis Contract Research & Development Revenue *(In millions)* | Three months ended March 31, 2007 | 2006 |
|---|---|---|
| Regeneron expense reimbursement | $ 9.6 | $ 10.8 |
| Recognition of deferred revenue related to up-front payments | 2.2 | 3.1 |
| Total | $ 11.8 | $ 13.9 |

Sanofi-aventis' reimbursement of Regeneron VEGF Trap expenses decreased in the first quarter of 2007 from the same period in 2006, primarily due to higher costs in 2006 related to the Company's manufacture of VEGF Trap clinical supplies. Recognition of deferred revenue related to sanofi-aventis' up-front payments decreased in the first quarter of 2007 from the same period in 2006, due to an extension of the estimated performance period over which this deferred revenue is being recognized. As of March 31, 2007, $67.7 million of the original $105.0 million of up-front payments was deferred and will be recognized as revenue in future periods.

As described above, in October 2006 we entered into a VEGF Trap-Eye collaboration with Bayer HealthCare. In 2007, agreed upon VEGF Trap-Eye development expenses incurred by both companies under a global development plan will be shared as follows: Up to the first $50.0 million will be shared equally; Regeneron is solely responsible for the next $40.0 million; over $90.0 million will be shared equally. Bayer HealthCare reimbursements of shared development expenses incurred by us are recorded as deferred revenue. We will recognize revenue from Bayer HealthCare, in connection with the companies' collaboration, in accordance with SAB 104 and EITF 00-21. When we and Bayer HealthCare have formalized our projected global development plans for the VEGF Trap-Eye, as well as the projected responsibilities of each of the companies under those development plans, we will begin recognizing contract research and development revenue related to payments from Bayer HealthCare. As a result, no contract research and development revenue has been earned from Bayer HealthCare through March 31, 2007 even though Bayer HealthCare will reimburse us for $3.1 million of first quarter 2007 shared VEGF Trap-Eye expenses. As of March 31, 2007, deferred revenue from Bayer HealthCare, which will be recognized in future periods, totaled $78.1 million, consisting of the $75.0 million up-front payment received in October 2006 and reimbursement of $3.1 million of shared VEGF Trap-Eye expenses related to the first quarter of 2007.

Other contract research and development revenue includes $0.7 million recognized in connection with our five-year grant from the National Institutes of Health (NIH).

Contract manufacturing revenue for the first three months of 2006 related to our long-term agreement with Merck & Co., Inc., which expired in October 2006, to manufacture a vaccine intermediate at our Rensselaer, New York facility. Revenue and the related manufacturing expense were recognized as product was shipped, after acceptance by Merck. Included in contract manufacturing revenue in the first three months of 2006 was $0.4 million of deferred revenue associated with capital improvement reimbursements paid by Merck prior to commencement of production. We do not expect to receive any further contract manufacturing revenue from Merck.

In February 2007, we entered into a non-exclusive license agreement with AstraZeneca which allows AstraZeneca to utilize Regeneron's VelocImmune technology in its internal research

programs to discover human monoclonal antibodies. Under the terms of the agreement, AstraZeneca made a $20.0 million non-refundable up-front payment to us which was deferred and will be recognized as revenue ratably over approximately the first year of the agreement. In the first quarter of 2007, we recognized $2.1 million of technology licensing revenue related to the AstraZeneca agreement.

*Expenses:*

Total operating expenses increased to $49.4 million in the first quarter of 2007 from $39.9 million in the same period of 2006. Operating expenses in the first quarter of 2007 and 2006 include a total of $6.6 million and $3.9 million, respectively, of non-cash compensation expense related to employee stock option awards (Stock Option Expense), as detailed below:

| ***(In millions)*** | **For the three months ended March 31, 2007** | | |
|---|---|---|---|
| **Expenses** | **Expenses before inclusion of Stock Option Expense** | **Stock Option Expense** | **Expenses as Reported** |
| Research and development | $ 37.4 | $ 3.8 | $ 41.2 |
| General and administrative | 5.4 | 2.8 | 8.2 |
| Total operating expenses | $ 42.8 | $ 6.6 | $ 49.4 |

| ***(In millions)*** | **For the three months ended March 31, 2006** | | |
|---|---|---|---|
| **Expenses** | **Expenses before inclusion of Stock Option Expense** | **Stock Option Expense** | **Expenses as Reported** |
| Research and development | $ 30.1 | $ 2.0 | $ 32.1 |
| Contract manufacturing | 1.8 | 0.1 | 1.9 |
| General and administrative | 4.1 | 1.8 | 5.9 |
| Total operating expenses | $ 36.0 | $ 3.9 | $ 39.9 |

The increase in total Stock Option Expense in the first quarter of 2007 was primarily due to the higher fair market value of our Common Stock on the date of our annual employee option grants made in December 2006 in comparison to the fair market value of our Common Stock on the dates of annual employee option grants made in recent prior years.

*Research and Development Expenses:*

Research and development expenses increased to $41.2 million in the first quarter of 2007 from $32.1 million in the same period of 2006. The following table summarizes the major categories of our research and development expenses for the three months ended March 31, 2007 and 2006:

| ***(In millions)*** | **Three months ended March 31,** | | |
|---|---|---|---|
| **Research and development expenses** | **2007** | **2006** | **Increase (Decrease)** |
| Payroll and benefits (1) | $ 13.7 | $ 10.0 | $ 3.7 |
| Clinical trial expenses | 5.3 | 3.4 | 1.9 |
| Clinical manufacturing costs (2) | 10.5 | 9.3 | 1.2 |
| Research and preclinical development costs | 6.0 | 3.5 | 2.5 |
| Occupancy and other operating costs | 5.7 | 5.9 | (0.2) |
| Total research and development | $ 41.2 | $ 32.1 | $ 9.1 |

(1) Includes $3.1 million and $1.6 million of Stock Option Expense for the three months ended March 31, 2007 and 2006, respectively.

(2) Represents the full cost of manufacturing drug for use in research, preclinical development, and clinical trials, including related payroll and benefits, Stock Option Expense, manufacturing materials and supplies, depreciation, and occupancy costs of our Rensselaer manufacturing facility. Includes $0.7 million and $0.4 million of Stock Option Expense for the three months ended March 31, 2007 and 2006, respectively.

Payroll and benefits increased primarily due to higher Stock Option Expense, as described above, and higher compensation expense due, in part, to annual salary increases effective January 1, 2007. Clinical trial expenses increased due to higher VEGF Trap-Eye costs primarily related to our Phase 1 and 2 studies in wet AMD and higher IL-1 Trap costs. Clinical manufacturing costs increased due to higher costs related to manufacturing preclinical and clinical supplies of our first antibody drug candidate, which were partly offset by lower costs related to manufacturing VEGF Trap clinical supplies. Research and preclinical development costs increased primarily due to higher preclinical development costs related to our VEGF Trap and human monoclonal antibody programs.

*Contract Manufacturing Expenses:*

Contract manufacturing expenses decreased in the first quarter of 2007 compared to the same period of 2006 due to the expiration of our manufacturing agreement with Merck in October 2006.

*General and Administrative Expenses:*

General and administrative expenses increased to $8.2 million in the first quarter of 2007 from $5.9 million in the same period of 2006 primarily due to higher Stock Option Expense, as described above, higher compensation expense due, in part, to annual salary increases effective January 1, 2007, higher recruitment and related costs associated with expanding our headcount in 2007, and marketing research and related expenses incurred in 2007 in connection with our IL-1 Trap and VEGF Trap programs.

*Other Income and Expense:*

Investment income increased to $6.7 million in the first quarter of 2007 from $3.5 million in the same period of 2006 resulting primarily from higher balances of cash and marketable securities (due, in part, to the up-front payment received from Bayer HealthCare in October 2006, as described above, and the receipt of net proceeds from the November 2006 public offering of our Common Stock). Interest expense was $3.0 million in the first quarter of 2007 and 2006. Interest expense is attributable primarily to $200.0 million of convertible notes issued in October 2001, which mature in October 2008 and bear interest at 5.5% per annum.

**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, revenue earned under our past and

present research and development and contract manufacturing agreements, including our agreements with sanofi-aventis, Bayer HealthCare, and Merck, and investment income.

***Three Months Ended March 31, 2007 and 2006***

At March 31, 2007, we had $515.0 million in cash, cash equivalents, restricted cash, and marketable securities compared with $522.9 million at December 31, 2006. In February 2007, we received a $20.0 million non-refundable up-front payment in connection with our new non-exclusive license agreement with AstraZeneca.

*Cash (Used in) Provided by Operations:*

Net cash used in operations was $9.2 million in the first quarter of 2007, compared to net cash provided by operations of $5.3 million in the first quarter of 2006. Our net losses of $29.9 million in the first quarter of 2007 and $20.4 million in the first quarter of 2006 included $6.6 million and $4.1 million, respectively, of non-cash stock-based employee compensation costs, of which $6.6 million and $3.9 million, respectively, represented Stock Option Expense and, in the first quarter of 2006, $0.2 million represented non-cash compensation expense from Restricted Stock awards. At March 31, 2007, accounts receivable balances increased by $26.1 million, compared to end-of-year 2006, primarily due to a $20.0 million non-refundable up-front payment which was receivable from Astellas in connection with our new non-exclusive license agreement (see “License Agreements” above). Also, our deferred revenue balances at March 31, 2007 increased by $37.7 million, compared to end-of-year 2006, primarily due to the $20.0 million up-front payments received or receivable from AstraZeneca and Astellas, as described above. These payments will be recognized as revenue ratably over approximately the first year of the respective agreements. At March 31, 2006, accounts receivable balances decreased by $25.5 million, compared to end-of-year 2005, primarily due to the January 2006 receipt of a $25.0 million up-front payment from sanofi-aventis, which was receivable at December 31, 2005, in connection with an amendment to our collaboration agreement to include Japan. Also, our deferred revenue balances at March 31, 2006 decreased by $4.8 million, compared to end-of-year 2005, due primarily to first quarter 2006 revenue recognition of $3.1 million of deferred revenue related to up-front payments from sanofi-aventis. The majority of our cash expenditures in both the first quarter of 2007 and 2006 were to fund research and development, primarily related to our clinical programs.

*Cash Used in Investing Activities:*

Net cash used in investing activities was $74.1 million in the first quarter of 2007 compared to $10.9 million in the same period of 2006, due primarily to an increase in purchases of marketable securities net of sales or maturities. In the first quarter of 2007, purchases of marketable securities exceeded sales or maturities by $72.9 million, whereas in the first quarter of 2006, purchases of marketable securities exceeded sales or maturities by $10.2 million.

*Cash Provided by Financing Activities:*

Cash provided by financing activities decreased to $2.0 million in the first quarter of 2007 from $3.4 million in the same period in 2006 due to a decrease in issuances of Common Stock in connection with exercises of employee stock options.

***License Agreements with AstraZeneca and Astellas:***

Under these non-exclusive license agreements, AstraZeneca and Astellas each made a $20.0 million non-refundable, up-front payment to us in February and April 2007, respectively. AstraZeneca and Astellas also will each make up to five additional annual payments of $20.0 million, subject to each licensee's ability to terminate its license agreement with us after making the first three additional payments or earlier if the technology does not meet minimum performance criteria.

***Capital Expenditures:***

Our additions to property, plant, and equipment totaled $1.0 million and $0.6 million for the first three months of 2007 and 2006, respectively. During the remainder of 2007, we expect to incur approximately $15 million in capital expenditures primarily to support our manufacturing, development, and research activities.

***Funding Requirements:***

We expect to continue to incur substantial funding requirements primarily for research and development activities (including preclinical and clinical testing). Before taking into account reimbursements from collaborators, we currently anticipate that approximately 55%-65% of our expenditures for 2007 will be directed toward the preclinical and clinical development of product candidates, including the IL-1 Trap, VEGF Trap, VEGF Trap-Eye and monoclonal antibodies; approximately 10%-15% of our expenditures for 2007 will be applied to our basic research activities and the continued development of our novel technology platforms; and the remainder of our expenditures for 2007 will be used for capital expenditures and general corporate purposes.

The amount we need to fund operations will depend on various factors, including the status of competitive products, the success of our research and development programs, the potential future need to expand our professional and support staff and facilities, the status of patents and other intellectual property rights, the delay or failure of a clinical trial of any of our potential drug candidates, and the continuation, extent, and success of our collaborations with sanofi-aventis and Bayer HealthCare. Clinical trial costs are dependent, among other things, on the size and duration of trials, fees charged for services provided by clinical trial investigators and other third parties, the costs for manufacturing the product candidate for use in the trials, supplies, laboratory tests, and other expenses. The amount of funding that will be required for our clinical programs depends upon the results of our research and preclinical programs and early-stage clinical trials, regulatory requirements, the clinical trials underway plus additional clinical trials that we decide to initiate, and the various factors that affect the cost of each trial as described above. In the future, if we are able to successfully develop, market, and sell certain of our product candidates, we may be required to pay royalties or otherwise share the profits generated on such sales in connection with our collaboration and licensing agreements.

We expect that expenses related to the filing, prosecution, defense, and enforcement of patent and other intellectual property claims will continue to be substantial as a result of patent filings and prosecutions in the United States and foreign countries.

We believe that our existing capital resources will enable us to meet operating needs through at least early 2010, without taking into consideration the $200.0 million aggregate principal amount of convertible senior subordinated notes, which mature in October 2008. However, this is a forward-looking statement based on our current operating plan, and there may be a change in projected revenues or expenses that would lead to our capital being consumed significantly before such time. If there is insufficient capital to fund all of our planned operations and activities, we believe we would prioritize available capital to fund preclinical and clinical development of our product candidates. Other than the $1.6 million letter of credit issued to our landlord in connection with our new operating lease for facilities in Tarrytown, New York, we have no off-balance sheet arrangements. In addition, we do not guarantee the obligations of any other entity. As of March 31, 2007, we had no established banking arrangements through which we could obtain short-term financing or a line of credit. In the event we need additional financing for the operation of our business, we will consider collaborative arrangements and additional public or private financing, including additional equity financing. Factors influencing the availability of additional financing include our progress in product development, investor perception of our prospects, and the general condition of the financial markets. We may not be able to secure the necessary funding through new collaborative arrangements or additional public or private offerings. If we cannot raise adequate funds to satisfy our capital requirements, we may have to delay, scale-back, or eliminate certain of our research and development activities or future operations. This could harm our business.

**Critical Accounting Policies and Significant Judgments and Estimates**

During the three months ended March 31, 2007, there were no changes to our critical accounting policies and significant judgments and estimates, as described in our Annual Report on Form 10-K for the year ended December 31, 2006.

**Future Impact of Recently Issued Accounting Standards**

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. (SFAS) 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We will be required to adopt SFAS 159 effective for the fiscal year beginning January 1, 2008. Our management is currently evaluating the potential impact of adopting SFAS 159 on our financial statements.

**Item 3. Quantitative and Qualitative Disclosure About Market Risk**

Our earnings and cash flows are subject to fluctuations due to changes in interest rates primarily from our investment of available cash balances in investment grade corporate and U.S. government securities. We do not believe we are materially exposed to changes in interest rates. Under our current policies we do not use interest rate derivative instruments to manage exposure

to interest rate changes. We estimated that a one percent change in interest rates would result in approximately a $1.8 million and $0.9 million change in the fair market value of our investment portfolio at March 31, 2007 and 2006, respectively. The increase in the impact of an interest rate change at March 31, 2007, compared to March 31, 2006, is due primarily to increases in our investment portfolio's balance and duration to maturity at the end of March 2007 versus the end of March 2006.

**Item 4. Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), as of the end of the period covered by this report. Based on this evaluation, our chief executive officer and chief financial officer each concluded that, as of the end of such period, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in applicable rules and forms of the Securities and Exchange Commission, and is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

From time to time, we are a party to legal proceedings in the course of our business. We do not expect any such current legal proceedings to have a material adverse effect on our business or financial condition.

**Item 1A. Risk Factors**

We operate in an environment that involves a number of significant risks and uncertainties. We caution you to read the following risk factors, which have affected, and/or in the future could affect, our business, operating results, financial condition, and cash flows. The risks described below include forward-looking statements, and actual events and our actual results may differ substantially from those discussed in these forward-looking statements. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also impair our business operations. Furthermore, additional risks and uncertainties are described under other captions in this report and in our Annual Report on Form 10-K for the year ended December 31, 2006 and should be considered by our investors.

**Risks Related to Our Financial Results and Need for Additional Financing**

***We have had a history of operating losses and we may never achieve profitability. If we continue to incur operating losses, we may be unable to continue our operations.***

From inception on January 8, 1988 through March 31, 2007, we had a cumulative loss of $717.5 million. If we continue to incur operating losses and fail to become a profitable company, we may be unable to continue our operations. We have no products that are available for sale and do not know when we will have products available for sale, if ever. In the absence of revenue from the sale of products or other sources, the amount, timing, nature or source of which cannot be predicted, our losses will continue as we conduct our research and development activities. Until the expiration in October 2006 of our agreement with Merck, we received contract manufacturing revenue pursuant to that agreement. The expiration of that agreement has resulted in a significant loss of revenue to Regeneron.

***We will need additional funding in the future, which may not be available to us, and which may force us to delay, reduce or eliminate our product development programs or commercialization efforts.***

We will need to expend substantial resources for research and development, including costs associated with clinical testing of our product candidates. We believe our existing capital resources will enable us to meet operating needs through at least early 2010, without taking into consideration the $200.0 million aggregate principal amount of convertible senior subordinated notes, which mature in October 2008; however, our projected revenue may decrease or our expenses may increase and that would lead to our capital being consumed significantly before such time. We will likely require additional financing in the future and we may not be able to raise such additional funds. If we are able to obtain additional financing through the sale of equity or convertible debt securities, such sales may be dilutive to our shareholders. Debt financing arrangements may require us to pledge certain assets or enter into covenants that would restrict our business activities or our ability to incur further indebtedness and may contain other terms that are not favorable to our shareholders. If we are unable to raise sufficient funds to complete the development of our product candidates, we may face delay, reduction or elimination of our research and development programs or preclinical or clinical trials, in which case our business, financial condition or results of operations may be materially harmed.

***We have a significant amount of debt and may have insufficient cash to satisfy our debt service and repayment obligations. In addition, the amount of our debt could impede our operations and flexibility.***

We have a significant amount of convertible debt and semi-annual interest payment obligations. This debt, unless converted to shares of our common stock, will mature in October 2008. We may be unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments on our debt. Even if we are able to meet our debt service obligations, the amount of debt we already have could hurt our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements, or other purposes. In addition, our debt obligations could require us to use a substantial portion of cash to pay

principal and interest on our debt, instead of applying those funds to other purposes, such as research and development, working capital, and capital expenditures.

**Risks Related to Development of Our Product Candidates**

***Successful development of any of our product candidates is highly uncertain.***

Only a small minority of all research and development programs ultimately result in commercially successful drugs. We have never developed a drug that has been approved for marketing and sale, and we may never succeed in developing an approved drug. Even if clinical trials demonstrate safety and effectiveness of any of our product candidates for a specific disease and the necessary regulatory approvals are obtained, the commercial success of any of our product candidates will depend upon their acceptance by patients, the medical community, and third-party payers and on our partners' ability to successfully manufacture and commercialize our product candidates. Our product candidates are delivered either by intravenous infusion or by intravitreal or subcutaneous injections, which are generally less well received by patients than tablet or capsule delivery. If our products are not successfully commercialized, we will not be able to recover the significant investment we have made in developing such products and our business would be severely harmed.

We intend to study our lead product candidates, the VEGF Trap, VEGF Trap-Eye, and IL-1 Trap, in a wide variety of indications. We intend to study the VEGF Trap in a variety of cancer settings, the VEGF Trap-Eye in different eye diseases and ophthalmologic indications, and the IL-1 Trap in a variety of systemic inflammatory disorders. Many of these current trials are exploratory studies designed to identify what diseases and uses, if any, are best suited for our product candidates. It is likely that our product candidates will not demonstrate the requisite efficacy and/or safety profile to support continued development for most of the indications that are to be studied. In fact, our product candidates may not demonstrate the requisite efficacy and safety profile to support the continued development for any of the indications or uses.

***Clinical trials required for our product candidates are expensive and time-consuming, and their outcome is highly uncertain. If any of our drug trials are delayed or achieve unfavorable results, we will have to delay or may be unable to obtain regulatory approval for our product candidates.***

We must conduct extensive testing of our product candidates before we can obtain regulatory approval to market and sell them. We need to conduct both preclinical animal testing and human clinical trials. Conducting these trials is a lengthy, time-consuming, and expensive process. These tests and trials may not achieve favorable results for many reasons, including, among others, failure of the product candidate to demonstrate safety or efficacy, the development of serious or life-threatening adverse events (or side effects) caused by or connected with exposure to the product candidate, difficulty in enrolling and maintaining subjects in the clinical trial, lack of sufficient supplies of the product candidate or comparator drug, and the failure of clinical investigators, trial monitors and other consultants, or trial subjects to comply with the trial plan or protocol. A clinical trial may fail because it did not include a sufficient number of patients to detect the endpoint being measured or reach statistical significance. A clinical trial may also fail because the dose(s) of the investigational drug included in the trial were either too low or too

high to determine the optimal effect of the investigational drug in the disease setting. For example, we are studying higher doses of the IL-1 Trap in different diseases after a Phase 2 trial using lower doses of the IL-1 Trap in subjects with rheumatoid arthritis failed to achieve its primary endpoint.

We will need to reevaluate any drug candidate that does not test favorably and either conduct new trials, which are expensive and time consuming, or abandon the drug development program. Even if we obtain positive results from preclinical or clinical trials, we may not achieve the same success in future trials. Many companies in the biopharmaceutical industry, including us, have suffered significant setbacks in clinical trials, even after promising results have been obtained in earlier trials. The failure of clinical trials to demonstrate safety and effectiveness for the desired indication(s) could harm the development of the product candidate(s), and our business, financial condition, and results of operations may be materially harmed.

***The data from the Phase 3 clinical program for the IL-1 Trap in CAPS (Cryopyrin Associated Periodic Syndromes) may be inadequate to support regulatory approval for commercialization of the IL-1 Trap.***

The efficacy and safety data from the Phase 3 clinical program for the IL-1 Trap in CAPS may be inadequate to support approval for its commercialization in this indication. Moreover, if the safety data from the ongoing clinical trials testing the IL-1 Trap are not satisfactory, we may not proceed with the filing of a biological license application, or BLA, for the IL-1 Trap or we may be forced to delay the filing. The FDA and other regulatory agencies may have varying interpretations of our clinical trial data, which could delay, limit, or prevent regulatory approval or clearance.

Further, before a product candidate is approved for marketing, our manufacturing facilities must be inspected by the FDA and the FDA will not approve the product for marketing if we or our third party manufacturers are not in compliance with current good manufacturing practices. Even if the FDA and similar foreign regulatory authorities do grant marketing approval for the IL-1 Trap, they may pose restrictions on the use or marketing of the product, or may require us to conduct additional post-marketing trials. These restrictions and requirements would likely result in increased expenditures and lower revenues and may restrict our ability to commercialize the IL-1 Trap profitably.

In addition to the FDA and other regulatory agency regulations in the United States, we are subject to a variety of foreign regulatory requirements governing human clinical trials, marketing and approval for drugs, and commercial sales and distribution of drugs in foreign countries. The foreign regulatory approval process includes all of the risks associated with FDA approval as well as country-specific regulations. Whether or not we obtain FDA approval for a product in the United States, we must obtain approval by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the IL-1 Trap in those countries.

***The development of serious or life-threatening side effects with any of our product candidates would lead to delay or discontinuation of development, which could severely harm our business.***

During the conduct of clinical trials, patients report changes in their health, including illnesses, injuries, and discomforts, to their study doctor. Often, it is not possible to determine whether or not the drug candidate being studied caused these conditions. Various illnesses, injuries, and discomforts have been reported from time-to-time during clinical trials of our product candidates. Although our current drug candidates appeared to be generally well tolerated in clinical trials conducted to date, it is possible as we test any of them in larger, longer, and more extensive clinical programs, illnesses, injuries, and discomforts that were observed in earlier trials, as well as conditions that did not occur or went undetected in smaller previous trials, will be reported by patients. Many times, side effects are only detectable after investigational drugs are tested in large scale, Phase 3 clinical trials or, in some cases, after they are made available to patients after approval. If additional clinical experience indicates that any of our product candidates has many side effects or causes serious or life-threatening side effects, the development of the product candidate may fail or be delayed, which would severely harm our business.

Our VEGF Trap is being studied for the potential treatment of certain types of cancer and our VEGF Trap-Eye candidate is being studied in diseases of the eye. There are many potential safety concerns associated with significant blockade of vascular endothelial growth factor, or VEGF. These risks, based on the clinical and preclinical experience of systemically delivered VEGF inhibitors, including the systemic delivery of the VEGF Trap, include bleeding, hypertension, and proteinuria. These serious side effects and other serious side effects have been reported in our systemic VEGF Trap studies in cancer and diseases of the eye. In addition, patients given infusions of any protein, including the VEGF Trap delivered through intravenous administration, may develop severe hypersensitivity reactions or infusion reactions. Other VEGF blockers have reported side effects that became evident only after large scale trials or after marketing approval and large number of patients were treated. These include side effects that we have not yet seen in our trials such as heart attack and stroke. These and other complications or side effects could harm the development of the VEGF Trap for the treatment of cancer or the VEGF Trap-Eye for the treatment of diseases of the eye.

It is possible that safety or tolerability concerns may arise as we continue to test the IL-1 Trap in patients with inflammatory diseases and disorders. Like cytokine antagonists such as Kineret® (Amgen Inc.), Enbrel® (Immunex Corporation), and Remicade® (Centocor, Inc.), the IL-1 Trap affects the immune defense system of the body by blocking some of its functions. Therefore, the IL-1 Trap may interfere with the body's ability to fight infections. Treatment with Kineret® (Amgen), a medication that works through the inhibition of IL-1, has been associated with an increased risk of serious infections, and serious infections have been reported in patients taking the IL-1 Trap. One subject with adult Still's diseases in a study of the IL-1 Trap developed an infection in his elbow with mycobacterium intracellulare. The patient was on chronic glucocorticoid treatment for Still's disease. The infection occurred after an intraarticular glucocorticoid injection into the elbow and subsequent local exposure to a suspected source of mycobacteria. One patient with polymayalgia rheumatica in another study developed bronchitis/sinusitis, which resulted in hospitalization. One patient in an open-label study of the IL-1 Trap in CAPS developed sinusitis and streptococcus pneumoniae meningitis and subsequently died. In addition, patients given infusions of the IL-1 Trap have developed hypersensitivity reactions or infusion reactions. These

or other complications or side effects could impede or result in us abandoning the development of the IL-1 Trap.

***Our product candidates in development are recombinant proteins that could cause an immune response, resulting in the creation of harmful or neutralizing antibodies against the therapeutic protein.***

In addition to the safety, efficacy, manufacturing, and regulatory hurdles faced by our product candidates, the administration of recombinant proteins frequently causes an immune response, resulting in the creation of antibodies against the therapeutic protein. The antibodies can have no effect or can totally neutralize the effectiveness of the protein, or require that higher doses be used to obtain a therapeutic effect. In some cases, the antibody can cross react with the patient's own proteins, resulting in an "auto-immune" type disease. Whether antibodies will be created can often not be predicted from preclinical or clinical experiments, and their detection or appearance is often delayed, so that there can be no assurance that neutralizing antibodies will not be detected at a later date — in some cases even after pivotal clinical trials have been completed. Subjects who received IL-1 Trap in clinical trials have developed antibodies. It is possible that as we test the VEGF Trap and VEGF Trap-Eye with more sensitive assays in different patient populations and larger clinical trials, we will find that subjects given the VEGF Trap and VEGF Trap-Eye develop antibodies to these product candidates, which could adversely impact the development of such candidates.

***We may be unable to formulate or manufacture our product candidates in a way that is suitable for clinical or commercial use.***

Changes in product formulations and manufacturing processes may be required as product candidates progress in clinical development and are ultimately commercialized. For example, we are currently testing a new formulation of the VEGF Trap-Eye in a Phase 1 Trial. If we are unable to develop suitable product formulations or manufacturing processes to support large scale clinical testing of our product candidates, including the VEGF Trap, VEGF Trap-Eye, and IL-1 Trap, we may be unable to supply necessary materials for our clinical trials, which would delay the development of our product candidates. Similarly, if we are unable to supply sufficient quantities of our product or develop product formulations suitable for commercial use, we will not be able to successfully commercialize our product candidates.

**Risks Related to Intellectual Property**

***If we cannot protect the confidentiality of our trade secrets or our patents are insufficient to protect our proprietary rights, our business and competitive position will be harmed.***

Our business requires using sensitive and proprietary technology and other information that we protect as trade secrets. We seek to prevent improper disclosure of these trade secrets through confidentiality agreements. If our trade secrets are improperly exposed, either by our own employees or our collaborators, it would help our competitors and adversely affect our business. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our rights are covered by valid and enforceable patents or are effectively maintained as trade secrets. The patent position of biotechnology companies involves complex

legal and factual questions and, therefore, enforceability cannot be predicted with certainty. Our patents may be challenged, invalidated, or circumvented. Patent applications filed outside the United States may be challenged by third parties who file an opposition. Such opposition proceedings are increasingly common in the European Union and are costly to defend. We have patent applications that are being opposed and it is likely that we will need to defend additional patent applications in the future. Our patent rights may not provide us with a proprietary position or competitive advantages against competitors. Furthermore, even if the outcome is favorable to us, the enforcement of our intellectual property rights can be extremely expensive and time consuming.

***We may be restricted in our development and/or commercialization activities by, and could be subject to damage awards if we are found to have infringed, third party patents or other proprietary rights.***

Our commercial success depends significantly on our ability to operate without infringing the patents and other proprietary rights of third parties. Other parties may allege that they have blocking patents to our products in clinical development, either because they claim to hold proprietary rights to the composition of a product or the way it is manufactured or used. Moreover, other parties may allege that they have blocking patents to antibody products made using our VelocImmune technology, either because of the way the antibodies are discovered or produced or because of a proprietary position covering an antibody or the antibody's target.

We are aware of patents and pending applications owned by Genentech that claim certain chimeric VEGF receptor compositions. Although we do not believe that the VEGF Trap or VEGF Trap-Eye infringes any valid claim in these patents or patent applications, Genentech could initiate a lawsuit for patent infringement and assert its patents are valid and cover the VEGF Trap or VEGF Trap-Eye. Genentech may be motivated to initiate such a lawsuit at some point in an effort to impair our ability to develop and sell the VEGF Trap or VEGF Trap-Eye, which represents a potential competitive threat to Genentech's VEGF-binding products and product candidates. An adverse determination by a court in any such potential patent litigation would likely materially harm our business by requiring us to seek a license, which may not be available, or resulting in our inability to manufacture, develop and sell the VEGF Trap or VEGF Trap-Eye or in a damage award.

Any patent holders could sue us for damages and seek to prevent us from manufacturing, selling, or developing our drug candidates, and a court may find that we are infringing validly issued patents of third parties. In the event that the manufacture, use, or sale of any of our clinical candidates infringes on the patents or violates other proprietary rights of third parties, we may be prevented from pursuing product development, manufacturing, and commercialization of our drugs and may be required to pay costly damages. Such a result may materially harm our business, financial condition, and results of operations. Legal disputes are likely to be costly and time consuming to defend.

We seek to obtain licenses to patents when, in our judgment, such licenses are needed. If any licenses are required, we may not be able to obtain such licenses on commercially reasonable terms, if at all. The failure to obtain any such license could prevent us from developing or

commercializing any one or more of our product candidates, which could severely harm our business.

**Regulatory and Litigation Risks**

***If we do not obtain regulatory approval for our product candidates, we will not be able to market or sell them.***

We cannot sell or market products without regulatory approval. If we do not obtain and maintain regulatory approval for our product candidates, the value of our company and our results of operations will be harmed. In the United States, we must obtain and maintain approval from the United States Food and Drug Administration (FDA) for each drug we intend to sell. Obtaining FDA approval is typically a lengthy and expensive process, and approval is highly uncertain. Foreign governments also regulate drugs distributed in their country and approval in any country is likely to be a lengthy and expensive process, and approval is highly uncertain. None of our product candidates has ever received regulatory approval to be marketed and sold in the United States or any other country. We may never receive regulatory approval for any of our product candidates.

Before approving a new drug or biologic product, the FDA requires that the facilities at which the product will be manufactured be in compliance with current good manufacturing practices, or cGMP requirements. Manufacturing product candidates in compliance with these regulatory requirements is complex, time-consuming, and expensive. To be successful, our products must be manufactured for development, following approval, in commercial quantities, in compliance with regulatory requirements, and at competitive costs. If we or any of our product collaborators or third-party manufacturers, product packagers, or labelers are unable to maintain regulatory compliance, the FDA can impose regulatory sanctions, including, among other things, refusal to approve a pending application for a new drug or biologic product, or revocation of a pre-existing approval. As a result, our business, financial condition, and results of operations may be materially harmed.

***If the testing or use of our products harms people, we could be subject to costly and damaging product liability claims. We could also face costly and damaging claims arising from employment law, securities law, environmental law, or other applicable laws governing our operations.***

The testing, manufacturing, marketing, and sale of drugs for use in people expose us to product liability risk. Any informed consent or waivers obtained from people who sign up for our clinical trials may not protect us from liability or the cost of litigation. Our product liability insurance may not cover all potential liabilities or may not completely cover any liability arising from any such litigation. Moreover, we may not have access to liability insurance or be able to maintain our insurance on acceptable terms.

***Our operations may involve hazardous materials and are subject to environmental, health, and safety laws and regulations. We may incur substantial liability arising from our activities involving the use of hazardous materials.***

As a biopharmaceutical company with significant manufacturing operations, we are subject to extensive environmental, health, and safety laws and regulations, including those governing the use of hazardous materials. Our research and development and manufacturing activities involve the controlled use of chemicals, viruses, radioactive compounds, and other hazardous materials. The cost of compliance with environmental, health, and safety regulations is substantial. If an accident involving these materials or an environmental discharge were to occur, we could be held liable for any resulting damages, or face regulatory actions, which could exceed our resources or insurance coverage.

***Changes in the securities laws and regulations have increased, and are likely to continue to increase, our costs.***

The Sarbanes-Oxley Act of 2002, which became law in July 2002, has required changes in some of our corporate governance, securities disclosure and compliance practices. In response to the requirements of that Act, the SEC and the NASDAQ Stock Market have promulgated new rules and listing standards covering a variety of subjects. Compliance with these new rules and listing standards has increased our legal costs, and significantly increased our accounting and auditing costs, and we expect these costs to continue. These developments may make it more difficult and more expensive for us to obtain directors' and officers' liability insurance. Likewise, these developments may make it more difficult for us to attract and retain qualified members of our board of directors, particularly independent directors, or qualified executive officers.

***In future years, if we or our independent registered public accounting firm are unable to conclude that our internal control over financial reporting is effective, the market value of our common stock could be adversely affected.***

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring public companies to include a report of management on the Company's internal control over financial reporting in their annual reports on Form 10-K that contains an assessment by management of the effectiveness of our internal control over financial reporting. In addition, the independent registered public accounting firm auditing our financial statements must attest to and report on management's assessment and on the effectiveness of our internal control over financial reporting. Our independent registered public accounting firm provided us with an unqualified report as to our assessment and the effectiveness of our internal control over financial reporting as of December 31, 2006, which report is included in this Annual Report on Form 10-K. However, we cannot assure you that management or our independent registered public accounting firm will be able to provide such an assessment or unqualified report as of future year-ends. In this event, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the market value of our common stock. In addition, if it is determined that deficiencies in the design or operation of internal controls exist and that they are reasonably likely to adversely affect our ability to record, process, summarize, and report financial information, we would likely incur additional costs to remediate these deficiencies and the costs of such remediation could be material.

**Risks Related to Our Dependence on Third Parties**

***If our collaboration with sanofi-aventis for the VEGF Trap is terminated, our business operations and our ability to develop, manufacture, and commercialize the VEGF Trap in the time expected, or at all, would be harmed.***

We rely heavily on sanofi-aventis to assist with the development of the VEGF Trap oncology program. Sanofi-aventis funds all of the development expenses incurred by both companies in connection with the VEGF Trap oncology program. If the VEGF Trap oncology program continues, we will rely on sanofi-aventis to assist with funding the VEGF Trap program, provide commercial manufacturing capacity, enroll and monitor clinical trials, obtain regulatory approval, particularly outside the United States, and provide sales and marketing support. While we cannot assure you that the VEGF Trap will ever be successfully developed and commercialized, if sanofi-aventis does not perform its obligations in a timely manner, or at all, our ability to develop, manufacture, and commercialize the VEGF Trap in cancer indications will be significantly adversely affected. Sanofi-aventis has the right to terminate its collaboration agreement with us at any time upon twelve months advance notice. If sanofi-aventis were to terminate its collaboration agreement with us, we would not have the resources or skills to replace those of our partner, which could cause significant delays in the development and/or manufacture of the VEGF Trap and result in substantial additional costs to us. We have no sales, marketing, or distribution capabilities and would have to develop or outsource these capabilities. Termination of the sanofi-aventis collaboration agreement would create substantial new and additional risks to the successful development of the VEGF Trap oncology program.

***If our collaboration with Bayer HealthCare for the VEGF Trap-Eye is terminated, our business operations and our ability to develop, manufacture, and commercialize the VEGF Trap-Eye in the time expected, or at all, would be harmed.***

We rely heavily on Bayer HealthCare to assist with the development of the VEGF Trap-Eye. Under our agreement with them, Bayer HealthCare is required to fund approximately half of the development expenses incurred by both companies in connection with the global VEGF Trap-Eye development program. If the VEGF Trap-Eye program continues, we will rely on Bayer HealthCare to assist with funding the VEGF Trap-Eye development program, provide assistance with the enrollment and monitoring of clinical trials conducted outside the United States, obtaining regulatory approval outside the United States, and provide sales, marketing and commercial support for the product outside the United States. In particular, Bayer HealthCare has responsibility for selling VEGF Trap-Eye outside the United States using its sales force. While we cannot assure you that the VEGF Trap-Eye will ever be successfully developed and commercialized, if Bayer HealthCare does not perform its obligations in a timely manner, or at all, our ability to develop, manufacture, and commercialize the VEGF Trap-Eye outside the United States will be significantly adversely affected. Bayer HealthCare has the right to terminate its collaboration agreement with us at any time upon six or twelve months advance notice, depending on the circumstances giving rise to termination. If Bayer HealthCare were to terminate its collaboration agreement with us, we would not have the resources or skills to replace those of our partner, which could cause significant delays in the development and/or commercialization of the VEGF Trap-Eye outside the United States and result in substantial additional costs to us. We have no sales, marketing, or distribution capabilities and would have to develop or outsource these capabilities outside the United States. Termination of the Bayer HealthCare collaboration agreement would create substantial new and additional risks to the successful development of the VEGF Trap-Eye development program.

***Our collaborators and service providers may fail to perform adequately in their efforts to support the development, manufacture, and commercialization of our drug candidates.***

We depend upon third-party collaborators, including sanofi-aventis, Bayer HealthCare, and service providers such as clinical research organizations, outside testing laboratories, clinical investigator sites, and third-party manufacturers and product packagers and labelers, to assist us in the development of our product candidates. If any of our existing collaborators or service providers breaches or terminates its agreement with us or does not perform its development or manufacturing services under an agreement in a timely manner or at all, we could experience additional costs, delays, and difficulties in the development or ultimate commercialization of our product candidates.

**Risks Related to the Manufacture of Our Product Candidates**

***We have limited manufacturing capacity, which could inhibit our ability to successfully develop or commercialize our drugs.***

Our manufacturing facility is likely to be inadequate to produce sufficient quantities of product for commercial sale. We intend to rely on our corporate collaborators, as well as contract manufacturers, to produce the large quantities of drug material needed for commercialization of our products. We rely entirely on third-party manufacturers for filling and finishing services. We will have to depend on these manufacturers to deliver material on a timely basis and to comply with regulatory requirements. If we are unable to supply sufficient material on acceptable terms, or if we should encounter delays or difficulties in our relationships with our corporate collaborators or contract manufacturers, our business, financial condition, and results of operations may be materially harmed.

We may expand our own manufacturing capacity to support commercial production of active pharmaceutical ingredients, or API, for our product candidates. This will require substantial additional funds, and we will need to hire and train significant numbers of employees and managerial personnel to staff our facility. Start-up costs can be large and scale-up entails significant risks related to process development and manufacturing yields. We may be unable to develop manufacturing facilities that are sufficient to produce drug material for clinical trials or commercial use. In addition, we may be unable to secure adequate filling and finishing services to support our products. As a result, our business, financial condition, and results of operations may be materially harmed.

We may be unable to obtain key raw materials and supplies for the manufacture of our product candidates. In addition, we may face difficulties in developing or acquiring production technology and managerial personnel to manufacture sufficient quantities of our product candidates at reasonable costs and in compliance with applicable quality assurance and environmental regulations and governmental permitting requirements.

***If any of our clinical programs are discontinued, we may face costs related to the unused capacity at our manufacturing facilities.***

We have large-scale manufacturing operations in Rensselaer, New York. We use our facilities to produce bulk product for clinical and preclinical candidates for ourselves and our

collaborations. If our clinical candidates are discontinued, we will have to absorb one hundred percent of related overhead costs and inefficiencies.

***Certain of our raw materials are single-sourced from third parties; third-party supply failures could adversely affect our ability to supply our products.***

Certain raw materials necessary for manufacturing and formulation of our product candidates are provided by single-source unaffiliated third-party suppliers. We would be unable to obtain these raw materials for an indeterminate period of time if these third-party single-source suppliers were to cease or interrupt production or otherwise fail to supply these materials or products to us for any reason, including due to regulatory requirements or action, due to adverse financial developments at or affecting the supplier, or due to labor shortages or disputes. This, in turn, could materially and adversely affect our ability to manufacture our product candidates for use in clinical trials, which could materially and adversely affect our business and future prospects.

Also, certain of the raw materials required in the manufacturing and the formulation of our clinical candidates may be derived from biological sources, including mammalian tissues, bovine serum, and human serum albumin. There are certain European regulatory restrictions on using these biological source materials. If we are required to substitute for these sources to comply with European regulatory requirements, our clinical development activities may be delayed or interrupted.

**Risks Related to Commercialization of Products**

***If we are unable to establish sales, marketing, and distribution capabilities, or enter into agreements with third parties to do so, we will be unable to successfully market and sell future products.***

We have no sales or distribution personnel or capabilities and have only a small staff with marketing capabilities. If we are unable to obtain those capabilities, either by developing our own organizations or entering into agreements with service providers, we will not be able to successfully sell any products that we may obtain regulatory approval for and bring to market in the future. In that event, we will not be able to generate significant revenue, even if our product candidates are approved. We cannot guarantee that we will be able to hire the qualified sales and marketing personnel we need or that we will be able to enter into marketing or distribution agreements with third-party providers on acceptable terms, if at all. Under the terms of our collaboration agreement with sanofi-aventis, we currently rely on sanofi-aventis for sales, marketing, and distribution of the VEGF Trap in cancer indications, should it be approved in the future by regulatory authorities for marketing. We will have to rely on a third party or devote significant resources to develop our own sales, marketing, and distribution capabilities for our other product candidates, including the VEGF Trap-Eye in the United States, and we may be unsuccessful in developing our own sales, marketing, and distribution organization.

***Even if our product candidates are approved for marketing, their commercial success is highly uncertain because our competitors have received approval for products with the same mechanism of action, and competitors may get to the marketplace before we do with better or***

***lower cost drugs or the market for our product candidates may be too small to support commercialization or sufficient profitability.***

There is substantial competition in the biotechnology and pharmaceutical industries from pharmaceutical, biotechnology, and chemical companies. Many of our competitors have substantially greater research, preclinical and clinical product development and manufacturing capabilities, and financial, marketing, and human resources than we do. Our smaller competitors may also enhance their competitive position if they acquire or discover patentable inventions, form collaborative arrangements, or merge with large pharmaceutical companies. Even if we achieve product commercialization, our competitors have achieved, and may continue to achieve, product commercialization before our products are approved for marketing and sale.

Genentech has an approved VEGF antagonist, Avastin® (Genentech), on the market for treating certain cancers and many different pharmaceutical and biotechnology companies are working to develop competing VEGF antagonists, including Novartis, OSI Pharmaceuticals, and Pfizer. Many of these molecules are farther along in development than the VEGF Trap and may offer competitive advantages over our molecule**.** Novartis has an ongoing Phase 3 clinical development program evaluating an orally delivered VEGF tyrosine kinase inhibitor in different cancer settings. Each of Pfizer and Onyx Pharmaceuticals (together with its partner Bayer HealthCare) has received approval from the FDA to market and sell an oral medication that targets tumor cell growth and new vasculature formation that fuels the growth of tumors. The marketing approvals for Genentech's VEGF antagonist, Avastin® (Genentech), and their extensive, ongoing clinical development plan for Avastin® (Genentech) in other cancer indications, may make it more difficult for us to enroll patients in clinical trials to support the VEGF Trap and to obtain regulatory approval of the VEGF Trap in these cancer settings. This may delay or impair our ability to successfully develop and commercialize the VEGF Trap. In addition, even if the VEGF Trap is ever approved for sale for the treatment of certain cancers, it will be difficult for our drug to compete against Avastin® (Genentech) and the FDA approved kinase inhibitors, because doctors and patients will have significant experience using these medicines. In addition, an oral medication may be considerably less expensive for patients than a biologic medication, providing a competitive advantage to companies that market such products.

The market for eye disease products is also very competitive. Novartis and Genentech are collaborating on the commercialization and further development of a VEGF antibody fragment (Lucentis®) for the treatment of age-related macular degeneration (wet AMD) and other eye indications that was approved by the FDA in June 2006. OSI Pharmaceuticals and Pfizer are marketing an approved VEGF inhibitor for wet AMD. Many other companies are working on the development of product candidates for the potential treatment of wet AMD that act by blocking VEGF, VEGF receptors, and through the use of soluble ribonucleic acids (sRNAs) that modulate gene expression. In addition, ophthalmologists are using off-label a third-party reformulated version of Genentech's approved VEGF antagonist, Avastin®, with success for the treatment of wet AMD. The National Eye Institute recently has received funding for a Phase 3 trial to compare Lucentis® (Genentech) to Avastin® (Genentech) in the treatment of wet AMD. The marketing approval of Lucentis® (Genentech) and the potential off-label use of Avastin® (Genentech) make it more difficult for us to enroll patients in our clinical trials and successfully develop the VEGF Trap-Eye. Even if the VEGF Trap-Eye is ever approved for sale for the treatment of eye diseases, it may be difficult for our drug to compete against Lucentis®

(Genentech), because doctors and patients will have significant experience using this medicine. Moreover, the relatively low cost of therapy with Avastin® (Genentech) in patients with wet AMD presents a further competitive challenge in this indication.

The availability of highly effective FDA approved TNF-antagonists such as Enbrel® (Immunex), Remicade® (Centocor), and Humira® (Abbott Biotechnology Ltd.), and the IL-1 receptor antagonist Kineret® (Amgen), and other marketed therapies makes it more difficult to successfully develop and commercialize the IL-1 Trap. This is one of the reasons we discontinued the development of the IL-1 Trap in adult rheumatoid arthritis. In addition, even if the IL-1 Trap is ever approved for sale, it will be difficult for our drug to compete against these FDA approved TNF-antagonists in indications where both are useful because doctors and patients will have significant experience using these effective medicines. Moreover, in such indications these approved therapeutics may offer competitive advantages over the IL-1 Trap, such as requiring fewer injections.

There are both small molecules and antibodies in development by third parties that are designed to block the synthesis of interleukin-1 or inhibit the signaling of interleukin-1. For example, Eli Lilly and Company and Novartis are each developing antibodies to interleukin-1 and Amgen is developing an antibody to the interleukin-1 receptor. These drug candidates could offer competitive advantages over the IL-1 Trap. The successful development of these competing molecules could delay or impair our ability to successfully develop and commercialize the IL-1 Trap. For example, we may find it difficult to enroll patients in clinical trials for the IL-1 Trap if the companies developing these competing interleukin-1 inhibitors commence clinical trials in the same indications.

We are developing the IL-1 Trap for the treatment of a spectrum of rare diseases associated with mutations in the *CIAS*1 gene. These rare genetic disorders affect a small group of people, estimated to be between several hundred and a few thousand. There may be too few patients with these genetic disorders to profitably commercialize the IL-1 Trap in this indication.

***The successful commercialization of our product candidates will depend on obtaining coverage and reimbursement for use of these products from third-party payers and these payers may not agree to cover or reimburse for use of our products.***

Our products, if commercialized, may be significantly more expensive than traditional drug treatments. Our future revenues and profitability will be adversely affected if United States and foreign governmental, private third-party insurers and payers, and other third-party payers, including Medicare and Medicaid, do not agree to defray or reimburse the cost of our products to the patients. If these entities refuse to provide coverage and reimbursement with respect to our products or provide an insufficient level of coverage and reimbursement, our products may be too costly for many patients to afford them, and physicians may not prescribe them. Many third-party payers cover only selected drugs, making drugs that are not preferred by such payer more expensive for patients, and require prior authorization or failure on another type of treatment before covering a particular drug. Payers may especially impose these obstacles to coverage on higher-priced drugs, as our product candidates are likely to be.

We intend to file an application with the FDA seeking approval to market the IL-1 Trap for

the treatment of a spectrum of rare genetic disorders called CAPS. There may be too few patients with CAPS to profitably commercialize the IL-1 Trap. Physicians may not prescribe the IL-1 Trap and CAPS patients may not be able to afford the IL-1 Trap if third party payers do not agree to reimburse the cost of IL-1 Trap therapy and this would adversely affect our ability to commercialize the IL-1 Trap profitably.

In addition to potential restrictions on coverage, the amount of reimbursement for our products may also reduce our profitability. In the United States, there have been, and we expect will continue to be, actions and proposals to control and reduce healthcare costs. Government and other third-party payers are challenging the prices charged for healthcare products and increasingly limiting, and attempting to limit, both coverage and level of reimbursement for prescription drugs.

Since our products, including the IL-1 Trap, will likely be too expensive for most patients to afford without health insurance coverage, if our products are unable to obtain adequate coverage and reimbursement by third-party payers our ability to successfully commercialize our product candidates may be adversely impacted. Any limitation on the use of our products or any decrease in the price of our products will have a material adverse effect on our ability to achieve profitability.

In certain foreign countries, pricing, coverage and level of reimbursement of prescription drugs are subject to governmental control, and we may be unable to negotiate coverage, pricing, and reimbursement on terms that are favorable to us. In some foreign countries, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing vary widely from country to country. For example, the European Union provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A member state may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. Our results of operations may suffer if we are unable to market our products in foreign countries or if coverage and reimbursement for our products in foreign countries is limited.

**Risk Related to Employees**

***We are dependent on our key personnel and if we cannot recruit and retain leaders in our research, development, manufacturing, and commercial organizations, our business will be harmed.***

We are highly dependent on certain of our executive officers. If we are not able to retain any of these persons or our Chairman, our business may suffer. In particular, we depend on the services of P. Roy Vagelos, M.D., the Chairman of our board of directors, Leonard Schleifer, M.D., Ph.D., our President and Chief Executive Officer, George D. Yancopoulos, M.D., Ph.D., our Executive Vice President, Chief Scientific Officer and President, Regeneron Research Laboratories, and Neil Stahl, Ph.D., our Senior Vice President, Research and Development Sciences. There is intense competition in the biotechnology industry for qualified scientists and managerial personnel in the development, manufacture, and commercialization of drugs. We may

not be able to continue to attract and retain the qualified personnel necessary for developing our business.

**Risks Related to Our Common Stock**

***Our stock price is extremely volatile.***

There has been significant volatility in our stock price and generally in the market prices of biotechnology companies' securities. Various factors and events may have a significant impact on the market price of our common stock. These factors include, by way of example:

- progress, delays, or adverse results in clinical trials;
- announcement of technological innovations or product candidates by us or competitors;
- fluctuations in our operating results;
- public concern as to the safety or effectiveness of our product candidates;
- developments in our relationship with collaborative partners;
- developments in the biotechnology industry or in government regulation of healthcare;
- large sales of our common stock by our executive officers, directors, or significant shareholders;
- arrivals and departures of key personnel; and
- general market conditions.

The trading price of our common stock has been, and could continue to be, subject to wide fluctuations in response to these and other factors, including the sale or attempted sale of a large amount of our common stock in the market. Broad market fluctuations may also adversely affect the market price of our common stock.

***Future sales of our common stock by our significant shareholders or us may depress our stock price and impair our ability to raise funds in new share offerings.***

A small number of our shareholders beneficially own a substantial amount of our common stock. As of April 12, 2007, our seven largest shareholders beneficially owned 44.1% of our outstanding shares of Common Stock, assuming, in the case of Leonard S. Schleifer, M.D. Ph.D., our Chief Executive Officer, and P. Roy Vagelos, M.D., our Chairman, the conversion of their Class A Stock into Common Stock and the exercise of all options held by them which are exercisable within 60 days of April 12, 2007. As of April 12, 2007, sanofi-aventis owned 2,799,552 shares of Common Stock, representing approximately 4.4% of the shares of Common Stock then outstanding. Under our stock purchase agreement with sanofi-aventis, sanofi-aventis may sell no more than 500,000 of these shares in any calendar quarter. If sanofi-aventis, or our other significant shareholders or we, sell substantial amounts of our Common Stock in the public market, or the perception that such sales may occur exists, the market price of our Common Stock could fall. Sales of Common Stock by our significant shareholders, including sanofi-aventis, also might make it more difficult for us to raise funds by selling equity or equity-related securities in the future at a time and price that we deem appropriate.

***Our existing shareholders may be able to exert significant influence over matters requiring shareholder approval.***

Holders of Class A Stock, who are generally the shareholders who purchased their stock from us before our initial public offering, are entitled to ten votes per share, while holders of Common Stock are entitled to one vote per share. As of April 12, 2007, holders of Class A Stock held 26.4% of the combined voting power of all of Common Stock and Class A Stock then outstanding. These shareholders, if acting together, would be in a position to significantly influence the election of our directors and to effect or prevent certain corporate transactions that require majority or supermajority approval of the combined classes, including mergers and other business combinations. This may result in our company taking corporate actions that you may not consider to be in your best interest and may affect the price of our Common Stock. As of April 12, 2007:

- our current executive officers and directors beneficially owned 13.2% of our outstanding shares of Common Stock, assuming conversion of their Class A Stock into Common Stock and the exercise of all options held by such persons which are exercisable within 60 days of April 12, 2007, and 30.4% of the combined voting power of our outstanding shares of Common Stock and Class A Stock, assuming the exercise of all options held by such persons which are exercisable within 60 days of April 12, 2007; and
- our seven largest shareholders beneficially owned 44.1% of our outstanding shares of Common Stock, assuming, in the case of Leonard S. Schleifer, M.D., Ph.D., our Chief Executive Officer, and P. Roy Vagelos, M.D., our Chairman, the conversion of their Class A Stock into Common Stock and the exercise of all options held by them which are exercisable within 60 days of April 12, 2007. In addition, these seven shareholders held 51.0% of the combined voting power of our outstanding shares of Common Stock and Class A Stock, assuming the exercise of all options held by our Chief Executive Officer and our Chairman which are exercisable within 60 days of April 12, 2007.

***The anti-takeover effects of provisions of our charter, by-laws, and of New York corporate law, could deter, delay, or prevent an acquisition or other "change in control" of us and could adversely affect the price of our common stock.***

Our amended and restated certificate of incorporation, our by-laws and the New York Business Corporation Law contain various provisions that could have the effect of delaying or preventing a change in control of our company or our management that shareholders may consider favorable or beneficial. Some of these provisions could discourage proxy contests and make it more difficult for you and other shareholders to elect directors and take other corporate actions. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock. These provisions include:

- authorization to issue "blank check" preferred stock, which is preferred stock that can be created and issued by the board of directors without prior shareholder approval, with rights senior to those of our common shareholders;
- a staggered board of directors, so that it would take three successive annual meetings to replace all of our directors;

- a requirement that removal of directors may only be effected for cause and only upon the affirmative vote of at least eighty percent (80%) of the outstanding shares entitled to vote for directors, as well as a requirement that any vacancy on the board of directors may be filled only by the remaining directors;
- any action required or permitted to be taken at any meeting of shareholders may be taken without a meeting, only if, prior to such action, all of our shareholders consent, the effect of which is to require that shareholder action may only be taken at a duly convened meeting;
- any shareholder seeking to bring business before an annual meeting of shareholders must provide timely notice of this intention in writing and meet various other requirements; and
- under the New York Business Corporation Law, a plan of merger or consolidation of the Company must be approved by two-thirds of the votes of all outstanding shares entitled to vote thereon. See the risk factor immediately above captioned *"Our existing shareholders may be able to exert significant influence over matters requiring shareholder approval."*

In addition, we have a Change in Control Severance Plan and our chief executive officer has an employment agreement that provides severance benefits in the event our officers are terminated as a result of a change in control of the Company. Many of our stock options issued under our 2000 Long-Term Incentive Plan may become fully vested in connection with a "change in control" of our company, as defined in the plan.

**Item 6. Exhibits**

(a) Exhibits

| Exhibit Number | | Description |
|---|---|---|
| 10.1* | — | Non-Exclusive License and Material Transfer Agreement, dated as of March 30, 2007, by and between Astellas Pharma Inc. and Regeneron Pharmaceuticals, Inc. |
| 12.1 | — | Statement re: computation of ratio of earnings to combined fixed charges. |
| 31.1 | — | Certification of CEO pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934. |
| 31.2 | — | Certification of CFO pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934. |
| 32 | — | Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350. |

* Portions of this document have been omitted and filed separately with the Commission pursuant to requests for confidential treatment pursuant to Rule 24b-2.

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Regeneron Pharmaceuticals, Inc.

Date: May 4, 2007

By: /s/ Murray A. Goldberg
Murray A. Goldberg
Senior Vice President, Finance & Administration,
Chief Financial Officer, Treasurer, and
Assistant Secretary

Exhibit 10.1

**NON-EXCLUSIVE LICENSE AND MATERIAL TRANSFER AGREEMENT**

This Non-Exclusive License and Material Transfer Agreement ("Agreement") is entered into with an effective date as of March 30, 2007 (the "Effective Date"), by and between Astellas Pharma Inc., a Japanese company with a principal place of business located at 2-3-11 Nihonbashi-Honcho, Chuo-ku, Tokyo 103-8411, Japan ("Company"), and Regeneron Pharmaceuticals, Inc. ("Regeneron"), a New York corporation, with a principal place of business located at 777 Old Saw Mill River Road, Tarrytown, New York 10591-6707.

**WITNESSETH**

WHEREAS, Regeneron has developed antibody technology, including genetically modified mice and related know-how, useful to generate human monoclonal antibodies;

WHEREAS, Regeneron owns certain patents and patent applications covering its human antibody technology;

WHEREAS, Company desires to obtain certain non-exclusive licenses under Regeneron Technology (as defined below), including the right to commercialize Antibodies (as defined below) generated from the Mice (as defined below), on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and of the mutual promises and covenants herein contained, Company and Regeneron agree as follows:

**ARTICLE I**
**DEFINITIONS**

When used in this Agreement, each of the following terms shall have the meanings set forth in this Article I:

1.1 "Adjusted Annual Fee" shall mean twenty million United States dollars (US$20,000,000) adjusted in accordance with the US CPI to reflect any increase in the US CPI from the month and year of the Transfer Date until the month and year of the most recently reported US CPI available on the fourth anniversary of the Transfer Date.

1.2 "Affiliate" shall mean, with respect to a Person, any Person that controls, is controlled by, or is under common control with such Person. For purposes of this Section 1.2, "control" shall refer to (a) in the case of a Person that is a corporate entity, direct or indirect ownership of fifty percent (50%) or more of the stock or shares having the right to vote for the election of a majority of the directors of such Person or (b) in the case of a Person that is an entity, whether or not he, she or it is a corporate entity, the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

1.3 "Antibody" shall mean any antibody, or any derivative, or fragment thereof, including any fusions comprising any such antibody, derivative or fragment, that has been Derived from Mice and/or Mice Materials pursuant to this Agreement and any composition or formulation that incorporates or includes any such antibody, derivative, fragment or fusion molecule.

1.4 "Antibody Materials" shall mean **********.

1.5 "Applicable Law" shall mean all applicable laws, statutes, rules, regulations, ordinances and other pronouncements having the effect of law of any court, tribunal, arbitrator, agency, commission, official or other instrumentality of (a) any government of any country, (b) a federal, state, province, county, city or other political subdivision thereof or (c) any supranational body.

1.6 "Approved Third Party" shall mean a Third Party approved by Regeneron pursuant to Section 3.6.

1.7 "Breeding Pair" shall mean one (1) male Mouse and one (1) female Mouse.

1.8 "Company Know How" shall have the meaning set forth in Section 7.1(c).

1.9 "Company Patent Rights" shall mean all Patent Rights owned or Controlled by Company and/or its Affiliates, in each case, which claim any composition (or portion thereof) or use of the Antibody, Antibody Materials, Subject Products or Company Know-How.

1.10 "Company Technology" shall mean Company Patent Rights and Company Know-How.

1.11 "Control" and cognates thereof shall mean the ability by a Person to grant (whether directly or through its Affiliates) the right to access or use, or to grant a licence or a sublicense to, or the right to disclose or transfer Regeneron Technology (including, without limitation, Mice), Company Technology or other intellectual property right, or Confidential Information, as the case may be, without violating the terms of any agreement or other arrangement with, or the rights of, any Third Party.

1.12 "Derived" and cognates thereof shall mean obtained, developed, acquired, made, invented, discovered, created, synthesized, designed, or otherwise generated or resulting from. For the avoidance of doubt, an antibody or antibody material shall not be deemed Derived from Mice if Company only uses Company Know-How (other than DNA or amino acid sequence information) to derive antibodies from sources other than Mice or Mice Materials.

1.13 "Diagnostic Subject Product" shall mean each Subject Product approved and sold or offered for sale for diagnostic use.

1.14 "Distributor" shall mean a Third Party appointed to distribute, market and sell the Subject Products in a country or region other than the United States, Canada, France, Germany, Italy, Japan, Spain, or the United Kingdom, even if that Third Party is supplied Subject Products in unpackaged bulk form; provided that such Third Party does not make any royalty or other payment to Company or any of its Affiliates or Licensees with respect to the Subject Product or intellectual property rights outside of the amounts included in the calculation of Net Sales (other than a reasonable and customary up-front payment that is comparable to payments made by Company to a Distributor for the distribution of its other products in the applicable country or region).

1.15 "Exploit" means to make, have made, import, use, sell, or offer for sale, including to research, develop, register, modify, enhance, improve, manufacture, have manufactured, hold/keep (whether for disposal or otherwise), formulate, optimise, have used, export, transport, distribute, promote, market or have sold or otherwise dispose or offer to dispose of a product or process and "Exploitation" shall be construed accordingly.

1.16 "Launch" shall mean the first commercial sale of any Subject Product by Company or its Affiliate or Licensee to a Third Party in a given country.

1.17 "Licensee" shall mean any Third Party that licenses, either directly or through a sublicense, a Subject Product from Company or any of its Affiliates. For the avoidance of doubt, the term "Licensee" shall include any Third Party that licenses a Subject Product from a Licensee but shall not include a Distributor.

1.18 "Mice" shall mean (a) Regeneron's proprietary, genetically modified mice that are described in Exhibit A ********** **********.

1.19 "Mice Inventions" shall have the meaning set forth in Section 2.4.

1.20 "Mice Materials" shall mean **********, but excluding Antibodies and Antibody Materials.

1.21 "Net Sales" shall mean the gross amounts invoiced by Company, Company's Affiliates and/or Licensees on sales of Subject Products, less the following items:

(a) trade, cash and quantity discounts actually allowed and taken directly with respect to such sales;

(b) tariffs, duties, excises and sales taxes imposed upon and paid directly with respect to such sales (reduced by any refunds of such taxes deducted in the calculation of Net Sales for prior periods and, for the avoidance of doubt, no deduction shall be permitted for income or similar taxes);

(c) amounts repaid or credited by reason of rejections, defects, recalls or returns or because of chargebacks, trial prescriptions or rebates;

(d) invoiced amounts that are written off as uncollectible in accordance with Company's accounting policies, as consistently applied over all products of Company, Company's Affiliates and/or Licensees (reduced by any collections of such amounts deducted in the calculation of Net Sales for prior periods); and

(e) as an allowance for transportation costs, distribution expenses, special packaging and related insurance charges, ******* **********.

The deductions set forth in clauses (a), (b), (c), (d) and (e) above shall be determined in accordance with generally accepted accounting principles, as consistently applied by Company across all of its

products. The amounts set forth in clause (b) above shall only be deducted from gross invoiced sales to the extent included in gross invoiced sales.

Transfers of Subject Products among Company and Company's Affiliates and Licensees for the purpose of subsequent resale to Third Parties shall not be counted for purposes of calculating Net Sales; with respect to such transfers, the gross amounts invoiced in connection with the subsequent resale of such Subject Products by Company or its Affiliates or Licensees to Third Parties shall be included in the calculation of Net Sales.

For purposes of determining Net Sales, the Subject Product(s) shall be deemed to be sold when invoiced and a "sale" shall not include transfers or dispositions made without financial consideration for charitable, promotional, preclinical, clinical, regulatory or governmental purposes.

As used in this paragraph, "Combination Products" means Subject Products that contain an Antibody as an active ingredient together with one or more other active ingredients. With respect to Combination Products, the Net Sales used for the calculation of the royalties under Section 4.2 will be adjusted by multiplying actual Net Sales of such Combination Product by the fraction A / (A+B), where A is the standard sales price of the Subject Product, containing the same amount of Antibody as its sole active ingredient as does the Combination Product in question, in the given country, and B is the standard sales price of the ready-for-sale form of a product containing, as its sole active ingredient(s) the same amount of the other therapeutically active ingredient(s) that is contained in the Combination Product in question, in the given country. If, on a country-by-country basis, the therapeutically active ingredient(s) in the Combination Product other than the Subject Product are not sold separately in that country, Net Sales shall be adjusted by multiplying actual Net Sales of such Combination Product by the fraction A / C, where C is the standard sales price of the Combination Product in such country. If, on a country-by-country basis, neither the Subject Product nor the other active ingredient(s) of the Combination Product is sold separately in said country, Net Sales shall be determined between the Parties in good faith.

1.22 "Party" shall mean Regeneron or Company; "Parties" shall mean Regeneron and Company.

1.23 "Patent Rights" shall mean all patents and patent applications (including provisional patent applications and any continuations of any such patent applications, claims in continuations-in-part to the extent such claims are entirely supported by the specifications of any such patent applications, and any divisionals, provisionals or substitute applications with respect to any such patent applications), any patent issued with respect to any such patent applications, any reissue, reexamination, renewal or extension (including any supplemental patent certificate) of any such patent, and any confirmation patent, registration patent, patent of addition, or inventor's certificate based on or directed to the same invention as any such patent, and all patents and patent applications anywhere in the world that at any time, directly or indirectly, claim priority from, support a claim of priority of or contain substantially identical disclosure as any of the foregoing.

1.24 "Person" shall mean any natural person or any corporation, company, partnership, limited liability company, joint venture, firm or other entity, including without limitation a Party.

1.25 "Progeny" shall mean any mice that are produced or developed by breeding or otherwise reproducing Mice.

1.26 "Regeneron Know-How" shall mean the trade secrets, unpatented technical information, specifications, protocols, and procedures described or referred to in Exhibit A and any unpatented Mice Inventions.

1.27 "Regeneron Patent Rights" shall mean all Patent Rights owned or Controlled by Regeneron and/or its Affiliates as at the Effective Date and, subject to Section 2.5, during the term of this Agreement, in each case, which claim the Mice, Mice Materials or Mice Inventions or the use of the Mice, Mice Materials or Mice Inventions to make Antibodies in general, including, without limitation, the Patent Rights that are listed in Exhibit B. For the avoidance of doubt, Regeneron Patent Rights shall not include (i) any Patent Rights claiming methods relating to Antibody or Antibody Material generation that are not directly related to the Mice or Mice Materials and (ii) any Patent Rights claiming the use of Mice or Mice Materials to make Antibodies against any specific target.

1.28 "Regeneron Technology" shall mean the Regeneron Know-How and Regeneron Patent Rights including with respect to any Mice Invention.

1.29 "Royalty Term" shall have the meaning set forth in Section 4.3.

1.30 "SEC" shall mean the United States Securities and Exchange Commission.

1.31 "Site" shall mean ********** and any site of a Company's Affiliate or Approved Third Party upon prior written notification of the address of such facility(ies) to Regeneron.

1.32 "Subject Product" shall mean any product (including, without limitation, any therapeutic or diagnostic for human or veterinary use) that contains as an ingredient or component an Antibody or Antibody Materials.

1.33 "Therapeutic Subject Products" shall mean all Subject Products except for Diagnostic Subject Products.

1.34 "Third Party" shall mean any Person other than Regeneron, Company, or their respective Affiliates.

1.35 "Transfer Date" shall mean the date upon which the first delivery of Mice from Regeneron are received by Company pursuant to Section 3.3 or **********.

1.36 "US CPI" shall mean the Consumer Price Index —Urban Wage Earners and Clerical Workers, U.S. City Average, All Items, 1982-1984 = 100, published by the United States Department of Labor, Bureau of Statistics (or its successor equivalent index) or such other index as may be mutually agreed upon by the Parties.

1.37 "Valid Claim" shall mean a claim which satisfies both of the conditions set forth in (i) and (ii) below: (i) the relevant claim is either (a) a claim of an issued and unexpired patent

which has not been held permanently revoked, unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and which has not been admitted to be invalid or unenforceable through re-issue or disclaimer or otherwise or (b) a claim of a pending patent application which claim was filed in good faith and which has not been pending for more than seven (7) years and that has not been abandoned or finally rejected without the possibility of appeal or refilling, and (ii) the relevant claim would be infringed by a Third Party if such Third Party Exploits a Subject Product.

## ARTICLE II
## LICENSE

2.1 License Grant. Subject to the terms of this Agreement, Regeneron on behalf of itself and its Affiliates hereby grants to Company a non-exclusive, worldwide license under the Regeneron Technology:

(a) to make Mice at the Site (but not to have Mice made other than by an Approved Third Party) (i) solely by means of breeding Mice with other Mice in accordance with the breeding practices outlined on Exhibit A as supplemented by disclosures made by Regeneron pursuant to Section 3.1 and Section 3.2 and (ii) as specifically set forth in the last sentence of Section 5.4;

(b) to use Mice at the Site (but not to have Mice used other than by an Approved Third Party) supplied by Regeneron or made by or for Company in accordance with (a) above to Derive Mice Materials for the purpose of making or having made Antibodies and/or Antibody Materials for internal research purposes, including for use in human clinical trials; and

(c) to use Mice Materials at the Site (but not to have Mice Materials used other than by an Approved Third Party) to Derive Antibodies and Antibody Materials.

As of the Effective Date, Regeneron has no Affiliates that Control any Regeneron Technology.

2.2 No Sublicense. Company shall not sublicense or otherwise transfer its rights (except as specifically provided in Sections 3.6 and 10.1) granted under Regeneron Technology; provided, however, that Company shall have the right to grant sublicenses under the licenses granted pursuant to Section 2.1 to its Affiliates; provided, further, that Company shall ensure that the terms of each such sublicense are consistent with the terms of this Agreement and that its Affiliates shall not commit any act (including any act of omission) which Company is prohibited from committing directly.

2.3 No Implied Licenses. The grant of the license to Company under Regeneron Technology set forth herein shall not constitute a grant of a license to Company under any Patent Rights or know-how other than the Regeneron Technology.

2.4 Mice Inventions. Company acknowledges and agrees that (a) the licenses granted to it pursuant to Section 2.1 permit Company (and Affiliates and Approved Third Parties) to use the Mice and Mice Materials solely for the purposes set forth therein, (b) neither Company nor any

of its Affiliates shall use the Mice or Mice Materials other than for the purposes set forth in Section 2.1, (c) Company has no right to use and shall not use the Mice or Mice Materials to discover, develop or otherwise make improvements that directly relate to the Mice or Mice Materials ("Mice Inventions") under such grants except for inventions made in the ordinary course of using the Mice and Mice Materials for the purpose of making (or having made) and using Antibodies and Antibody Materials under the grants in Sections 2.1(a) through (c). For the avoidance of doubt, Regeneron acknowledges that Mice Inventions shall not include Antibodies or Antibody Materials and general methods relating to the generation of antibodies or antibody materials. Without limiting any of Regeneron's rights under this Agreement or otherwise, should Company make any Mice Inventions, Company shall promptly disclose to Regeneron, in writing, any such Mice Inventions and shall, and hereby does, assign, for itself and on behalf of its Affiliates, to Regeneron all right, title, and interest it or they have in Mice Inventions without additional compensation. Company agrees, for itself and on behalf of its Affiliates, to execute any and all further instruments, forms of assignments and other documents, and to take such further actions as Regeneron may request, in order to transfer all of Company's (and/or its Affiliates) rights in the Mice Inventions. Without limiting the foregoing, Regeneron shall have the right to prepare, file and prosecute, in Regeneron's name as assignee, patent applications on all Mice Inventions.

2.5 New Regeneron Patent Rights.

If Regeneron acquires rights to additional intellectual property from a Third Party required by Company for its use of the Mice or Regeneron Technology under this Agreement that requires no payments to such Third Party and that permits Regeneron to include such intellectual property in the scope of the license grants in Section 2.1 of this Agreement, such intellectual property shall be included in this Agreement at no additional charge to Company. In the event that Regeneron acquires rights to such additional intellectual property from a Third Party relating to the Mice or Regeneron Technology pursuant to an agreement that requires payments to such Third Party and that permits Regeneron to include such intellectual property in the scope of the license grants in Section 2.1 of this Agreement, Regeneron and Company shall negotiate in good faith the terms under which such intellectual property shall be included in this Agreement, including without limitation, additional payments to be made by Company for the right to use such intellectual property. Such additional payments (including, without limitation, pass through royalties) shall not exceed the payments required to be made by Regeneron to such Third Party in consideration for Controlling and sublicensing the intellectual property rights. **********. In the event Regeneron and Company are unable to agree on such terms, then the subject matter of such intellectual property shall not be included within the definition of Regeneron Technology, and Company shall have no license or rights with respect to such intellectual property.

2.6 Prohibited Uses. Notwithstanding Section 2.1, Company agrees, for itself and on behalf of its Affiliates, that it and they shall not Derive Mice, Mice Materials, Antibodies or Antibody Materials for any Third Party as a contractor or service provider of such Third Party.

**ARTICLE III**
**MATERIAL TRANSFER; OWNERSHIP OF MICE**

3.1 Technology Transfer. Subject to Section 3.5, Regeneron shall transfer to Company the materials, including Regeneron Know-How and Mice, set forth on Exhibit A. Subject to Section 8.1, all such Regeneron Know-How and Mice listed in Exhibit A shall be considered Confidential Information. Other than the grant of license in Section 2.1, Regeneron retains all right, title and interest in and to the Regeneron Technology, Mice, and Mice Materials described in Exhibit A. Except as set forth in this Article III, Regeneron shall not have any obligation to provide to Company any trade secrets, know-how, information, specifications, protocols or procedures.

3.2 Transition Support. The Parties agree to work diligently and in good faith to complete the transfers set forth in Section 3.1 from Regeneron to Company as soon as reasonably practicable. Regeneron, at its sole cost and expense, shall provide reasonable telephonic assistance to Company to help identify and solve issues relating to unsuccessful breeding of Mice (including ********** **********). At Company's request and expense, upon reasonable prior notice and at mutually convenient dates, Regeneron personnel shall **********to help identify and solve issues relating to unsuccessful breeding of Mice at the Site designated by Company.

3.3 Delivery Terms and Conditions. Regeneron shall be responsible for (a) making arrangements for all Mice identified in Exhibit A to be shipped from Regeneron to Company or any Approved Third Party; Regeneron shall take reasonable steps to ensure that all Mice shall be free of any pathogen prior to shipment; (b) the proper packaging of Mice, such packaging to comply with Applicable Law and Regeneron's veterinary handling procedures and protocols; and (c) shipment of all such Mice. All Mice identified in Exhibit A will be shipped ********** to such Sites as Company may designate from time to time (Incoterms 2000). The Mice to be shipped promptly following the Effective Date pursuant to Section 1.35 shall be sent to the Site designated by Company. Company shall be required to notify Regeneron of the Site for the delivery of Mice pursuant to this Section 3.3 **********. Company shall provide Regeneron with prompt written notice of the date that is the Transfer Date. Company shall be responsible for (y) paying all shipment and delivery charges and import or export duties in connection therewith and (z) complying with all customs regulations and obtaining any and all permits, forms or permissions that may be required for Company to accept shipment of such Mice from Regeneron.

3.4 Failure to Produce Progeny. Company shall be responsible for establishing a colony of Mice. ********** **********

3.5 Ownership of Mice and Mice Materials; Assignment. Company agrees, for itself and on behalf of its Affiliates, that Regeneron retains all right, title and interest in the Mice and Mice Materials. Without limiting the foregoing, Company hereby assigns, for itself and on behalf of its Affiliates, to Regeneron any right, title and interest it or they may have in Progeny and Mice Materials. Company agrees, for itself and on behalf of its Affiliates, to execute any and all further instruments, forms of assignments and other documents, and to take such further actions as

Regeneron may reasonably request at Regeneron's cost, in order to transfer all of Company's (and/or its Affiliates) rights, if any, in Mice (including, without limitation, Progeny) and Mice Materials to Regeneron and on such transfer any such rights shall be included in Regeneron Technology and subject to the licenses granted pursuant to Section 2.1. During the term of this Agreement, it is agreed that (i) Company shall have the right to transfer the Mice and Mice Materials to Sites solely for purposes of this Agreement, and (ii) Company, its Affiliates and Approved Third Parties may use Mice (including, without limitation, Progeny) and Mice Materials only in the manner contemplated by Section 2.1.

3.6 Approved Third Party. Company may use Approved Third Party service providers (a) to have Mice made solely by means of breeding Mice with other Mice in accordance with the terms of the license grant in Section 2.1(a); and (b) to have Mice or Mice Materials made or used in accordance with the license grants in Sections 2.1(b) and 2.1(c), in each case, under the following conditions: (i) Regeneron shall within thirty (30) days of receiving written notice from the Company of the identity of the relevant Third Party and such other information as Regeneron may reasonably require to assess such appointment have notified Company in writing whether such Third Party is approved or not (such approval not to be unreasonably withheld or delayed); and (ii) such Third Party service provider shall have entered into a separate writing with Regeneron substantially in the form annexed hereto as Exhibit C. Company shall remain responsible for the performance of its Approved Third Party with the obligations of Company under this Agreement and shall ensure that any such Approved Third Party does not commit any act (including any act of omission) which Company is prohibited from committing directly and commits such acts as Company is obligated to hereunder.

## ARTICLE IV
## PAYMENTS AND RECORDS

4.1 Up-Front Fee/Annual Fees. Company shall pay Regeneron a non-refundable amount of twenty million United States dollars (US$20,000,000) within seven (7) days of the execution of this Agreement. In addition, Company shall pay Regeneron a non-refundable amount of twenty million United States dollars (US$20,000,000) on each of the first, second, and third anniversaries of the Transfer Date. Company shall pay to Regeneron the Adjusted Annual Fee on each of the fourth and fifth anniversaries of the Transfer Date unless this Agreement shall have been terminated prior to the fourth anniversary of the Transfer Date in accordance with Section 9.2. All payments to be made pursuant to this Section 4.1 shall be made by bank wire transfer in immediately available funds to an account designated by Regeneron.

4.2 Royalties. Subject to Section 4.3, Company shall pay royalties to Regeneron on aggregate worldwide Net Sales of all Subject Products sold during the Royalty Term. **********. Payments due under this section shall be due in each calendar quarter in arrears, and shall be paid no later than sixty (60) days after the last business day of each such calendar quarter. An example of **********is set forth on Schedule 4.2 for purposes of illustration.

4.3 Royalty Term. The royalties payable under Section 4.2 shall be paid to Regeneron for the period of time, as determined on a Subject Product by Subject Product and country-by-country basis, commencing on the Effective Date and ending on the later of (a)

********** after the Launch of a given Subject Product in a given country and (b) the expiration of the last Valid Claim of Royalty Bearing Company Patent Rights claiming or covering such Subject Product in such country (the "Royalty Term"). For the avoidance of doubt, the Royalty Term may extend beyond the term of this Agreement. As used above, the term "Royalty Bearing Company Patent Rights" shall mean with respect to an Antibody either (a) all issued patents in a country owned or Controlled by Company and/or its Affiliates, in each case, which includes a Valid Claim claiming the composition of such **********, or (b) if a patent described in (a) above never issues in a country, then the first issued patent in such country that is owned or Controlled by Company and/or its Affiliate with a Valid Claim claiming ********** or any approved use of such an Antibody (**********) in a country.

4.4 Reports. Company shall keep and maintain, and shall cause its Affiliates and Licensees to keep and maintain, records and books of account, in accordance with generally accepted accounting practices, detailing full written accountings of Net Sales of Subject Products subject to royalty obligations to Regeneron, and all other information necessary for the accurate determination of royalty payments (including, without limitation, currency conversion rate methodologies). Company shall deliver to Regeneron each calendar quarter commencing upon the first calendar quarter following the first sale of a Subject Product, a report detailing the information on which the royalty payments were calculated, including a breakdown of Net Sales of each Subject Product on a country-by-country basis, which report shall accompany the royalty due under Section 4.2. Furthermore, for each Subject Product, Company shall notify Regeneron in writing promptly following (a) the date on which Company first initiates a Phase 2 trial (as defined in 21 CFR 312.21(b), as amended from time to time) (or a Phase 3 trial (as defined in 21 CFR 312.21(c), as amended from time to time), if no Phase 2 trial is conducted) of a Subject Product, and (b) each receipt, on a country-by-country basis, by Company (or by any of its Affiliates or Licensees) of regulatory approval to market and sell Subject Products.

4.5 Records and Audits.

(a) Company shall keep, and shall cause its Affiliates and Licensees to keep, complete and accurate records of the latest three (3) years relating to gross sales, Net Sales, and all information reasonably relevant under Sections 4.2 and 4.3. For the sole purpose of verifying amounts payable to Regeneron, Regeneron shall have the right, no more than once each calendar year, to review such records, through independent certified public accountants proposed by Regeneron and reasonably acceptable to Company (such consent not to be unreasonably withheld or delayed), upon fifteen (15) days' prior written notice. The accounting firm shall disclose to Regeneron and Company only whether the royalty reports are correct and details concerning any discrepancies, but no other information shall be disclosed to Regeneron.

(b) If any review pursuant to Section 4.5(a) reflects an underpayment to Regeneron, such underpayment shall be promptly remitted to Regeneron, together with interest calculated in the manner provided in Section 4.8. If the underpayment is equal to or greater than five percent (5%) of the amount that was otherwise due for any calendar quarter, Regeneron shall be entitled to have Company pay all of the reasonable costs of

such review otherwise such costs will be paid by Regeneron. If the review reflects an overpayment by Company, then, at Company's option, such overpayment shall either be promptly refunded to Company by Regeneron or creditable against amounts payable by Company in subsequent payment periods.

4.6 United States Dollars (or U.S.dollars). All dollar ($) amounts specified in this Agreement are United States (U.S.) dollar amounts.

4.7 Currency Exchange. With respect to sales of Subject Products invoiced in a currency other than U.S. dollars and other amounts received by Company, Company's Affiliates and/or Licensees in a currency other than U.S. dollars, such amounts shall be expressed in their local currency and in their U.S. dollar equivalents calculated using the exchange rate conversion methodology then in consistent use by Company throughout its business in accordance with generally accepted accounting principles and used in its preparation of the financial statements filed with the SEC (or similar regulatory agency in another country if no financial statements are filed with the SEC).

4.8 Late Payments. Company shall pay interest to Regeneron on the aggregate amount of any payments that are not paid on or before the date such payments are due under this Agreement at a rate per annum equal to the lesser of (a) ****** above LIBOR; or (b) the highest rate permitted by Applicable Law, calculated on the number of days such payments are received by Regeneron after the date such payments are due. In addition, Company shall reimburse Regeneron for all costs and expenses, including without limitation reasonable attorney fees and legal expenses, incurred in the collection of late payments. For the purposes of this Agreement, LIBOR shall mean the London Interbank Offered Rate as calculated by the British Bankers' Association or, if LIBOR ceases to be available, the base rate of a London bank selected by Regeneron.

4.9 No Set Off. Except as set forth in Section 4.10, (a) neither Party shall set off any of its obligations against or otherwise withhold from, any amount payable by it to the other Party hereunder without the other Party's prior written consent and (b) there shall be no deduction or withholding from the amounts payable hereunder.

4.10 Taxes.

(a) General. The royalties and other amounts payable by Company to Regeneron pursuant to this Agreement ("Payments") shall not be reduced on account of any taxes unless required by Applicable Law. Regeneron alone shall be responsible for paying any and all taxes (other than withholding taxes required by Applicable Law to be paid by Company) levied on account of, or measured in whole or in part by reference to, any Payments it receives. Company shall deduct or withhold from the Payments any taxes that it is required by Applicable Law to deduct or withhold. Notwithstanding the foregoing, if Regeneron is entitled under any applicable tax treaty to a reduction of rate of, or the elimination of, applicable withholding tax, it may deliver to Company or the appropriate governmental authority (with the assistance of Company to the extent that this is reasonably required and is expressly requested in writing) the prescribed forms necessary to reduce the applicable rate of withholding or to relieve Company of its

obligation to withhold tax, and Company shall apply the reduced rate of withholding, or dispense with withholding, as the case may be, provided that Company has received evidence, in a form satisfactory to Company, of Regeneron's delivery of all applicable forms (and, if necessary, its receipt of appropriate governmental authorization) at least fifteen (15) days prior to the time that the Payments are due. If, in accordance with the foregoing, Company withholds any amount, it shall pay to Regeneron the balance when due, make timely payment to the proper taxing authority of the withheld amount, and send to Regeneron proof of such payment within sixty (60) days following that payment.

(b) Indirect Taxes. Notwithstanding anything contained in Section 4.10(a), this Section 4.10(b) shall apply with respect to value added taxes, sales taxes, consumption taxes and other similar taxes ("Indirect Taxes"). All Payments are exclusive of Indirect Taxes. If any Indirect Taxes are chargeable in respect of any Payments, Company shall pay such Indirect Taxes at the applicable rate in respect of any such Payments following the receipt, where applicable, of an Indirect Taxes invoice in the appropriate form issued by Regeneron in respect of those Payments, such Indirect Taxes to be payable on the due date of the payment of the Payments to which such Indirect Taxes relate.

(c) Changes Following Assignment. If following an assignment of this Agreement under Section 10.1 the treatment of any Payments or Indirect Taxes for either Party is affected by the assignment, then the Parties shall use their best efforts to promptly negotiate a provision in replacement of the affected sections of this Agreement that is consistent with and achieves as nearly as possible the original treatment of such Payments and Indirect Taxes immediately prior to any such assignment.

## ARTICLE V
## REPRESENTATIONS AND WARRANTIES; COVENANTS

5.1 Representations and Warranties of Company. Company represents and warrants as follows:

(a) Company is validly incorporated under the laws of Japan;

(b) Company has the corporate and legal right, authority and power to enter into this Agreement and to perform its obligations hereunder;

(c) Company has taken all necessary action to authorize the execution, delivery and performance of this Agreement;

(d) upon the execution and delivery of this Agreement, this Agreement shall constitute a valid and binding obligation of Company, enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and

(e) the performance of Company's obligations under this Agreement will not conflict with its charter documents or result in a breach of any agreements, contracts or other arrangements to which it is a party.

5.2 Representations and Warranties of Regeneron. Regeneron represents and warrants to Company that, subject to the terms of Schedule 5.2,

(a) Regeneron is a corporation duly organized, validly existing and in good standing under the laws of the State of New York, United States of America;

(b) Regeneron has the corporate and legal right, authority and power to enter into this Agreement and to perform its obligations hereunder;

(c) Regeneron has taken all necessary action to authorize the execution, delivery and performance of this Agreement;

(d) upon the execution and delivery of this Agreement, this Agreement shall constitute a valid and binding obligation of Regeneron, enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(e) the performance of Regeneron's obligations under this Agreement will not conflict with its charter documents or result in a breach of any agreements, contracts or other arrangements to which it is a party;

(f) Regeneron has the right to grant the licenses granted to Company on the terms set forth herein;

(g) as of the Effective Date and with no further duty to update (except pursuant to Section 7.3), (i) there is no pending litigation that alleges that any of Regeneron's activities directly relating to the Regeneron Technology, Mice, or Mice Materials have violated, or would violate, any of the intellectual property rights of any Third Party (nor has it received any written communication threatening such litigation); and (ii) to its knowledge, no litigation has been otherwise threatened which alleges that any of its activities directly relating to the Regeneron Technology, Mice, or Mice Materials have violated or would violate, any of the intellectual property rights of any Third Party;

(h) Regeneron has disclosed or made available to Company all the Regeneron Technology needed for Company to make and use "VelocImmune 2" Mice pursuant to Section 2.1 (a) and (b) of this Agreement;

(i) to its knowledge, Company's use of the Mice and other Regeneron Technology generally hereunder (but not with respect to a specific Antibody or antigen or any methods relating to Antibody or Antibody Material generation) will not infringe or otherwise violate any Third Party patent issued ********** claiming

genetically modified mice or the use thereof to make antibodies. **********.

(j) to its knowledge, the issued patents included in the Regeneron Technology existing at the Effective Date are not invalid or unenforceable in whole or part;

(k) to its knowledge, the development or reproduction of the Mice or the conception, development and reduction to practice of the Regeneron Technology existing as of the Effective Date has not constituted or involved the misappropriation of trade secrets or other rights of any Person; and

(l) to its knowledge, the Know-How listed or referred to in Exhibit A is sufficient to establish a colony of Mice.

For purposes hereof, "to its knowledge" shall mean actual knowledge with no duty of inquiry or investigation

5.3 Disclaimer of Warranty. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, ALL REGENERON TECHNOLOGY AND MICE ARE PROVIDED TO COMPANY (a) "AS IS" AND WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY, TITLE OR FITNESS FOR A PARTICULAR PURPOSE AND (b) WITHOUT ANY REPRESENTATION OR WARRANTY THAT THE USE OF REGENERON TECHNOLOGY OR MICE WILL NOT INFRINGE ANY THIRD PARTY'S PATENT OR OTHER RIGHT.

5.4 Covenants. Company agrees, for itself and on behalf of its Affiliates, that it and they:

(a) will abide by all industry accepted guidelines applicable to the use, handling and disposal of genetically modified animals and comply in all material respects with all Applicable Laws which relate to the use of the Mice and Mice Materials;

(b) will use diligent efforts to ensure that the Mice do not come into contact with any mice other than Mice; and in particular will not intentionally or recklessly breed Mice with any mice other than Mice, except as specifically set forth in the last sentence of this Section 5.4;

(c) will not make any heritable genetic modifications to the Mice;

(d) will not Derive embryonic or other stem cells from the Mice or other Mice Material that could be used to make Mice;

(e) will not use Mice or Mice Materials to directly manufacture or produce Subject Products for sale. For the avoidance of doubt, Regeneron acknowledges that Company may (i) isolate cDNA from Mice which code for a given antibody (the "Isolated Mice Sequences"), (ii) modify DNA sequences of cell lines derived from sources other than the Mice and mice to incorporate the Isolated Mice Sequence or modifications

thereof, and (iii) manufacture Subject Products for sale using such modified cell lines or using other Antibody Materials and such use shall not constitute a breach of Section 5.4(e);

(f) will not use Mice Materials to create Mice, mice or any transgenic animals; and

(g) will ensure that all Mice (including Progeny) and Mice Material supplied to it or Derived under this Agreement remain in the possession of Company, its Affiliates or Approved Third Parties.

**********.

## ARTICLE VI
## INDEMNIFICATION

6.1 Indemnification by Company. Company agrees to indemnify and hold harmless Regeneron and Regeneron's Affiliates and their respective shareholders, directors, officers, employees and agents ("Regeneron Indemnitees") from and against any liabilities, losses, costs, damages, fees or expenses arising out of any Third Party claim relating to (a) any breach by Company or any of its Affiliates or Approved Third Parties of any of its representations, warranties or obligations pursuant to this Agreement (or, in the case of the Approved Third Party, the letter agreement with Regeneron in the form annexed hereto as Exhibit C), (b) any product liability, personal injury, property damage or other damage resulting from the testing, manufacture, use, offer for sale, sale or importation of Antibodies, Antibody Materials, or Subject Products, or (c) infringement or misappropriation of any patent or other intellectual property rights of any Third Party (other than Third Party patents specifically covering Regeneron Technology, such patents being referred to as "Regeneron Technology Blocking Patents") resulting from the manufacture, use, offer for sale, sale or importation of Antibodies, Antibody Materials, or Subject Products, by Company or Company's Affiliates, Licensees, Distributors, Approved Third Parties or contract manufacturers, provided, however, that Company shall not be obligated to indemnify or hold harmless Regeneron Indemnitees from any such liabilities, losses, costs, damages, fees or expenses to the extent that (i) such liabilities, losses, costs, damages, fees or expenses have resulted from the grossly negligent (or more culpable) act or omission of a Regeneron Indemnitee or (ii) Regeneron has an obligation to indemnify any Company Indemnitee pursuant to Section 6.2 in respect of such liabilities, losses, costs, damages, fees or expenses.

6.2 Indemnification by Regeneron. Regeneron agrees to indemnify and hold harmless Company and Company's Affiliates, Approved Third Parties, Company's contract manufacturers of Subject Products, Distributors, and Licensees, and their respective shareholders, directors, officers, employees and agents ("Company Indemnitees") from and against any liabilities, losses, costs, damages, fees or expenses arising out of any Third Party claim relating to any breach by Regeneron of any of its representations, warranties or obligations pursuant to this Agreement; provided, however, that Regeneron shall not be obligated to indemnify or hold harmless Company Indemnitees from any such liabilities, losses, costs, damages, fees or expenses to the extent that such liabilities, losses, costs, damages, fees or expenses have resulted from the grossly negligent (or more culpable) act or omission of a Company Indemnitee.

6.3 Claims for Indemnification. A Person entitled to indemnification under this Article VI (an "Indemnified Party") shall give prompt written notification to the Person from whom indemnification is sought (the "Indemnifying Party") of the commencement of any action, suit or proceeding relating to a Third Party claim for which indemnification may be sought or, if earlier, upon the assertion of any such claim by a Third Party (it being understood and agreed, however, that the failure by an Indemnified Party to give notice of a Third-Party claim as provided in this Section 6.3 shall not relieve the Indemnifying Party of its indemnification obligation under this Agreement except and only to the extent that such Indemnifying Party is actually damaged as a result of such failure to give notice). Within thirty (30) days after delivery of such notification, the Indemnifying Party may, upon written notice thereof to the Indemnified Party, assume control of the defense of such action, suit, proceeding or claim with counsel reasonably satisfactory to the Indemnified Party. If the Indemnifying Party does not assume control of such defense, the Indemnified Party shall control such defense and, without limiting the Indemnifying Party's indemnification obligations, the Indemnifying Party shall reimburse the Indemnified Party for all reasonable and verifiable out-of-pocket costs, including attorney fees, incurred by the Indemnified Party in defending itself within sixty (60) days after receipt of any invoice therefor from the Indemnified Party. The Party not controlling such defense may participate therein at its own expense; provided that, if the Indemnifying Party assumes control of such defense and the Indemnified Party in good faith concludes, based on advice from counsel, that the Indemnifying Party and the Indemnified Party have conflicting interests with respect to such action, suit, proceeding or claim, the Indemnifying Party shall be responsible for the reasonable and verifiable fees and expenses of counsel to the Indemnified Party in connection therewith. The Party controlling such defense shall keep the other Party advised of the status of such action, suit, proceeding or claim and the defense thereof and shall consider recommendations made by the other Party with respect thereto. The Indemnified Party shall not agree to any settlement of such action, suit, proceeding or claim without the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld, delayed or conditioned. The Indemnifying Party shall not agree to any settlement of such action, suit, proceeding or claim or consent to any judgment in respect thereof without the prior written consent of the Indemnified Party, which shall not be unreasonably withheld, delayed or conditioned.

## ARTICLE VII
## INTELLECTUAL PROPERTY PROTECTION AND RELATED MATTERS

7.1 Ownership of Intellectual Property.

(a) Subject to the license grants to Company under Section 2.1 and the ownership and assignment provisions in Section 2.4 and Section 3.5, as between the Parties, each Party shall own and retain all right, title and interest in and to any and all information, improvements and inventions that are conceived, discovered, developed or otherwise made, as necessary to establish authorship, inventorship or ownership, by or on behalf of such Party (or its Affiliates or its licensees (excluding, in the case of Regeneron, Company, its Affiliates and Licensees) under or in connection with this Agreement, whether or not patented or patentable, and any and all Patent Rights and intellectual property rights with respect thereto. Determination of authorship, inventorship or ownership shall be made in accordance with applicable United States law.

(b) Except as specifically set forth herein, Regeneron and Regeneron's Affiliates shall retain all right, title and interest in and to all Regeneron Technology.

(c) Company and Company's Affiliates shall retain all right, title and interest in and to (i) all Antibodies, Antibody Materials and Subject Products and (ii) subject to Section 2.4,Section 3.5, and Article VIII, all results, technical information, inventions, materials and data, and any intellectual property rights therein, or otherwise resulting from Company's or Company's Affiliates use of (A) the Mice, Mice Materials and other Regeneron Technology in accordance with this Agreement, or (B) Antibodies, Antibody Materials and Subject Products ("Company Know-How").

7.2 Prosecution of Patent Rights.

(a) Regeneron shall have the right and option (but not the obligation) to file and prosecute any patent applications and to maintain any patents within the Regeneron Patent Rights in Regeneron's name, and to control any interferences, reissue proceedings and re-examinations relating thereto; provided, however, that, Regeneron shall use commercially reasonable efforts (i) to prosecute the patent applications listed in Exhibit B in **********, and (ii) to maintain the patents listed in Exhibit B and the patents resulting from the patent applications listed in Exhibit B in **********.

(b) Company shall have the right and option (but not the obligation) to file and prosecute any patent applications and to maintain any patents within the Company Patent Rights in Company's name, and to control any interferences, reissue proceedings and re-examinations relating thereto.

7.3 Infringement. Company shall promptly report in writing to Regeneron during the term of this Agreement any (a) known or suspected infringement of any of the Regeneron Patent Rights, or (b) unauthorized use of any of the Regeneron Know-How of which the Company becomes aware. In the event that either Party or any of its Affiliates shall receive written notice from a Third Party claiming that the Mice, Mice Materials or Regeneron Technology infringes or otherwise violates the intellectual property rights of such Third Party, then such Party shall promptly notify the other Party in writing of this notice of infringement. Regeneron shall promptly report to Company the initiation of any formal legal proceedings during the term of this Agreement claiming the infringement of or unauthorized use of any Regeneron Patent Rights or Regeneron Know-How.

7.4 Enforcement. Regeneron shall have the sole right to initiate a suit or take other appropriate action that it believes is reasonably required to protect Regeneron Patent Rights from any known or suspected infringement or to prevent the unauthorised use or disclosure of Regeneron Know-How. Company shall have the sole right to initiate a suit or take other appropriate action that it believes is reasonably required to protect Company Patent Rights from any known or suspected infringement or to prevent the unauthorised use or disclosure of any Company Know-How.

7.5 Defense. In the event that a Third Party asserts, as a defense or as a counterclaim in any infringement action under Section 7.4 or in a declaratory judgment action or similar action or claim filed by such Third Party, that Regeneron Patent Rights are invalid or unenforceable, Regeneron shall have the sole right, but not the obligation, through counsel of its choosing, to respond to such defense or defend against such counterclaim, action or claim (as applicable), including the right to settle or otherwise compromise such claim.

7.6 Third Party Litigation. Notwithstanding Section 7.4 or Section 7.5, in the event of any actual or threatened suit against Company, or its Affiliates, Licensees, distributors or customers alleging that the use of Regeneron Technology, the Mice, Mice Materials, Antibodies or Antibody Materials or the Exploitation of Subject Products by or on behalf of Company under this Agreement infringes the Patent Rights or other intellectual property rights of any Person (an "Infringement Suit"), Company shall be solely responsible for assuming direction and control of the defense of claims arising therefrom (including the right to settle such claims at its sole discretion), unless Company is seeking indemnification under the terms of Section 6.2.

7.7 Co-operation. Each Party shall provide to the other all reasonable assistance requested by the other Party (and at the other Party's reasonable expense) in connection with any action claim or suit under this Article VII, including allowing access to the other Party's files and documents and to such other Party's personnel who may have possession of relevant information.

7.8 Recoveries.

(a) With respect to any suit or action to protect Regeneron Technology brought or taken by Regeneron, Regeneron shall retain one hundred percent (100%) of any recovery obtained by it as a result of any suit or action to protect Regeneron Technology.

(b) With respect to any suit or action to protect Company Technology brought or undertaken by Company or its Affiliate, Company shall retain one hundred percent (100%) of any recovery obtained by it as a result of or in connection with any such suit or action to protect Company Technology; provided that to the extent that such recovery includes royalty amounts otherwise payable to Regeneron hereunder during the Royalty Term, Company shall pay to Regeneron the royalty amounts calculated in accordance with Section 4.2 based on the estimated Net Sales corresponding to the recovered lost profits. ********** **********.

## ARTICLE VIII
## CONFIDENTIALITY

8.1 Definition of Confidential Information. Subject to the last paragraph in this Section 8.1, Confidential Information includes all information, data and know-how disclosed by either Party or its Affiliates (the "Disclosing Party") to the other Party or its Affiliates (the "Receiving Party") hereunder, whether orally or as embodied in tangible materials, including research, inventions, discoveries, writings, drawings, graphs, charts, photographs, recordings, designs, plans, processes, models, technical information, facilities, methods, assays, data, chemical formulas, compositions, compounds, instrumentation, trade secrets, copyrights, systems, patents, patent applications, procedures, manuals, specifications, prototypes, samples, structures, models,

any other intellectual property, and confidential reports. Notwithstanding the foregoing, Confidential Information shall not include information which the Receiving Party can demonstrate is:

(a) already in the possession of the Receiving Party, without obligation of confidentiality, at or before the time of disclosure hereunder as shown by the Receiving Party's files existing at the time of disclosure; or

(b) now or hereafter becomes publicly known through no wrongful act of the Receiving Party (provided that if Confidential Information becomes publicly known this shall not excuse a prior disclosure by the Receiving Party); or

(c) lawfully received by the Receiving Party from a Third Party not under an obligation of confidence to the Disclosing Party; or

(d) developed by the Receiving Party independent of the Confidential Information received hereunder; or

(e) approved for release by written authorization of the Disclosing Party.

Specific aspects or details of Confidential Information will not be deemed to be within the public knowledge or in the prior possession of a Person merely because such aspects or details of the Confidential Information are embraced by general disclosures in the public domain. In addition, any combination of Confidential Information will not be considered in the public knowledge or in the prior possession of either Person merely because individual elements thereof are in the public domain or in the prior possession of a Person unless (i) the combination and its principles are in the public knowledge or in the prior possession of that Person and (ii) the combination is documented, in a single contemporaneous document, as in the public knowledge or in the prior possession of a Person.

Notwithstanding anything to the contrary in this Section 8.1, Company's Confidential Information shall be limited to (i) confidential information in the reports delivered to Company in accordance with Section 4.4, (ii) confidential information discovered by Regeneron during any Site visit in accordance with Section 3.2, (iii) confidential information discovered by Regeneron during any audit conducted pursuant to Section 4.5, (iv) confidential information provided to Regeneron in connection with any claim for indemnification under ARTICLE VI, (v) confidential information provided to Regeneron pursuant to Section 7.7, (vi) confidential information related to Approved Third Parties disclosed to Regeneron pursuant to Section 3.6, and (vii) information disclosed by prior mutual agreement specifically certified by Company as being confidential prior to its disclosure, in each case, unless such information falls under the exceptions described in clause (a), (b), (c), (d), or (e) above in this Section 8.1. All other information, data or know-how disclosed by Company or its Affiliates hereunder shall be non-confidential and shall not be subject to the confidentiality obligations and restrictions on use in this Article VIII.

8.2 Confidentiality and Non-Use Obligations. Each Party agrees, subject to Section 8.4, that it will hold in strict confidence and not disclose, disseminate or distribute to any Third Party Confidential Information received from the Disclosing Party and use such Confidential

Information for no purpose other than those contemplated by this Agreement. Each Party agrees that access to Confidential Information will be limited to its Affiliates, Licensees and its Approved Third Parties (in each case, which are bound by the confidentiality obligations herein), as well as such Party's and its Affiliates', Licensees' and Approved Third Parties' employees (including temporary staff), agents, or other authorized representatives who: (a) need to know such Confidential Information in connection with their work and (b) have signed agreements obligating them to maintain the confidentiality of the Confidential Information, provided that each Party shall remain responsible for any failure by its Affiliates, Licensees and Approved Third Parties and their respective employees (including temporary staff), consultants, advisors, to treat such information and materials as Confidential Information. Each Party further agrees to inform such employees (including temporary staff), agents or authorized representatives of the confidential nature of Confidential Information received from the Disclosing Party and agrees to take all necessary steps to ensure that the terms of this Agreement are not violated by them.

8.3 Loss of Confidential Information. Each Party shall maintain reasonable procedures to prevent accidental or other loss of any Confidential Information received from the Disclosing Party and shall exert at least the same degree of care as it uses to protect its own Confidential Information. Each Party shall immediately notify the other in the event of any actual or suspected loss or unauthorized disclosure of that Party's Confidential Information. Each Party will take all reasonable further steps requested by the other Party to prevent, control or remedy such violation.

8.4 Permitted Disclosure. Each Party may disclose Confidential Information to the extent that such disclosure is:

(a) made in response to a valid order of a court of competent jurisdiction or other competent authority; provided, however, that the Receiving Party shall first have given notice to the Disclosing Party and given the Disclosing Party a reasonable opportunity to quash any such order or obtain a protective order requiring that the Confidential Information and documents that are the subject of such order be held in confidence by such court or authority or, if disclosed, be used only for the purpose for which the order was issued; and provided further that if such order is not quashed or a protective order is not obtained, the Confidential Information disclosed in response to such court or governmental order shall be limited to that information that is legally required to be disclosed in response to such court or governmental order;

(b) otherwise required by Applicable Law or the requirements of a national securities exchange or another similar regulatory body; provided, however, that the Receiving Party shall (i) provide the Disclosing Party with reasonable advance notice of and an opportunity to comment on any such required disclosure, (ii) if requested by the Disclosing Party, seek confidential treatment with respect to any such disclosure to the extent available, and (iii) consider in good faith the comments of the Disclosing Party in any such disclosure or request for confidential treatment; or

(c) made by Company, its Affiliates or Licensees to a regulatory authority in connection with any filing, application or request for any approval, license, registration or authorization relating to a Subject Product; provided, however, that Company will (i)

provide Regeneron with reasonable advance notice of and an opportunity to comment on any such required disclosure, (ii) seek confidential treatment with respect to any such disclosure to the extent available, and (iii) consider in good faith the comments of Regeneron in any such disclosure or request for confidential treatment;

8.5 Return of Confidential Information. Confidential Information disclosed by the Disclosing Party, including permitted copies, shall remain the property of the Disclosing Party. Subject to Section 8.6, upon termination or expiration of this Agreement, or upon written request of the Disclosing Party, the Receiving Party shall promptly return to the Disclosing Party or, at the Disclosing Party's request, destroy, all documents or other tangible materials representing the Disclosing Party's Confidential Information (or any designated portion thereof); provided that one (1) copy may be maintained in the confidential files of the Receiving Party for the purpose of complying with the terms of this Agreement. An officer of the Receiving Party also shall certify in writing that it has satisfied its obligations under this Section 8.5 within ten (10) days of a written request by the Disclosing Party.

8.6 Retention of Confidential Information by Company. Section 8.5 shall not apply to Regeneron Confidential Information during the term of this Agreement or on the expiry or termination of this Agreement if and to the extent that Company's rights under the Regeneron Technology survive such termination or expiry pursuant to Section 9.4.

8.7 Publicity. During the term of this Agreement, the content of any press release or public disclosure relating to this Agreement shall be mutually agreed by the Parties, which agreement shall not be unreasonably withheld, delayed or conditioned, except that a Party may, without the other Party's agreement, (a) issue such press release or make such public disclosure if the contents of such press release or public disclosure have previously been made public other than through a breach of this Agreement by the issuing Party or (b) subject to Section 8.4 issue such press release or make such public disclosure if such press release or public disclosure is required by Applicable Law, regulation or legal process, including without limitation by the rules or regulations of the SEC (or similar regulatory agency in a country other than the United States) or of any stock exchange or other securities trading institution. It is the intent of the Parties to issue one press release announcing the execution of this Agreement. In any press releases issued by Company regarding the discovery, development or approval of a Subject Product, Antibody or Antibody Materials, Company shall include a statement regarding the role of Regeneron Technology and Mice, which statement shall be reasonably acceptable to Regeneron. The Parties shall issue a joint press release on the Effective Date with respect to the execution of this Agreement in the form annexed hereto as Exhibit D.

8.8 Disclosure of Provisions of Agreement.

(a) Subject to Sections 8.7 and 8.8(b), each Party agrees to hold as confidential the terms of this Agreement that have not been disclosed publicly except that (i) each Party shall have the right to disclose such terms to investors, potential investors, lenders, potential lenders, acquirers, potential acquirers, investment bankers and other Third Parties in connection with financing and acquisition activities, provided that any such Third Party has entered into a written obligation with the disclosing Party to treat such information and materials as confidential which is at least as stringent as the conditions

imposed by this Agreement and (ii) each Party shall have the right to disclose such terms as required by applicable law, regulation or legal process, including without limitation by the rules or regulations of the SEC (or similar regulatory agency in a country other than the United States) or of any stock exchange or other securities trading institution.

(b) In the event that this Agreement shall be included in any report, statement or other document filed by either Party or an Affiliate of either Party with the SEC or similar regulatory agency in a country other than the United States or any stock exchange or other securities trading institution, such Party shall consider in good faith any requests for confidential treatment as may be reasonably requested by the other Party.

8.9 Approvals. Each Party shall submit any press release or any disclosure requiring the other Party's approval pursuant to this Article VIII to the other Party, and the Party receiving such request shall have three (3) business days to review and approve any such press release or disclosure, which approval shall not be unreasonably withheld. If the Party receiving such request does not respond in writing within such three (3) business day period, the press release or disclosure shall be deemed approved. In addition, if a public disclosure is required by law, rule or regulation, including without limitation in a filing with the Securities and Exchange Commission, the disclosing Party shall provide copies of the disclosure reasonably in advance of such filing or other disclosure for the non- disclosing Party's prior review and comment, which comments shall be considered in good faith by the disclosing Party.

8.10 Term. All obligations of confidentiality imposed under this Article VIII shall only survive the expiration or early termination of this Agreement for a period of seven (7) years.

## ARTICLE IX
## TERM AND TERMINATION

9.1 Term. The term of this Agreement shall commence on the Effective Date and, subject to the last sentence of Section 9.2 (d), shall expire on the sixth anniversary of the Transfer Date unless earlier terminated under the terms of this Agreement. For the avoidance of doubt, Company shall have the right but not the obligation to terminate this Agreement without cause upon written notice prior to the fourth anniversary of the Transfer Date in accordance with Section 9.2(a).

9.2 Termination.

(a) Convenience. Company may elect to terminate this Agreement at any time by providing ninety (90) days' prior written notice to Regeneron. If such notice is sent with an effective date of termination prior to the fourth anniversary of the Transfer Date, such notice shall be accompanied (or preceded) by the payment of all sums which were not previously paid and which have become or would have become due and payable pursuant to the first or second sentence of Section 4.1 but for the termination under this Section

9.2(a). For example, if the Transfer Date is April 30, 2007 and Company pays to Regeneron twenty million United States dollars (US$20,000,000) on April 30, 2007 and on July 15, 2007 delivers a notice of termination with an effective date of termination on October 15, 2007, Company would be obligated to pay to Regeneron on July 15, 2007 sixty million United States dollars (US$60,000,000) representing twenty million United States dollars (US$20,000,000) that would have otherwise been payable on April 30, 2008, plus twenty million United States dollars (US$20,000,000) that would otherwise have been payable on April 30, 2009, plus twenty million United States dollars (US$20,000,000) that would have otherwise been payable on April 30, 2010. However, for example, if the Transfer Date is April 30, 2007 and Company has paid all amounts previously due and payable under Section 4.1 and on July 15, 2010 delivers a notice of termination with an effective date of termination on October 15, 2010, Company would not be obligated to pay to Regeneron any further sums pursuant to Section 4.1. If such notice of termination under this Section 9.2(a) is sent with an effective termination date on or after the fourth anniversary of the Transfer Date, such notice shall be accompanied (or preceded) by the payment of all sums which were not previously paid and which have become or would have become due and payable pursuant to the first, second, or third sentence of Section 4.1 but for the termination under this Section 9.2(a). For example, if the Transfer Date is April 30, 2007 (and Company has paid all amounts previously due and payable under Section 4.1) and on June 20, 2011 Company delivers a notice of termination with an effective date of termination on September 20, 2011, Company would be obligated to pay Regeneron on June 20, 2011 twenty million United States dollars (US$20,000,000), as adjusted to reflect the Adjusted Annual Fee pursuant to the terms of the third sentence of Section 4.1, representing the Adjusted Annual Fee that would have otherwise been payable on April 30, 2012.

(b) Breach. Either Party shall have the right (but not the obligation) to terminate this Agreement upon written notice to the other Party if the other Party materially breaches or defaults in the performance of any of the provisions of this Agreement; provided that such material breach or default has not been cured (if capable of being cured) within sixty (60) days after the giving of notice by the first Party specifying such breach or default. For purposes of this Section 9.2(b), the term "material breach" shall mean a breach or default in performance hereunder by a Party that substantially undermines the contractual rights, protections or benefits of the non-breaching Party under this Agreement.

(c) Technical Event. Company may terminate this Agreement upon providing thirty (30) days prior written notice to Regeneron together with adequate written records to document its claim of the occurrence of a Technical Event. Such records shall be subject to review by an independent Third Party expert designated by Regeneron within ten (10) business days of receipt of the written notice of termination and approved by Company, such approval not to be unreasonably withheld or delayed. Such expert shall review such written records and promptly determine whether or not a Technical Event has occurred. The expert's decision shall be final and binding upon the Parties as to this issue. Following the provision of any such notice of termination all obligations to make payments due under this Agreement by the Company to Regeneron shall be suspended from the date of such notice until the date of the publication of the expert's determination. Any notice of

termination shall be deemed effective from the date of the notice of termination in the event that the expert determines that a Technical Event has occurred. As used above, the term "Technical Event" shall mean, **********.

(d) **********. **********.

9.3 Rights in Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by Regeneron are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code or analogous provisions of Applicable Law outside the United States, licenses of right to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code or analogous provisions of Applicable Law outside the United States (hereinafter "IP"). The Parties agree that Company, as licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code or any other provisions of Applicable Law outside the United States that provide similar protection for IP. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against Regeneron under the U.S. Bankruptcy Code or analogous provisions of Applicable Law outside the United States, Company shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such IP and all embodiments of such IP, which, if not already in Company's possession, shall be promptly delivered to it upon Company's written request therefor.

9.4 Effects of Termination.

(a) Termination or Expiration of License. Except as set forth below in this Section 9.4, upon expiration or termination of this Agreement, the licenses granted by Regeneron to Company under Section 2.1 shall terminate and revert to Regeneron as of the effective date of such expiration or termination. Subject to the terms of the last sentence of Section 9.4(c), upon termination of this Agreement for any reason, Company may continue to use and Exploit any Antibodies, Antibody Materials and Subject Products generated pursuant to this Agreement and Company shall pay royalties during the Royalty Term in accordance with Article IV. Upon termination of this Agreement by Company in accordance with Section 9.2(b), 9.2(c), or 9.2(d), Company shall not be required to make any further payments to Regeneron under Section 4.1, except that neither Party shall be relieved of any obligations arising prior to such termination, including any payment obligations which arose and are due with respect to any period prior to such termination. Upon termination of this Agreement by Regeneron in accordance with Section 9.2(b), (i) in addition to any other amounts payable by Company to Regeneron under this Agreement, under law or pursuant to any contractual remedies available to Regeneron (but giving full allowance in due course for any sums paid hereunder), Company shall pay the amounts otherwise payable by Company under Section 9.2(a) as if Company had terminated this Agreement for convenience, and (ii) Regeneron may seek equitable remedies from a court of competent jurisdiction, including, if appropriate, destruction of Antibodies and Antibody Materials.

(b) Discontinuation of Use; Return of Material. Upon expiration of the term of the Agreement or earlier termination of this Agreement, Company (and its Affiliates and, if applicable, Approved Third Parties) will discontinue use of Regeneron's Confidential Information as of the effective date of such expiration or termination, except to the extent

that such use of such Confidential Information is reasonably necessary for the Company to continue to use and Exploit all Antibodies and Antibody Materials generated using the Mice and Mice Materials prior to the date of expiration or termination, subject to Company's obligations to pay royalties to Regeneron during the Royalty Term pursuant to Article IV, and if requested by Regeneron will return Regeneron's Confidential Information to which Company does not retain any rights hereunder in accordance with Section 8.5.

(c) Destruction of Mice and Mice Materials; Treatment of Antibodies and Antibody Materials. Except as set forth in paragraph (d) below, within ten (10) business days after the effective date of expiration or termination of this Agreement for any reason, Company shall destroy (or cause the destruction of) all Mice (including any Progeny) and Mice Materials held by Company, its Affiliates and, if applicable, Approved Third Parties. Within seven (7) days of destruction, an officer of Company shall deliver to Regeneron a signed letter, in form and substance reasonably acceptable to Regeneron and the Company, certifying that all Mice (including, without limitation, any Progeny) and, if applicable, Mice Materials have been destroyed. Except as set forth in the next sentence, upon expiration or termination of this Agreement for whatever reason, Company shall have the right to continue to use and Exploit all Antibodies and Antibody Materials generated using the Mice and Mice Materials prior to the date of termination, subject to Company's obligations to pay royalties to Regeneron during the Royalty Term pursuant to Article IV. ********** **********.

(d) Tail Period. No later than sixty (60) days prior to the expiration date of this Agreement or the termination of this Agreement by Company pursuant to Section 9.2 (such date being referred to herein as "the Expiration Date"), Company may provide a written notice to Regeneron, which shall be accompanied by a payment of ********** to permit Company to retain and use for a period of one calendar year from the Expiration Date (the "Tail Period") any Mice Materials generated by Company prior to the Expiration Date solely in order to allow Company to ********** prior to the Expiration Date to optimize the development of Antibodies. At the end of such one year Tail Period, Company shall destroy and certify as destroyed all Mice Materials in accordance with the terms in paragraph (c) above.

9.5 Survival. The expiration or termination of this Agreement shall not relieve the parties of any obligation accruing prior to such expiration or termination. The second and third sentences of Section 3.1, Section 3.5, Article IV (to the extent applicable, including without limitation, Section 4.2 during the Royalty Term), Section 5.3, Article VI, Section 7.1, Article VIII, subject to Section 8.10, Article IX and Article X, together with any relevant defined terms, shall survive any termination or expiration of this Agreement.

## ARTICLE X
## MISCELLANEOUS

10.1. Assignment; Successors and Assigns. (a) Company may not assign its rights or delegate its obligations under this Agreement in whole or in part without the prior written consent

of Regeneron, except that Company shall have the right, without such consent, (i) to perform any or all of its obligations and exercise any or all of its rights under this Agreement through any of its Affiliates, or (ii) on written notice to Regeneron, to assign all its rights and obligations under this Agreement to any successor in interest in connection with a merger, consolidation or sale of all or substantially all of the assets of Company; provided, that Company's rights and obligations under this Agreement shall be assumed by its successor in interest in any such transaction. Company absolutely, unconditionally and irrevocably guarantees to Regeneron prompt performance when due and at all times thereafter of the responsibilities, liabilities, covenants, warranties, agreements and undertakings of its Affiliates pursuant to this Agreement. (b) Regeneron may not assign its rights or delegate its obligations under this Agreement in whole or in part without the prior written consent of Company, except that Regeneron shall have the right, without such consent, (i) to perform any or all of its obligations and exercise any or all of its rights under this Agreement through any of its Affiliates, or (ii) on written notice to Company, to assign all its rights and obligations under this Agreement (A) to any of its Affiliates that has the resources to meet Regeneron's obligations under this Agreement, or (B) to a successor in interest in connection with (1) a merger, consolidation or sale of all or substantially all of the assets of Regneron, or (2) the sale or license of all or substantially all of the assets of Regeneron related to the Regeneron Technology; provided that Regeneron's rights and obligations under this Agreement shall be assumed by its successor in interest in any such transaction. Regeneron absolutely, unconditionally and irrevocably guarantees to Company prompt performance when due and at all times thereafter of the responsibilities, liabilities, covenants, warranties, agreements and undertakings of its Affiliates pursuant to this Agreement. (c) Any purported assignment in violation of this Section 10.1 shall be void *ab initio*. Without limiting the foregoing, neither Party shall cause or permit any of its Affiliates to commit any act (including any act of omission) which such Party is prohibited hereunder from committing directly. No assignment of this Agreement shall be made in bad faith to limit or restrict the contractual rights and benefits of the other Party under this Agreement.

10.2. Notices.

Notices to Company shall be addressed to:

Astellas Pharma Inc.
2-3-11 Nihonbashi-Honcho Chuo-ku
Tokyo 103-8411, Japan
Telefacsimile: **********
Attention: Vice President, Legal

With a copy to: Vice President, Molecular Medicine Research Labs, Drug Discovery Research

Notices to Regeneron shall be addressed to:

Regeneron Pharmaceuticals, Inc.
777 Old Saw Mill River Road
Tarrytown, New York 10591-6707
USA

Telefacsimile: **********
Attention: Vice President, Strategic Alliances

With a copy to: Vice President & General Counsel

All notices and other correspondence sent under this Agreement shall be in English. Any Party may change its address by giving notice to the other Party in the manner herein provided. Any notice required or provided for by the terms of this Agreement shall be in writing and shall be (a) sent by registered or certified mail, return receipt requested, postage prepaid, (b) sent via a reputable international courier service, (c) sent by facsimile transmission with an original following the same day via a reputable international courier service or (d) personally delivered, in each case properly addressed in accordance with the paragraph above. The effective date of notice shall be the actual date of receipt by the Party receiving the same.

10.3. Governing Law. This Agreement shall be construed and the respective rights of the Parties determined according to the substantive laws of the State of New York notwithstanding any provisions governing conflict of laws under such New York law to the contrary and without giving effect to the United Nations Convention on Contracts for the International Sale of Goods.

10.4. Submission to Jurisdiction. Each Party (a) submits to the exclusive jurisdiction of any state or federal court sitting in New York, New York, with respect to actions or proceedings arising out of or relating to this Agreement, (b) agrees that all claims in respect of such action or proceeding may be heard and determined only in any such court, subject to any rights of removal from state court in New York to federal court in New York, and (c) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court; provided that either Party may bring an action in any court of competent jurisdiction to enforce a final judgment entered by such New York courts. Each Party waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety or other security that might be required of the other Party with respect thereto. Each Party may make service on the other Party by sending or delivering a copy of the process to the Party to be served at the address and in the manner provided for the giving of notices in Section 10.2. Nothing in this Section 10.4, however, shall affect the right of any Party to serve legal process in any other manner permitted by law.

10.5. Force Majeure. No Party shall be held liable or responsible to the other Party nor be deemed to have defaulted under or breached this Agreement for failure or delay in fulfilling or performing any obligation under this Agreement when such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party, including fire, floods, pandemic, epidemic, embargoes, war, acts of war (whether war is declared or not), acts of terrorism insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, acts of God or acts, omissions or delays in acting by any governmental authority or the other Party; provided, however, that the Party so affected shall use reasonable commercial efforts to avoid or remove such causes of nonperformance, and shall continue performance hereunder with reasonable dispatch whenever such causes are removed. Each Party shall provide the other Party with prompt written notice of any delay or failure to perform that occurs by reason of force majeure. The Parties shall mutually seek a resolution of the delay or the failure to perform as noted above.

10.6. Independent Contractors. It is understood and agreed that the relationship between the Parties hereunder is that of independent contractors and that nothing in this Agreement shall be construed as authorization for either Regeneron or Company to act as agent for the other.

10.7. Headings. The captions or headings of the sections or other subdivisions hereof are inserted only as a matter of convenience or for reference and shall have no effect on the meaning of the provisions hereof.

10.8. Entire Agreement. The Parties acknowledge that this Agreement (together with the confidentiality agreement dated ********** sets forth the entire Agreement and understanding of the Parties as to the subject matter hereof and each Party confirms that it is not relying on any representations, warranties or covenants of the other Party except as specifically set out in this Agreement. This Agreement shall not be subject to any change or modification except by the execution of a written instrument subscribed to by the Parties. All other previous or currently existing agreements and understandings or other arrangements of any kind with respect to the said subject matter shall be canceled and superseded completely by this Agreement as of the date hereof. Nothing in this Agreement is intended to limit or exclude any liability for fraud. All Schedules and Exhibits referred to in this Agreement are intended to be and are hereby specifically incorporated into and made part of this Agreement. In the event of any inconsistency between any such Schedules or Exhibits and this Agreement, the terms of this Agreement shall govern.

10.9. No Implied Waivers; Rights Cumulative. No failure on the part of Regeneron or Company to exercise, and no delay in exercising, any right, power, remedy or privilege under this Agreement, or provided by statute or at law or in equity or otherwise, shall impair, prejudice or constitute a waiver of any such right, power, remedy or privilege or be construed as a waiver of any breach of this Agreement or as an acquiescence therein. To be effective any waiver must be in writing. No right, power, remedy or privilege herein conferred upon or reserved to a Party is intended to be exclusive of any other right, power, remedy or privilege, and each and every right, power, remedy and privilege of a Party pursuant to this Agreement or now or hereafter existing at law or in equity shall to the extent permitted by law be cumulative, concurrent and in addition to every other right, power, remedy or privilege pursuant to this Agreement or now or hereafter existing at law or in equity.

10.10. Severability. To the fullest extent permitted by Applicable Law, the Parties waive any provision of law that would render any provision of this Agreement invalid or illegal or unenforceable in any respect. To the fullest extent permitted by Applicable Law and if the rights or obligations of any Party will not be materially and adversely affected: (a) such provision will be given no effect by the Parties and shall not form part of this Agreement, (b) all other provisions of this Agreement shall remain in full force and effect, and (c) the Parties shall use their best efforts to negotiate a provision in replacement of the provision held invalid, illegal or unenforceable that is consistent with Applicable Law and achieves, as nearly as possible, the original intention of the Parties.

10.11. Execution in Counterparts; Facsimile Signatures. This Agreement may be executed in counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, and all of which counterparts, taken together, shall constitute one and the

same instrument even if both Parties have not executed the same counterpart. Signatures provided by facsimile transmission shall be deemed to be original signatures.

10.12. Construction. Except where the context requires otherwise, whenever used the singular includes the plural, the plural includes the singular, the use of any gender is applicable to all genders and the word "or" has the inclusive meaning represented by the phrase "and/or". Whenever this Agreement refers to a number of days, unless otherwise specified, such number refers to calendar days. The term "including" or "includes" as used in this Agreement means including, without limiting the generality of any description preceding such term. The wording of this Agreement shall be deemed to be the wording mutually chosen by the Parties and no rule of strict construction shall be applied against any Party.

10.13. No Benefit to Third Parties. The provisions of this Agreement are for the sole benefit of the Parties and their successors and permitted assigns, and they shall not be construed as conferring any rights in any other Persons except as otherwise expressly provided in Section 10.1.

10.14 Limitation of Damages EXCEPT AS PROVIDED BELOW IN THIS SECTION 10.14, IN NO EVENT SHALL REGENERON OR COMPANY BE LIABLE FOR SPECIAL, PUNITIVE, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) SUFFERED BY THE OTHER PARTY, REGARLDESS OF THE THEORY OF LIABILITY AND REGLARDLESS OF ANY PRIOR NOTICE OF SUCH DAMAGES. HOWEVER, NOTHING IN THIS SECTION 10.14 IS INTENDED TO LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS AND OBLGIATIONS OF EITHER PARTY HEREUNDER WITH RESPECT TO THIRD-PARTY CLAIMS. MOREOVER, NOTHING IN THIS SECTION 10.14 IS INTENDED TO LIMIT OR RESTRICT ANY LIABILITY FOR FRAUD OR ANY LIABILITY ARISING FROM A BREACH OF SECTION 2.6 OR 5.4.

10.15 Further Assurance. Each Party shall perform all further acts and things and execute and deliver such further documents as may be necessary or as the other Party may reasonably require to implement or give effect to this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

REGENERON PHARMACEUTICALS, INC.

By: /s/ Murray A. Goldberg
Name: Murray A. Goldberg
Title: Senior Vice President, Finance & Administration and Chief Financial Officer

ASTELLAS PHARMA INC.

By: /s/ Toshinari Tamura, Ph.D.
Name: Toshinari Tamura, Ph.D.
Title: Representative Director, Executive Vice President and Chief Science Officer

EXHIBIT A

REGENERON KNOW-HOW AND MICE

**********

EXHIBIT B

REGENERON PATENT RIGHTS

| | |
|---|---|
| Patent No.: | 6,586,251 |
| USSN: | 09/732,234 |
| Inventors: | Economides, Murphy, Valenzuela, Yancopoulos |
| Title: | Methods of Modifying Eukaryotic Cells |
| Filing Date: | 7 Dec 2000 |
| | |
| Patent No.: | 6,596,541 |
| USSN: | 09/784,859 |
| PCT: | 2003/6275 |
| Inventors: | Murphy, Yancopoulos |
| Title: | Methods of Modifying Eukaryotic Cells |
| Filing Date: | 16 Feb 2001 (continuation-in-part of 09/732,234) |
| | |
| Patent No.: | US 7,105,348 |
| USSN: | 10/076,840 |
| Inventors: | Murphy, Yancopoulos |
| Title: | Methods of Modifying Eukaryotic Cells |
| Filing Date: | 15 Feb 2002 |
| | |
| 780D NZ | Patent No. 527629<br>Granted 7 July 2005 |
| | |
| 780D SG | Patent No. 100103<br>Granted 30 Nov 2005 |
| | |
| 780D SA | Patent No. 2003/3129<br>Granted 29 Sept 2005 |

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EXHIBIT C

LETTER AGREEMENT WITH APPROVED THIRD PARTIES

Regeneron Pharmaceuticals, Inc.
777 Old Saw Mill River Road
Tarrytown, New York USA 10591

Ladies and Gentlemen:

In connection with the [ ] agreement (the "Agreement") dated [ ] between [ ] ("Service Provider"), a [ ], with principal offices located at [ ] and [ASTELLAS] ("Astellas"), a [ ] with principal offices located at [ ], Service Provider hereby enters into the following agreement with Regeneron Pharmaceuticals, Inc. ("Regeneron"), a New York corporation, with principal offices located at 777 Old Saw Mill River Road, Tarrytown, New York USA 10591:

1) Service Provider acknowledges that in connection with the Agreement it shall be receiving (i) confidential and proprietary genetically modified mice owned by Regeneron (referred to as "Regeneron Mice"), [(ii) ********** (referred to as "Mice Materials")] and (iii) Regeneron's confidential information related to the breeding of Regeneron Mice and information from breeding Regeneron Mice (referred to as "Regeneron Information").

2) [Service Provider agrees that it shall not use the Regeneron Mice for any purposes other than to breed the Mice solely by means of breeding Regeneron Mice with other Regeneron Mice solely in accordance with the breeding practices supplied by Astellas.] [IF APPLICABLE]

3) Service Provider agrees that Regeneron retains all right, title and interest in the Regeneron Mice and Mice Materials. Without limiting the foregoing, Service Provider hereby assigns to Regeneron any right, title and interest in the Regeneron Mice and Mice Materials. Service Provider agrees to execute any and all further instruments, forms of assignments and other documents, and to take such further actions as Regeneron may request, in order to transfer all of Service Provider's rights, if any, in the Regeneron Mice and Mice Materials to Regeneron without additional consideration.

4) Service Provider agrees that it has no right to use the Regeneron Mice or Mice Materials to discover, develop or otherwise make improvements to the Regeneron Mice or Mice Materials (referred to as "Mice Inventions"). Accordingly, Service Provider shall promptly disclose to Regeneron, in writing, any Mice Inventions and shall, and hereby does, assign, all right, title, and interest it has in Mice Inventions without additional compensation.

5) Service Provider agrees that it: (a) will use diligent efforts to ensure that the Regeneron Mice do not come into contact with any mice other than Regeneron Mice; and, in particular, will not intentionally or recklessly breed Regeneron Mice with any mice

other than Regeneron Mice; (b) will not make any heritable genetic modifications to the Regeneron Mice; (c) will not derive embryonic or other stem cells from the Regeneron Mice or other Mice Material that could be used to make Regeneron Mice; (d) will not use Regeneron Mice or Mice Materials to manufacture or produce products for sale; and (e) will not use Mice Materials to create Regeneron Mice, mice or any transgenic organism.

6) Service Provider agrees to keep Regeneron Information confidential and not disclose to any third party or use for any purpose other than the performance of the Agreement.

7) Service Provider will not distribute or allow the transfer of Regeneron Mice to any third party other than Astellas or its Affiliates and will destroy all Regeneron Mice and Mice Materials in its possession within five (5) business days after notice from Astellas.

8) This letter agreement shall be construed and the rights of the parties hereto shall be determined according to the laws of the State of New York notwithstanding any provisions governing conflict of laws under such New York law to the contrary and without giving effect to the United Nations Convention on Contracts for the International Sale of Goods.

9) This letter agreement may be executed in counterparts, each of which counterpart, when so executed and delivered, shall be deemed to be an original, and all of which counterparts, taken together, shall constitute one and the same instrument even if both parties have not executed the same counterpart. Signatures provided by facsimile transmission shall be deemed to be original signatures.

10) For the avoidance of doubt, it is understood that Regeneron shall not be responsible for Astellas's performance of its obligations under the Agreement and Regeneron shall have no liability or responsibilities under the Agreement.

IN WITNESS WHEREOF, the parties have caused a duly authorized representative to execute this letter agreement as of the date set forth below.

| [ ] | REGENERON PHARMACEUTICALS, INC. |
|---|---|
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

EXHIBIT D

PRESS RELEASE

**ASTELLAS LICENSES REGENERON'S *VELOCIMMUNE*®**
**TECHNOLOGY FOR DISCOVERING**
**HUMAN MONOCLONAL ANTIBODIES**

Tokyo, Japan and Tarrytown, NY — (March xx, 2007) — Astellas Pharma Inc. ("Astellas"; Headquarters: Tokyo, Japan; President & CEO: Masafumi Nogimori) and Regeneron Pharmaceuticals, Inc. (Nasdaq: REGN) announced today that they have entered into a non-exclusive license agreement that will allow Astellas to utilize Regeneron's *VelocImmune*® technology in its internal research programs to discover human monoclonal antibody product candidates.

Astellas will pay $20 million upfront and will make up to five additional annual payments of $20 million, subject to the ability to terminate the agreement after making the first three additional payments. Upon commercialization of any antibody products discovered utilizing *VelocImmune*, Astellas will pay a mid-single-digit royalty on product sales. Astellas will report the $80 million license fee for the initial four years as an R&D expense on its income statements for the fiscal year ending March 31, 2007.

"*VelocImmune* is the centerpiece of Regeneron's suite of technologies for the discovery and development of fully human monoclonal antibodies," said George D. Yancopoulos, M.D., Ph.D., President of Regeneron Research Laboratories and Regeneron's Chief Scientific Officer. "We are pleased that Astellas, a company with a clear strategic commitment to developing therapeutic antibodies, has selected the *VelocImmune* platform for its internal development programs."

"We are excited about this license agreement with Regeneron," said Toshinari Tamura, Ph.D., Astellas' Executive Vice President and Chief Scientific Officer. "As described in our recently announced medium term plan, Astellas is building a new technological platform for the development of antibody drugs, and *VelocImmune* will become an important cornerstone for our R&D capabilities."

***VelocImmune***

Regeneron's *VelocImmune* technology offers the potential to increase dramatically the speed and efficiency of discovering fully-human, therapeutic monoclonal antibodies. The *VelocImmune* platform generates fully human monoclonal antibodies (hMAbs) to address clinically relevant targets of therapeutic interest. The *VelocImmune* mouse, unlike other hMAb mice, mounts a robust immune response that is virtually indistinguishable from that of a wild type mouse, resulting in a reliable and efficient platform for discovering fully human monoclonal antibodies.

**About Astellas Pharma Inc.**

Astellas Pharma Inc., located in Tokyo, Japan, is a pharmaceutical company dedicated to improving the health of people around the world through the provision of innovative and reliable pharmaceutical products. The organization is committed to becoming a global pharmaceutical company by combining outstanding R&D and marketing capabilities and continuing to grow in the world pharmaceutical market. For more information on Astellas Pharma Inc., please visit the company's website at http://www.astellas.com.

**About Regeneron Pharmaceuticals, Inc.**

Regeneron is a biopharmaceutical company that discovers, develops, and intends to commercialize therapeutic medicines for the treatment of serious medical conditions. Regeneron has therapeutic candidates in clinical trials for the potential treatment of cancer, eye diseases, and inflammatory diseases, and has preclinical programs in other diseases and disorders.

Regeneron has developed and validated a suite of inter-related technology platforms — *VelociGene*®, *VelociMouse*®, and *VelocImmune* — that the Company believes can increase the speed and efficiency through which human monoclonal antibody therapeutics may be discovered and validated. These discovery platforms are designed to identify specific genes of therapeutic interest for a particular disease or cell type and validate targets through high-throughput production of mammalian models. *VelociGene* uses a proprietary process to create genetic modifications in a mouse in a precise and high-throughput manner and was recently selected by the National Institutes of Health for use in its Knockout Mouse Project. *VelociGene* allows Regeneron to produce mouse embryonic stem (ES) cells rapidly for elucidating the function of the altered genes. *VelociMouse* allows Regeneron scientists to generate mammalian models directly from ES cells without the need for chimeras or breeding. *VelocImmune* provides antibodies that address the targets identified in the mammalian models that can be

developed as potential therapeutics. For more information on Regeneron, please visit the company's website at www.regeneron.com.

This news release discusses historical information and includes forward-looking statements about Regeneron and its products, programs, finances, and business, all of which involve a number of risks and uncertainties, such as risks associated with preclinical and clinical development of our drug candidates, determinations by regulatory and administrative governmental authorities which may delay or restrict our ability to continue to develop or commercialize our drug candidates, competing drugs that are superior to our product candidates, unanticipated expenses, the availability and cost of capital, the costs of developing, producing, and selling products, the potential for any collaboration agreement, including our agreements with the sanofi-aventis Group and Bayer HealthCare, to be canceled or to terminate without any product success, risks associated with third party intellectual property, and other material risks. A more complete description of these and other material risks can be found in Regeneron's filings with the United States Securities and Exchange Commission (SEC), including its Form 10-K for the year ended December 31, 2006. Regeneron does not undertake any obligation to update publicly any forward-looking statement, whether as a result of new information, future events, or otherwise unless required by law.

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**Regeneron Contacts**:

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Astellas Pharma Inc.
Tel.: +81-3-3244-3201

SCHEDULE 4.2

SAMPLE ROYALTY CALCULATION

**********

SCHEDULE 5.2

**********

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**Exhibit 12.1**

**Regeneron Pharmaceuticals, Inc.**
**Computation of Ratio of Earnings to Combined Fixed Charges**
*(Dollars in thousands)*

| | Years ended December 31, | | | | | Three months ended March 31, |
|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Earnings: | | | | | | |
| Income (loss) from continuing operations before income (loss) from equity investee | $(124,350) | $(107,395) | $41,565 | $(95,456) | $(103,150) | $(29,917) |
| Fixed charges | 13,685 | 14,108 | 14,060 | 13,687 | 13,643 | 3,425 |
| Amortization of capitalized interest | — | 33 | 78 | 78 | 73 | 6 |
| Interest capitalized | (222) | (276) | — | — | — | — |
| Adjusted earnings | $(110,887) | $ (93,530) | $55,703 | $(81,691) | $ (89,434) | $(26,486) |
| Fixed charges: | | | | | | |
| Interest expense | $ 11,859 | $ 11,932 | $12,175 | $ 12,046 | $ 12,043 | $ 3,011 |
| Interest capitalized | 222 | 276 | — | — | — | — |
| Assumed interest component of rental charges | 1,604 | 1,900 | 1,885 | 1,641 | 1,600 | 414 |
| Total fixed charges | $ 13,685 | $ 14,108 | $14,060 | $ 13,687 | $ 13,643 | $ 3,425 |
| Ratio of earnings to fixed charges | (A) | (A) | 3.96 | (A) | (A) | (A) |

(A) Due to the registrant's losses for the years ended December 31, 2002, 2003, 2005, and 2006, and for the three months ended March 31, 2007, the ratio coverage was less than 1:1. To achieve a coverage ratio of 1:1, the registrant must generate additional earnings of the amounts shown in the table below.

| | Years ended December 31, | | | | Three months ended March 31, |
|---|---|---|---|---|---|
| | 2002 | 2003 | 2005 | 2006 | 2007 |
| Coverage deficiency | $124,572 | $107,638 | $95,378 | $103,077 | $29,911 |

Exhibit 31.1

**Certification of CEO Pursuant to**
**Rule 13a-14(a) under the Securities Exchange Act**
**of 1934, as Adopted Pursuant to**
**Section 302 of the Sarbanes-Oxley Act of 2002**

I, Leonard S. Schleifer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Regeneron Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2007

/s/ Leonard S. Schleifer

Leonard S. Schleifer, M.D., Ph.D.
President and Chief Executive Officer

Exhibit 31.2

**Certification of CFO Pursuant to**
**Rule 13a-14(a) under the Securities Exchange Act**
**of 1934, as Adopted Pursuant to**
**Section 302 of the Sarbanes-Oxley Act of 2002**

I, Murray A. Goldberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Regeneron Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2007

/s/ Murray A. Goldberg

Murray A. Goldberg
Senior Vice President, Finance &
Administration, Chief Financial Officer,
Treasurer, and Assistant Secretary

Exhibit 32

**Certification of CEO and CFO Pursuant to**
**18 U.S.C. Section 1350,**
**As Adopted Pursuant to**
**Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Regeneron Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Leonard S. Schleifer, M.D., Ph.D., as Chief Executive Officer of the Company, and Murray A. Goldberg, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Leonard S. Schleifer

Leonard S. Schleifer, M.D., Ph.D.
Chief Executive Officer
May 4, 2007

/s/ Murray A. Goldberg

Murray A. Goldberg
Chief Financial Officer
May 4, 2007