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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, 2010

OR

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

Commission File Number 0-19311

**BIAGEN IDEC INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**33-0112644**  
*(I.R.S. Employer  
Identification No.)*

**14 Cambridge Center, Cambridge, MA 02142**  
**(617) 679-2000**

*(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)*

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files): Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes  No

The number of shares of the issuer's Common Stock, \$0.0005 par value, outstanding as of April 16, 2010, was 266,998,007 shares.

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BIOGEN IDEC INC.

FORM 10-Q — Quarterly Report  
For the Quarterly Period Ended March 31, 2010

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## NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this report contains forward-looking statements that are based on our current beliefs and expectations. These forward-looking statements do not relate strictly to historical or current facts and they may be accompanied by such words as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “project,” “target,” “will” and other words and terms of similar meaning. Reference is made in particular to forward-looking statements regarding:

- the anticipated level, mix and timing of future product sales, royalty revenues or obligations, milestone payments, expenses, liabilities, contractual obligations and amortization of intangible assets;
- the growth trends for TYSABRI and our ability to improve the benefit-risk profile of TYSABRI;
- the assumed remaining life of the core technology relating to AVONEX;
- ongoing development initiatives and growth strategies for our marketed products;
- competitive conditions and the development, timing and impact of competitive products;
- the incidence, timing, outcome and impact of litigation, proceedings related to patents and other intellectual property rights, tax assessments and other legal proceedings;
- our effective tax rate for future periods;
- the timing and impact of accounting standards;
- the design, costs and timing of our clinical trials;
- the timing and outcome of regulatory filings and meetings with regulatory authorities.
- the impact of healthcare reform in the U.S. and elsewhere;
- our ability to finance our operations and source funding for such activities;
- the status, intended use and financial impact of our properties, including our manufacturing facilities;
- our share repurchase programs;
- the drivers for growing our business; and
- our plans to expend additional funds and resources on external business development and research opportunities.

These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements, including those discussed in the “Risk Factors” section of this report and elsewhere in this report. Forward-looking statements, like all statements in this report, speak only as of the date of this report, unless another date is indicated. Unless required by law, we do not undertake any obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise.

## REFERENCES

Throughout this report, “Biogen Idec,” the “Company,” “we,” “us” and “our” refer to Biogen Idec Inc. and its consolidated subsidiaries. References to “RITUXAN” refer to both RITUXAN (the trade name for rituximab in the U.S., Canada and Japan) and MabThera (the trade name for rituximab outside the U.S., Canada and Japan), and “ANGIOMAX” refers to both ANGIOMAX (the trade name for bivalirudin in the U.S., Canada and Latin America) and ANGIOX (the trade name for bivalirudin in Europe).

AVONEX® and RITUXAN® are registered trademarks of Biogen Idec. FUMADERM™ is a common law trademark of Biogen Idec. TYSABRI® is a registered trademark of Elan Pharmaceuticals, Inc. The following are trademarks of the respective companies listed: ANGIOMAX® and ANGIOX® — The Medicines Company; ARZERRA™ — Glaxo Group Limited; COPAXONE® — Teva Pharmaceuticals Industries Limited; REBIF® — Ares Trading, S.A.

**PART I FINANCIAL INFORMATION**  
**BIOGEN IDEC INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
*(unaudited, in thousands, except per share amounts)*

	For the Three Months Ended March 31,	
	2010	2009
Revenues:		
Product	\$ 824,220	\$ 733,409
Unconsolidated joint business	254,928	278,818
Other	29,712	24,257
Total revenues	<u>1,108,860</u>	<u>1,036,484</u>
Costs and expenses:		
Cost of sales, excluding amortization of acquired intangible assets	97,055	98,197
Research and development	307,030	279,478
Selling, general and administrative	248,664	221,830
Collaboration profit sharing	63,557	42,773
Amortization of acquired intangible assets	48,889	89,248
Acquired in-process research and development	39,976	—
Total costs and expenses	<u>805,171</u>	<u>731,526</u>
Income from operations	303,689	304,958
Other income (expense), net	(8,386)	6,846
Income before income tax expense	295,303	311,804
Income tax expense	75,310	65,225
Net income	219,993	246,579
Net income attributable to noncontrolling interest, net of tax	2,551	2,592
Net income attributable to Biogen Idec Inc.	<u>\$ 217,442</u>	<u>\$ 243,987</u>
Net income per share:		
Basic earnings per share attributable to Biogen Idec Inc.	\$ 0.80	\$ 0.85
Diluted earnings per share attributable to Biogen Idec Inc.	<u>\$ 0.80</u>	<u>\$ 0.84</u>
Weighted-average shares used in calculating:		
Basic earnings per share attributable to Biogen Idec Inc.	269,922	287,703
Diluted earnings per share attributable to Biogen Idec Inc.	<u>272,703</u>	<u>289,744</u>

See accompanying notes to these unaudited consolidated financial statements.

**BIOGEN IDEC INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
*(unaudited, in thousands, except per share amounts)*

	As of March 31, 2010	As of December 31, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 639,559	\$ 581,889
Marketable securities	513,115	681,835
Accounts receivable, net	560,777	551,208
Due from unconsolidated joint business	205,228	193,789
Inventory	280,038	293,950
Other current assets	210,295	177,924
Total current assets	<u>2,409,012</u>	<u>2,480,595</u>
Marketable securities	1,032,223	1,194,080
Property, plant and equipment, net	1,604,573	1,637,083
Intangible assets, net	1,822,133	1,871,078
Goodwill	1,138,621	1,138,621
Investments and other assets	210,761	230,397
Total assets	<u>\$ 8,217,323</u>	<u>\$ 8,551,854</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 121,356	\$ 118,534
Taxes payable	108,972	75,891
Accrued expenses and other	432,887	500,755
Current portion of notes payable and line of credit	19,115	19,762
Total current liabilities	<u>682,330</u>	<u>714,942</u>
Notes payable and line of credit	1,076,201	1,080,207
Long-term deferred tax liability	248,898	240,618
Other long-term liabilities	259,300	254,205
Total liabilities	<u>2,266,729</u>	<u>2,289,972</u>
Commitments and contingencies (Notes 13, 15 and 16)		
Shareholders' equity:		
Preferred stock, par value \$0.001 per share	—	—
Common stock, par value \$0.0005 per share	139	144
Additional paid-in capital	5,268,465	5,781,920
Accumulated other comprehensive income	22,872	50,496
Retained earnings	1,131,523	1,068,890
Treasury stock, at cost	(513,627)	(679,920)
Total Biogen Idec Inc. shareholders' equity	<u>5,909,372</u>	<u>6,221,530</u>
Noncontrolling interest	41,222	40,352
Total shareholders' equity	<u>5,950,594</u>	<u>6,261,882</u>
Total liabilities and shareholders' equity	<u>\$ 8,217,323</u>	<u>\$ 8,551,854</u>

See accompanying notes to these unaudited consolidated financial statements.

**BIOGEN IDEC INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(unaudited, in thousands)*

	For the Three Months Ended March 31,	
	2010	2009
<b>Cash flows from operating activities:</b>		
Net income	\$ 219,993	\$ 246,579
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization of property, plant and equipment and intangible assets	82,510	122,146
Acquired in-process research and development (Note 2)	39,976	—
Share-based compensation	51,006	37,889
Non-cash interest expense (income) and foreign exchange remeasurement, net	3,982	(10,412)
Deferred income taxes	8,042	(6,973)
Realized gain on sale of marketable securities and strategic investments	(4,985)	(4,313)
Write-down of inventory to net realizable value	2,289	9,386
Impairment of marketable securities, investments and other assets	16,111	6,021
Excess tax benefit from share-based compensation	(4,379)	(2,282)
Changes in operating assets and liabilities, net:		
Accounts receivable	(20,201)	(37,935)
Due from unconsolidated joint business	(11,439)	26,259
Inventory	12,264	(12,720)
Other assets	(13,463)	(14,264)
Accrued expenses and other current liabilities	(82,854)	(120,007)
Other liabilities and taxes payable	38,043	61,376
Net cash flows provided by operating activities	<u>336,895</u>	<u>300,750</u>
<b>Cash flows from investing activities:</b>		
Purchases of marketable securities	(699,677)	(1,110,368)
Proceeds from sales and maturities of marketable securities	1,029,307	1,057,671
Acquisitions (Note 2)	(39,976)	—
Purchases of property, plant and equipment	(38,209)	(37,041)
Purchases of other investments	(1,708)	(31,959)
Collateral received under securities lending	—	29,991
Net cash flows provided by (used in) investing activities	<u>249,737</u>	<u>(91,706)</u>
<b>Cash flows from financing activities:</b>		
Purchase of treasury stock	(577,580)	(57,631)
Proceeds from issuance of stock for share-based compensation arrangements	52,818	17,043
Change in cash overdraft	(1,826)	1,369
Net contributions from noncontrolling interest	760	—
Excess tax benefit from share-based compensation	4,379	2,282
Repayment of borrowings	(2,011)	—
Obligation under securities lending	—	(29,991)
Net cash flows used in financing activities	<u>(523,460)</u>	<u>(66,928)</u>
Net increase in cash and cash equivalents	63,172	142,116
Effect of exchange rate changes on cash and cash equivalents	(5,502)	(397)
Cash and cash equivalents, beginning of the period	581,889	622,385
Cash and cash equivalents, end of the period	<u>\$ 639,559</u>	<u>\$ 764,104</u>

See accompanying notes to these unaudited consolidated financial statements.

**BIOGEN IDEC INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(unaudited)*

**1. Business Overview**

**Overview**

Biogen Idec is a global biotechnology company that creates new standards of care in therapeutic areas with high unmet medical needs. We currently have four marketed products: AVONEX, RITUXAN, TYSABRI, and FUMADERM. Our marketed products are used for the treatment of multiple sclerosis (MS), non-Hodgkin's lymphoma (NHL), rheumatoid arthritis (RA), Crohn's disease, chronic lymphocytic leukemia and psoriasis.

**Basis of Presentation**

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of our financial statements for interim periods in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The information included in this quarterly report on Form 10-Q should be read in conjunction with our consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Form 10-K). Our accounting policies are described in the "Notes to Consolidated Financial Statements" in our 2009 Form 10-K and updated, as necessary, in this Form 10-Q. The year-end consolidated balance sheet data presented for comparative purposes was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The results of operations for the three months ended March 31, 2010 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

**Consolidation**

Our consolidated financial statements reflect our financial statements, those of our wholly-owned subsidiaries, certain variable interest entities in which we are the primary beneficiary and those of our joint ventures in Italy and Switzerland, Biogen Dompé SRL and Biogen Dompé Switzerland GmbH, respectively. For such consolidated entities in which we own less than a 100% interest, we record net income (loss) attributable to noncontrolling interest in our consolidated statements of income equal to the percentage of the economic or ownership interest retained in the collaborative arrangement or joint venture by the respective noncontrolling parties. All material intercompany balances and transactions have been eliminated in consolidation.

In determining whether we are the primary beneficiary, we consider a number of factors, including our ability to direct the activities that most significantly affect the entity's economic success, our contractual rights and responsibilities under the arrangement and the significance of the arrangement to each party. These considerations impact the way we account for our existing collaborative and joint venture relationships and may result in the future consolidation of companies or entities with which we have collaborative or other arrangements.

**Use of Estimates**

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and judgments that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition and related allowances, marketable securities, derivatives and hedging activities, inventory, impairments of long-lived assets including intangible assets, impairments of goodwill, the consolidation of variable interest entities, income taxes including the valuation allowance for deferred tax assets, valuation of investments, research and development expenses,



**BIOGEN IDEC INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(unaudited, continued)*

contingencies and litigation, and share-based payments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

***Subsequent Events***

We did not have any material recognizable subsequent events. However, we did have the following nonrecognizable subsequent event:

- In April 2010, we announced that our Board of Directors authorized the repurchase of up to \$1.5 billion of our common stock. We intend to retire these shares following repurchase on the open market. This repurchase authorization does not have an expiration date.

**2. Acquisitions and Dispositions**

***Syntonix Pharmaceuticals, Inc.***

In connection with our acquisition of Syntonix Pharmaceuticals, Inc. (Syntonix) in January 2007, we agreed to make additional future consideration payments based upon the achievement of certain milestone events associated with the development of Syntonix's lead product, long-acting recombinant Factor IX, a product for the treatment of hemophilia B. In January 2010, we initiated patient enrollment in a registrational stage study for Factor IX which resulted in the achievement of one of those milestone events. As a result of the achievement of this milestone, we paid approximately \$40.0 million to the former shareholders of Syntonix. As the Syntonix acquisition occurred prior to our January 1, 2009 adoption of a new accounting standard for business combinations, this acquisition continues to be accounted for under previously issued guidance. Accordingly, we recorded this payment as a charge to acquired in-process research and development (IPR&D) within our consolidated statement of income for the three months ended March 31, 2010. Please read Note 2, *Acquisitions and Dispositions*, to our Consolidated Financial Statements included within our 2009 Form 10-K, for a more detailed description of this acquisition.

**3. Revenue Recognition**

We recognize revenue when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the seller's price to the buyer is fixed or determinable; and collectability is reasonably assured.

***Product Revenues***

Revenues from product sales are recognized when title and risk of loss have passed to the customer, which is typically upon delivery. However, sales of TYSABRI in the U.S. are recognized on the "sell-through" model, that is, upon shipment of the product by Elan Pharma International, Ltd. (Elan), an affiliate of Elan Corporation, plc, to its third party distributor rather than upon shipment to Elan.

Product revenues are recorded net of applicable reserves for trade term discounts, wholesaler incentives, Medicaid rebates, Veterans Administration (VA) and Public Health Service (PHS) discounts, managed care rebates, product returns and other applicable allowances.

***Revenues from Unconsolidated Joint Business***

We collaborate with the Roche Group, through its wholly-owned member Genentech, Inc., on the development and commercialization of RITUXAN. Revenues from unconsolidated joint business consist of

**BIOGEN IDEC INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(unaudited, continued)*

(1) our share of pre-tax co-promotion profits in the U.S.; (2) reimbursement of our selling and development expense in the U.S.; and (3) revenue on sales of RITUXAN in the rest of world, which consists of our share of pretax co-promotion profits in Canada and royalty revenue on sales of RITUXAN outside the U.S. and Canada by F. Hoffmann-La Roche Ltd. (Roche) and its sublicensees. Pre-tax co-promotion profits are calculated and paid to us by Genentech in the U.S. and by Roche in Canada. Pre-tax co-promotion profits consist of U.S. and Canadian sales of RITUXAN to third-party customers net of discounts and allowances less the cost to manufacture RITUXAN, third-party royalty expenses, distribution, selling and marketing, and joint development expenses incurred by Genentech, Roche and us. We record our royalty and co-promotion profits revenue on sales of RITUXAN in the rest of world on a cash basis.

***Royalty Revenues***

We receive royalty revenues on sales by our licensees of other products covered under patents that we own. There are no future performance obligations on our part under these license arrangements. We record these revenues based on estimates of the sales that occurred during the relevant period. The relevant period estimates of sales are based on interim data provided by licensees and analysis of historical royalties that have been paid to us, adjusted for any changes in facts and circumstances, as appropriate. We maintain regular communication with our licensees in order to assess the reasonableness of our estimates. Differences between actual royalty revenues and estimated royalty revenues are adjusted for in the period in which they become known, typically the following quarter. Historically, adjustments have not been material when compared to actual amounts paid by licensees. To the extent we do not have sufficient ability to accurately estimate revenue, we record revenues on a cash basis.

***Milestone Revenues***

Under the terms of our collaboration agreement with Elan, once sales of TYSABRI exceeded specific thresholds, Elan was required to make milestone payments to us in order to continue sharing equally in the collaboration's results. These amounts, recorded as deferred revenue upon receipt, are recognized as revenue in our consolidated statements of income over the term of the collaboration agreement based on a units of revenue method whereby the revenue recognized is based on the ratio of units shipped in the current period over the total units expected to be shipped over the remaining term of the collaboration.

***Bad Debt Reserves***

Bad debt reserves are based on our estimated uncollectible accounts receivable. Given our historical experiences with bad debts, combined with our credit management policies and practices, we do not presently maintain significant bad debt reserves.

***Reserves for Discounts and Allowances***

We establish reserves for trade term discounts, wholesaler incentives, Medicaid rebates, VA and PHS discounts, managed care rebates, product returns and other applicable allowances. Reserves established for these discounts and allowances are classified as reductions of accounts receivable (if the amount is payable to our customer) or a liability (if the amount is payable to a party other than our customer).

In addition, we distribute no-charge product to qualifying patients under our patient assistance and patient replacement goods program. This program is administered through one of our distribution partners, who ships product for qualifying patients from their own inventory purchased from us. Gross revenue and the related reserves are not recorded on product shipped under this program and cost of sales is recorded when the product is shipped.

**BIOGEN IDEC INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(unaudited, continued)*

Product revenue reserves are categorized as follows: discounts, contractual adjustments, and returns. An analysis of the amount of, and change in, reserves is summarized as follows:

<u>(In millions)</u>	<u>Discounts</u>	<u>Contractual Adjustments</u>	<u>Returns</u>	<u>Total</u>
Balance, as of December 31, 2009	\$ 13.9	\$ 70.3	\$ 18.9	\$ 103.1
Current provisions relating to sales in current year	19.4	59.5	4.8	83.7
Adjustments relating to prior years	(0.1)	(3.6)	(0.2)	(3.9)
Payments/returns relating to sales in current year	(8.6)	(14.0)	(0.5)	(23.1)
Payments/returns relating to sales in prior years	(8.5)	(38.6)	(3.5)	(50.6)
Balance, as of March 31, 2010	<u>\$ 16.1</u>	<u>\$ 73.6</u>	<u>\$ 19.5</u>	<u>\$ 109.2</u>

The total reserves above, included in our consolidated balance sheets, are summarized as follows:

<u>(In millions)</u>	<u>As of March 31, 2010</u>	<u>As of December 31, 2009</u>
Reduction of accounts receivable	\$ 47.0	\$ 43.3
Current liability	62.2	59.8
Total reserves	<u>\$ 109.2</u>	<u>\$ 103.1</u>

**Healthcare Reform**

In March 2010, healthcare reform legislation was enacted in the U.S. This legislation contains several provisions that impact our business.

Although many provisions of the new legislation do not take effect immediately, several provisions became effective in the first quarter of 2010. These include (1) an increase in the minimum Medicaid rebate to states participating in the Medicaid program from 15.1% to 23.1% on our branded prescription drugs; (2) the extension of the Medicaid rebate to Managed Care Organizations that dispense drugs to Medicaid beneficiaries; and (3) the expansion of the 340(B) Public Health Services drug pricing program, which provides outpatient drugs at reduced rates, to include additional hospitals, clinics, and healthcare centers.

Beginning in 2011, the new law requires that drug manufacturers provide a 50% discount to Medicare beneficiaries whose prescription drug costs cause them to be subject to the Medicare Part D coverage gap (i.e. the "donut hole"). Also, beginning in 2011, we will be assessed our share of a new fee assessed on all branded prescription drug manufacturers and importers. This fee will be calculated based upon each organization's percentage share of total branded prescription drug sales to U.S. government programs (such as Medicare, Medicaid and VA and PHS discount programs) made during the previous year. The aggregated industry wide fee is expected to total \$28 billion through 2019, ranging from \$2.5 billion to \$4.1 billion annually.

Presently, uncertainty exists as many of the specific determinations necessary to implement this new legislation have yet to be decided and communicated to industry participants. For example, we do not yet know when and how discounts will be provided to the additional hospitals eligible to participate under the 340(B) program. In addition, determinations as to how the Medicare Part D coverage gap will operate and how the annual fee on branded prescription drugs will be calculated and allocated remain to be clarified, though, as noted above, these programs will not be effective until 2011. We have made several estimates with regard to important assumptions relevant to determining the financial impact of this legislation on our business due to the lack of availability of both certain information and complete understanding of how the process of applying the legislation will be implemented.

**BIOGEN IDEC INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(unaudited, continued)*

**4. Inventory**

Inventories are stated at the lower of cost or market with cost determined under the first-in, first-out (FIFO) method. Included in inventory are raw materials used in the production of pre-clinical and clinical products, which are charged to research and development expense when consumed.

The components of inventories are summarized as follows:

<i>(In millions)</i>	As of March 31, 2010	As of December 31, 2009
Raw materials	\$ 43.7	\$ 49.2
Work in process	155.7	174.0
Finished goods	80.6	70.8
Total inventory	<u>\$ 280.0</u>	<u>294.0</u>

**5. Intangible Assets and Goodwill**

***Intangible Assets***

Intangible assets, net of accumulated amortization, impairment charges and adjustments, are summarized as follows:

<i>(In millions)</i>	Estimated Life	As of March 31, 2010			As of December 31, 2009		
		Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Out-licensed patents	12 years	\$ 578.0	\$ (316.8)	\$ 261.2	\$ 578.0	\$ (306.0)	\$ 272.0
Core developed technology	15-23 years	3,005.3	(1,510.4)	1,494.9	3,005.3	(1,472.4)	1,532.9
Trademarks and tradenames	Indefinite	64.0	—	64.0	64.0	—	64.0
In-licensed patents	14 years	3.0	(1.2)	1.8	3.0	(1.1)	1.9
Assembled workforce	4 years	2.1	(1.9)	0.2	2.1	(1.8)	0.3
Distribution rights	2 years	12.7	(12.7)	—	12.7	(12.7)	—
Total intangible assets		<u>\$ 3,665.1</u>	<u>\$ (1,843.0)</u>	<u>\$ 1,822.1</u>	<u>\$ 3,665.1</u>	<u>\$ (1,794.0)</u>	<u>\$ 1,871.1</u>

Intangible assets were unchanged as of March 31, 2010 as compared to December 31, 2009, exclusive of the impact of amortization. Our most significant intangible asset is the core technology related to our AVONEX product. The net book value of this asset as of March 31, 2010 was \$1,479.2 million.

For the three months ended March 31, 2010 compared to the same period in 2009, amortization for acquired intangible assets totaled \$48.9 million and \$89.2 million, respectively.

***Goodwill***

Goodwill remained unchanged as of March 31, 2010 as compared to December 31, 2009. As of March 31, 2010, we had no accumulated impairment losses.

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**6. Fair Value Measurements**

In January 2010, we adopted a newly issued accounting standard which requires additional disclosure about the amounts of and reasons for significant transfers in and out of Level 1 and Level 2 fair value measurements. This standard also clarifies existing disclosure requirements related to the level of disaggregation of fair value measurements for each class of assets and liabilities and disclosures about inputs and valuation techniques used to measure fair value for both recurring and nonrecurring Level 2 and Level 3 measurements. As this newly issued accounting standard only requires enhanced disclosure, the adoption of this standard did not impact our financial position or results of operations. In addition, effective for interim and annual periods beginning after December 15, 2010, this standard will require additional disclosure and require an entity to present disaggregated information about activity in Level 3 fair value measurements on a gross basis, rather than as one net amount.

The tables below present information about our assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2010 and December 31, 2009 and indicate the fair value hierarchy of the valuation techniques we utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset or liability.

A majority of our financial assets and liabilities have been classified as Level 2. Our financial assets and liabilities (which include our cash equivalents, derivative contracts, marketable debt securities, and plan assets for deferred compensation) have been initially valued at the transaction price and subsequently valued, at the end of each reporting period, typically utilizing third party pricing services or other market observable data. The pricing services utilize industry standard valuation models, including both income and market based approaches and observable market inputs to determine value. These observable market inputs include reportable trades, benchmark yields, credit spreads, broker/dealer quotes, bids, offers, current spot rates and other industry and economic events. We validate the prices provided by our third party pricing services by reviewing their pricing methods and matrices, obtaining market values from other pricing sources, analyzing pricing data in certain instances and confirming that the relevant markets are active. After completing our validation procedures, we did not adjust or override any fair value measurements provided by our pricing services as of March 31, 2010 and December 31, 2009.

Our strategic investments in publicly traded equity securities are classified as Level 1 assets as their fair values are readily determinable and based on quoted market prices.

Our venture capital investments represent investments in equity securities of certain privately held biotechnology companies or biotechnology oriented venture capital funds which primarily invest in small privately-owned, venture-backed biotechnology companies. These investments are the only assets for which we used Level 3 inputs to determine the fair value and represented approximately 0.3% of total assets as of March 31, 2010 and December 31, 2009, respectively. The fair value of our investments in these venture capital funds has been estimated using the net asset value of the fund. The investments cannot be redeemed within the funds. Distributions from each will be received as the underlying investments of the fund are liquidated. The funds and therefore a majority of the underlying assets of the funds will not be liquidated in the near future. The underlying assets in these funds are initially measured at transaction prices and

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subsequently valued using the pricing of recent financing or by reviewing the underlying economic fundamentals and liquidation value of the companies. Gains and losses (realized and unrealized) included in earnings for the period are reported in other income (expense), net.

There have been no transfers of assets or liabilities between the fair value measurement classifications.

The following tables set forth our financial assets and liabilities that were recorded at fair value:

<u>(In millions)</u>	<u>Balance as of March 31, 2010</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets:</b>				
Cash equivalents	\$ 532.7	\$ —	\$ 532.7	\$ —
<b>Marketable debt securities:</b>				
Corporate debt securities	484.0	—	484.0	—
Government securities	853.1	—	853.1	—
Mortgage and other asset backed securities	208.2	—	208.2	—
Strategic investments	30.8	30.8	—	—
Venture capital investments	20.8	—	—	20.8
Derivative contracts	35.0	—	35.0	—
Plan assets for deferred compensation	14.4	—	14.4	—
Total	<u>\$ 2,179.0</u>	<u>\$ 30.8</u>	<u>\$ 2,127.4</u>	<u>\$ 20.8</u>
<b>Liabilities:</b>				
Derivative contracts	2.2	—	2.2	—
Total	<u>\$ 2.2</u>	<u>\$ —</u>	<u>\$ 2.2</u>	<u>\$ —</u>

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<u>(In millions)</u>	<u>Balance as of December 31, 2009</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets:</b>				
Cash equivalents	\$ 476.4	\$ —	\$ 476.4	\$ —
<b>Marketable debt securities:</b>				
Corporate debt securities	504.1	—	504.1	—
Government securities	1,133.5	—	1,133.5	—
Mortgage and other asset backed securities	238.3	—	238.3	—
Strategic investments	5.9	5.9	—	—
Venture capital investments	21.9	—	—	21.9
Derivative contracts	15.8	—	15.8	—
Plan assets for deferred compensation	13.6	—	13.6	—
Total	<u>\$ 2,409.5</u>	<u>\$ 5.9</u>	<u>\$ 2,381.7</u>	<u>\$ 21.9</u>
<b>Liabilities:</b>				
Derivative contracts	11.1	—	11.1	—
Total	<u>\$ 11.1</u>	<u>\$ —</u>	<u>\$ 11.1</u>	<u>\$ —</u>

The following table provides a roll forward of the fair value of our venture capital investments, where fair value is determined by Level 3 inputs:

<u>(In millions)</u>	<u>For the Three Months Ended March 31,</u>	
	<u>2010</u>	<u>2009</u>
Beginning balance, January 1	\$ 21.9	\$ 23.9
Total net unrealized losses included in earnings	(1.5)	(0.3)
Net purchases, issuances, and settlements	0.4	0.7
Ending balance, March 31	<u>\$ 20.8</u>	<u>\$ 24.3</u>

The fair and carrying value of our debt instruments are summarized as follows:

<u>(In millions)</u>	<u>As of March 31, 2010</u>		<u>As of December 31, 2009</u>	
	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Credit line from Dompé	\$ 14.3	\$ 14.1	\$ 17.2	\$ 17.2
Notes payable to Fumedica	31.7	29.6	31.3	30.0
6.0% Senior Notes due 2013	486.4	449.7	475.7	449.6
6.875% Senior Notes due 2018	603.3	601.9	589.1	603.2
Total	<u>\$ 1,135.7</u>	<u>\$ 1,095.3</u>	<u>\$ 1,113.3</u>	<u>\$ 1,100.0</u>

The fair values of our credit line from Dompé and our note payable to Fumedica were estimated using an income-based approach with market observable inputs including current interest and foreign currency exchange rates. The fair value of our Senior Notes was determined through a market-based approach using observable

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and corroborated sources; within the hierarchy of fair value measurements, these are classified as Level 2 fair values.

**7. Financial Instruments**

*Marketable Securities, including Strategic Investments*

The following tables summarize our marketable securities and strategic investments:

<u>As of March 31, 2010 (In millions):</u>	<u>Fair Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Amortized Cost</u>
<i>Available-for-sale</i>				
Corporate debt securities				
Current	\$ 153.7	\$ 1.5	\$ —	\$ 152.2
Non-current	330.3	4.5	(0.4)	326.2
Government securities				
Current	356.0	0.8	(0.1)	355.3
Non-current	497.1	2.0	(0.4)	495.5
Mortgage and other asset backed securities				
Current	3.4	0.1	—	3.3
Non-current	204.8	4.0	(0.3)	201.1
Total available-for-sale securities	<u>\$ 1,545.3</u>	<u>\$ 12.9</u>	<u>\$ (1.2)</u>	<u>\$ 1,533.6</u>
<i>Other Investments</i>				
Strategic investments, non-current	<u>\$ 30.8</u>	<u>\$ 2.0</u>	<u>\$ (0.4)</u>	<u>\$ 29.2</u>
<u>As of December 31, 2009 (In millions):</u>	<u>Fair Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Amortized Cost</u>
<i>Available-for-sale</i>				
Corporate debt securities				
Current	\$ 177.2	\$ 1.5	\$ —	\$ 175.7
Non-current	326.9	5.7	(0.3)	321.5
Government securities				
Current	501.6	1.2	—	500.4
Non-current	631.9	4.1	(0.5)	628.3
Mortgage and other asset backed securities				
Current	3.0	0.1	—	2.9
Non-current	235.3	4.1	(0.5)	231.7
Total available-for-sale securities	<u>\$ 1,875.9</u>	<u>\$ 16.7</u>	<u>\$ (1.3)</u>	<u>\$ 1,860.5</u>
<i>Other Investments</i>				
Strategic investments, non-current	<u>\$ 5.9</u>	<u>\$ 2.7</u>	<u>\$ (0.3)</u>	<u>\$ 3.5</u>



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In the tables above, as of March 31, 2010 and December 31, 2009, government securities included \$229.9 million and \$298.8 million, respectively, of Federal Deposit Insurance Corporation (FDIC) guaranteed senior notes issued by financial institutions under the Temporary Liquidity Guarantee Program.

Certain commercial paper and short-term debt securities with original maturities of less than 90 days are included in cash and cash equivalents on the accompanying consolidated balance sheets and are not included in the tables above. As of March 31, 2010 and December 31, 2009, the commercial paper, including accrued interest, had fair and carrying values of \$169.9 million and \$76.9 million, respectively, and short-term debt securities had fair and carrying values of \$362.8 million and \$399.5 million, respectively.

**Summary of Contractual Maturities: Available-for-Sale Securities**

The estimated fair value and amortized cost of securities, excluding strategic investments, available-for-sale by contractual maturity are summarized as follows:

<i>(In millions)</i>	<u>As of March 31, 2010</u>		<u>As of December 31, 2009</u>	
	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>
Due in one year or less	\$ 454.0	\$ 451.8	\$ 522.0	\$ 519.5
Due after one year through five years	911.4	904.8	1,143.7	1,133.4
Due after five years	179.9	177.0	210.2	207.6
Total	<u>\$ 1,545.3</u>	<u>\$ 1,533.6</u>	<u>\$ 1,875.9</u>	<u>\$ 1,860.5</u>

The weighted average maturity of our marketable securities as of March 31, 2010 and December 31, 2009, was 16 months and 15 months, respectively.

**Proceeds from Marketable Securities, excluding Strategic Investments**

The proceeds from maturities and sales of marketable securities, excluding strategic investments, which were primarily reinvested, and resulting realized gains and losses are summarized as follows:

<i>(In millions)</i>	<u>For the Three Months Ended March 31,</u>	
	<u>2010</u>	<u>2009</u>
Proceeds from maturities and sales	\$1,029.3	\$1,057.7
Realized gains	\$ 5.7	\$ 5.7
Realized losses	\$ 0.7	\$ 1.4

Realized losses for the three months ended March 31, 2010 primarily relate to the sale of agency mortgage-backed securities. The realized losses for the three months ended March 31, 2009 primarily relate to losses on the sale of corporate debt securities and non-agency mortgage-backed securities.

**Impairments**

*Evaluating Investments for Other-than-Temporary Impairments*

We conduct periodic reviews to identify and evaluate each investment that has an unrealized loss, in accordance with the meaning of other-than-temporary impairment and its application to certain investments. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Unrealized losses on available-for-sale debt securities that are determined to be temporary, and not related to credit loss, are recorded, net of tax, in accumulated other comprehensive income.

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For available-for-sale debt securities with unrealized losses, management performs an analysis to assess whether we intend to sell or whether we would more likely than not be required to sell the security before the expected recovery of the amortized cost basis. Where we intend to sell a security, or may be required to do so, the security's decline in fair value is deemed to be other-than-temporary and the full amount of the unrealized loss is recorded within earnings as an impairment loss.

Regardless of our intent to sell a security, we perform additional analysis on all securities with unrealized losses to evaluate losses associated with the creditworthiness of the security. Credit losses are identified where we do not expect to receive cash flows sufficient to recover the amortized cost basis of a security and are recorded within earnings as an impairment loss.

For equity securities, when assessing whether a decline in fair value below our cost basis is other-than-temporary, we consider the fair market value of the security, the duration of the security's decline, and the financial condition of the issuer. We then consider our intent and ability to hold the equity security for a period of time sufficient to recover our carrying value. Where we have determined that we lack the intent and ability to hold an equity security to its expected recovery, the security's decline in fair value is deemed to be other-than-temporary and is recorded within earnings as an impairment loss.

*Recognition and Measurement of Other-than-Temporary Impairment*

For the three months ended March 31, 2010 and 2009, we recognized \$15.8 million and \$2.5 million, respectively, in charges for the other-than-temporary impairment of our publicly held strategic investments and investments in privately-held companies. The increase in the three months ended March 31, 2010 compared to the same period in 2009 was primarily the result of AVEO Pharmaceuticals, Inc., one of our strategic investments, executing an equity offering at an amount below our cost basis.

For the three months ended March 31, 2009, we recognized other-than-temporary impairment charges of \$3.6 million on our marketable debt securities. No impairments were recognized related to our marketable debt securities for the three months ended March 31, 2010.

**8. Derivative Instruments**

Our primary market exposure is to foreign exchange rates. We use certain derivative instruments to help manage this exposure. We execute these instruments with financial institutions we judge to be creditworthy and the majority of the foreign currencies are denominated in currencies of major industrial countries. We do not hold or issue derivative instruments for trading or speculative purposes.

We recognize all derivative instruments as either assets or liabilities at fair value in our consolidated balance sheets. We classify the cash flows from these instruments in the same category as the cash flows from the hedged items.

*Foreign Currency Forward Contracts*

Due to the global nature of our operations, portions of our revenues are earned in currencies other than the U.S. dollar. The value of revenues measured in U.S. dollars is subject to changes in currency exchange rates. In order to mitigate these changes we use foreign currency forward contracts to lock in exchange rates.

Foreign currency forward contracts in effect as of March 31, 2010 and December 31, 2009 had remaining durations of 1 to 9 months. These contracts have been designated as cash flow hedges and accordingly, to the extent effective, any unrealized gains or losses on these foreign currency forward contracts are reported in accumulated other comprehensive income (loss). Realized gains and losses for the effective portion of such contracts are recognized in revenue when the sale of product in the currency being hedged is recognized. To

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the extent ineffective, hedge transaction gains and losses are reported in other income (expense), net at each reporting date.

The notional value of foreign currency forward contracts that were entered into to hedge forecasted revenue are summarized as follows:

<b>Foreign Currency: (In millions)</b>	<b>Notional Amount</b>	
	<b>As of March 31, 2010</b>	<b>As of December 31, 2009</b>
Euro	\$ 481.4	\$ 495.9
Canadian Dollar	37.3	22.3
<b>Total</b>	<b>\$ 518.7</b>	<b>\$ 518.2</b>

The portion of the fair value of these foreign currency forward contracts that was included in accumulated other comprehensive income (loss) within total equity reflected net gains of \$32.0 million and \$1.2 million as of March 31, 2010 and December 31, 2009, respectively. We consider the impact of our and our counterparties' credit risk on the fair value of the contracts as well as the ability of each party to execute its obligations under the contract. As of March 31, 2010 and December 31, 2009, respectively, credit risk did not materially change the fair value of our forward contracts.

In relation to our foreign currency forward contracts, we recognize gains and losses in earnings due to hedge ineffectiveness. During the three months ended March 31, 2010, we recognized a net gain of \$0.1 million. During the three months ended March 31, 2009, we recognized a net loss of \$2.5 million. In addition, we recognized \$0.2 million of gains in product revenue for the settlement of certain effective cash flow hedge forward contracts for the three months ended March 31, 2010 as compared to losses recognized in the amount of \$3.1 million during the three months ended March 31, 2009. These settlements were recorded in the same period as the related forecasted revenue.

**Summary of Derivatives Designated as Hedging Instruments**

The following table summarizes the fair value and presentation in the consolidated balance sheets for derivatives designated as hedging instruments as of March 31, 2010 and December 31, 2009:

<b>(In millions)</b>	<b>Foreign Currency Forward Contracts</b>			
	<b>Asset Derivatives</b>		<b>Liability Derivatives</b>	
	<b>Balance Sheet Location</b>	<b>Fair Value</b>	<b>Balance Sheet Location</b>	<b>Fair Value</b>
March 31, 2010	Other Current Assets	\$ 33.9	Accrued Expenses and Other	\$ 2.2
December 31, 2009	Other Current Assets	\$ 10.8	Accrued Expenses and Other	\$ 9.8

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The following table summarizes the effect of derivatives designated as hedging instruments on the consolidated statements of income for the three months ended March 31, 2010 and 2009:

<i>(In millions)</i>	Amount Recognized in Accumulated Other Comprehensive Income on Derivative Gain/(Loss) <i>(Effective Portion)</i>	Income Statement Location <i>(Effective Portion)</i>	Amount Reclassified from Accumulated Other Comprehensive Income into Income Gain/(Loss) <i>(Effective Portion)</i>	Income Statement Location <i>(Ineffective Portion)</i>	Amount of Gain/(Loss) Recorded <i>(Ineffective Portion)</i>
<b>For the Three Months Ended</b>					
<b>March 31, 2010:</b>					
Foreign currency contracts	\$ 32.0	Revenue	\$ 0.2	Other income (expense)	\$ 0.1
<b>March 31, 2009:</b>					
Foreign currency contracts	\$(12.8)	Revenue	\$(3.1)	Other income (expense)	\$(2.5)

**Other Derivatives**

We enter into foreign currency forward contracts, with one month durations, to mitigate the foreign currency risk related to certain balance sheet items. We have not elected hedge accounting for these transactions. As of March 31, 2010, the aggregate notional amount of our outstanding foreign currency contracts was \$184.2 million. The fair value of these contracts was a net gain of \$1.0 million. Net gains of \$5.2 million related to these contracts were recognized as a component of other income (expense), net, in the three months ended March 31, 2010. As this program commenced subsequent to March 31, 2009, no gains or losses were recognized related to these types of contracts for the three months ended March 31, 2009.

**9. Property, Plant and Equipment**

Property, plant and equipment are recorded at historical cost, net of accumulated depreciation. Accumulated depreciation on property, plant and equipment was \$671.9 million at March 31, 2010 and \$642.5 million at December 31, 2009.

We own or lease real estate primarily consisting of buildings that contain research laboratories, office space, and biologic manufacturing operations, some of which are located in markets that are experiencing high vacancy rates and decreasing property values. If we decide to consolidate, co-locate or dispose of certain aspects of our business operations, for strategic or other operational reasons, we may dispose of one or more of our properties. Due to reduced expectations of product demand, improved yields on production and other factors, we may not fully utilize our manufacturing facilities at normal levels resulting in idle time at facilities or substantial excess manufacturing capacity. We are always evaluating our current strategy, as well as other alternatives, including whether to delay completion of a manufacturing facility in Denmark. If any of our owned properties are held for sale and we determine that the fair value of the properties is lower than their book value, we may not realize the full investment in these properties and incur significant impairment charges. In addition, if we decide to fully or partially vacate a leased property, we may incur significant costs, including lease termination fees, rent expense in excess of sublease income and impairment of leasehold improvements.

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**10. Comprehensive Income**

The following tables reflect the activity in comprehensive income included within equity attributable to the shareholders of Biogen Idec, equity attributable to noncontrolling interests, and total shareholders' equity:

(In millions)	For the Three Months Ended March 31, 2010			For the Three Months Ended March 31, 2009		
	Biogen Idec Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity	Biogen Idec Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
<b>Comprehensive income:</b>						
Net income	\$ 217.4	\$ 2.6	\$ 220.0	\$ 244.0	\$ 2.6	\$ 246.6
Unrealized (losses) gains on investments	(2.9)	—	(2.9)	2.0	—	2.0
Unrealized gains on foreign currency forward contracts	27.9	—	27.9	28.1	—	28.1
Unfunded status of pension and post-retirement benefit plans	(0.1)	—	(0.1)	(0.1)	—	(0.1)
Translation adjustments	(52.4)	(2.6)	(55.0)	(51.3)	2.1	(49.2)
<b>Comprehensive income (loss)</b>	<b>\$ 189.9</b>	<b>\$ 0.0</b>	<b>\$ 189.9</b>	<b>\$ 222.7</b>	<b>\$ 4.7</b>	<b>\$ 227.4</b>

Unrealized holding gains (losses) on investments are shown net of tax of \$1.7 million and \$1.2 million for the three months ended March 31, 2010 and 2009, respectively. Unrealized gains on foreign currency forward contracts are shown net of tax of \$3.0 million, and \$3.1 million for the three months ended March 31, 2010 and 2009, respectively. The unfunded status of pension and post-retirement benefit plans is shown net of tax as of March 31, 2010 and 2009. Tax amounts in both years were immaterial.

The following table reconciles equity attributable to noncontrolling interest:

(In millions)	For the Three Months Ended March 31,	
	2010	2009
Noncontrolling interest, January 1	\$ 40.4	\$ 27.9
Net income attributable to noncontrolling interest	2.6	2.6
Translation adjustments	(2.6)	2.1
Distributions to noncontrolling interest	—	—
Capital contributions from noncontrolling interest	0.8	—
<b>Noncontrolling interest, March 31</b>	<b>\$ 41.2</b>	<b>\$ 32.6</b>

Total distributions to us from our joint ventures were negligible for the three months ended March 31, 2010 and 2009.

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**11. Earnings per Share**

Basic and diluted earnings per share are calculated as follows:

<i>(In millions)</i>	<b>For the Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Numerator:</b>		
Net income attributable to Biogen Idec	\$ 217.4	\$ 244.0
Adjustment for net income allocable to preferred shares	(0.4)	(0.4)
Net income used in calculating basic and diluted earnings per share	<u>\$ 217.0</u>	<u>\$ 243.6</u>
<b>Denominator:</b>		
Weighted average number of common shares outstanding	269.9	287.7
<b>Effect of dilutive securities:</b>		
Stock options and employee stock purchase plan	1.1	0.7
Time-vested restricted stock units	1.7	1.3
Market stock units	—	—
Performance-vested restricted stock units settled in shares	—	—
Dilutive potential common shares	<u>2.8</u>	<u>2.0</u>
Shares used in calculating diluted earnings per share	<u>272.7</u>	<u>289.7</u>

The following amounts were not included in the calculation of net income per diluted share because their effects were anti-dilutive:

<i>(In millions)</i>	<b>For the Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Numerator:</b>		
Net income allocable to preferred shares	\$ 0.4	\$ 0.4
<b>Denominator:</b>		
Stock options	5.0	7.3
Time-vested restricted stock units	0.7	2.4
Market stock units	—	—
Performance-vested restricted stock units	—	0.1
Convertible preferred stock	0.5	0.5
Total	<u>6.2</u>	<u>10.3</u>

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**12. Share-based Payments**

*Share-based Compensation Expense*

The following table summarizes share-based compensation expense included within our consolidated statements of income:

<i>(In millions)</i>	For the Three Months Ended March 31,	
	2010	2009
Research and development	\$ 16.7	\$ 16.3
Selling, general and administrative	36.2	23.2
Subtotal	52.9	39.5
Capitalized share-based payment costs	(0.9)	(1.6)
Share-based compensation expense included in total costs and expenses	52.0	37.9
Income tax effect	(16.7)	(11.6)
Share-based compensation expense included in net income attributable to Biogen Idec	<u>\$ 35.3</u>	<u>\$ 26.3</u>

The following table summarizes share-based compensation expense associated with each of our share-based compensation programs:

<i>(In millions)</i>	For the Three Months Ended March 31,	
	2010	2009
Stock options	\$ 10.8	\$ 5.2
Market stock units	3.6	—
Time-vested restricted stock units	33.5	31.5
Performance-vested restricted stock units settled in shares	2.4	1.2
Performance-vested restricted stock units settled in cash	1.0	—
Employee stock purchase plan	1.6	1.6
Subtotal	\$ 52.9	\$ 39.5
Capitalized share-based payment costs	(0.9)	(1.6)
Share-based compensation expense included in total costs and expenses	<u>\$ 52.0</u>	<u>\$ 37.9</u>

**Stock Options**

In the first quarter of 2010, approximately 120,000 stock options were granted with a weighted average exercise price of \$57.38 and weighted average grant date fair value of \$15.62. In the first quarter of 2009, approximately 825,000 stock options were granted with a weighted average exercise price of \$49.51 and weighted average grant date fair value of \$17.72. The fair values of our stock option grants are estimated as of the date of grant using the Black-Scholes option valuation model. The estimated fair values of the stock options, including the effect of estimated forfeitures, are then expensed over the options' requisite service period, which is typically the vesting period.

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**Market Stock Units and Cash Settled Performance Shares**

Beginning in the first quarter of 2010, we revised our long term incentive program to include two new forms of equity-based compensation awards to certain employees: restricted stock units which will vest based on stock price performance, referred to as Market Stock Units (MSUs) and performance-vested restricted stock units which will be settled in cash, referred to as Cash Settled Performance Shares (CSPSs). We will apply forfeiture rate assumptions to these types of awards similar to those utilized by us when accounting for our other share-based compensation programs.

**Market Stock Units**

In the first quarter of 2010, approximately 333,000 MSUs were granted with a weighted average grant date fair value of \$61.87. MSU awards vest in four equal annual increments beginning on the anniversary of the grant date. The vesting of these awards is subject to the respective employee's continued employment. The number of MSUs reflected as granted represents the target number of units that are eligible to be earned based on the attainment of certain market-based criteria involving our stock price. The number of MSUs earned is calculated at each annual anniversary from the date of grant over the respective vesting periods, resulting in multiple performance periods. Participants may ultimately earn between 0% and 150% of the target number of units granted based on actual stock performance. Accordingly, additional MSUs may be issued or currently outstanding MSUs may be cancelled upon final determination of the number of awards earned.

We have valued the granted MSUs using a lattice model with a Monte Carlo simulation. This valuation methodology utilizes several key assumptions, including the 60 calendar day average closing stock price on grant date, expected volatility of our stock price, risk-free rates of return and expected dividend yield. The assumptions used in our valuation are summarized as follows:

Expected dividend yield	0%
Range of expected stock price volatility	28.60% - 36.48%
Range of risk-free rates of return	0.37% - 1.98%
60 calendar day average closing stock price on grant date	\$54.12

We apply a graded vesting expense methodology when accounting for MSUs. The probability of actual shares expected to be earned is considered in the grant date valuation, therefore the expense will not be adjusted to reflect the actual units earned.

**Cash Settled Performance Shares**

In the first quarter of 2010, approximately 370,000 CSPSs were granted. CSPS awards vest in three equal annual increments beginning on the anniversary of the grant date. The vesting of these awards is subject to the respective employee's continued employment. The number of CSPSs reflected as granted in 2010 represents the target number of units that are eligible to be earned based on the attainment of certain performance measures established at the beginning of the performance period, which ends December 31, 2010. Participants may ultimately earn between 0% and 200% of the target number of units granted based on the degree of actual performance metric achievement. Accordingly, additional CSPSs may be issued or currently outstanding CSPSs may be cancelled upon final determination of the number of units earned. CSPSs are settled in cash based on the 60 calendar day average closing stock price through each vesting date once the actual vested and earned number of units is known.

We apply a graded vesting expense methodology when accounting for the CSPSs and the fair value of the liability is remeasured at the end of each reporting period through expected cash settlement. Compensation expense associated with CSPS awards is based upon the stock price and the number of units expected to be



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earned after assessing the probability that certain performance criteria will be met and the associated targeted payout level that is forecasted will be achieved, net of estimated forfeitures. Cumulative adjustments are recorded each quarter to reflect changes in the stock price and estimated outcome of the performance-related conditions until the date results are determined and settled.

***Time-Vested Restricted Stock Units***

The fair values of our time-vested restricted stock units (RSUs) are based on the market value of our stock on the date of grant and are recognized over the applicable service period, adjusted for the effect of estimated forfeitures. In the first quarter of 2010, approximately 1.6 million RSUs were granted with a weighted average grant date fair value of \$55.28. In the first quarter of 2009, approximately 2.3 million RSUs were granted with a weighted average grant date fair value of \$49.33.

***Performance-Vested Restricted Stock Units***

In the first quarter of 2010, approximately 4,000 performance-vested restricted stock units (PVRsUs) were granted with a weighted average grant date fair value of \$53.64. The PVRsUs granted in 2010 are subject to the attainment of certain performance criteria established at the beginning of the performance period, which ends December 31, 2010. In the first quarter of 2009, approximately 307,000 PVRsUs were granted with a weighted average grant date fair value of \$49.50. The number of PVRsUs earned was subject to the attainment of certain performance criteria during 2009. Based on our 2009 performance, 99% of the granted PVRsUs were earned. These awards vest in three equal increments on (1) the later of the first anniversary of the grant date or the date of results determination; (2) the second anniversary of the grant date; and (3) the third anniversary of the grant date, and are also subject to the respective employee's continued employment.

We apply a graded vesting expense methodology when accounting for our PVRsUs. Compensation expense associated with PVRsU awards is initially based upon the number of shares expected to vest after assessing the probability that certain performance criteria will be met and the associated targeted payout level that is forecasted will be achieved, net of estimated forfeitures. Cumulative adjustments are recorded quarterly to reflect subsequent changes in the estimated outcome of performance-related condition until the date results are determined.

***Employee Stock Purchase Plan***

The purchase price of common stock under the employee stock purchase plan (ESPP) is equal to 85% of the lower of (i) the market value per share of the common stock on the participant's entry date into an offering period or (ii) the market value per share of the common stock on the purchase date. However, for each participant whose entry date is other than the start date of the offering period, the amount shall in no event be less than the market value per share of the common stock as of the beginning of the related offering period. The fair value of the discounted purchases made under the ESPP is calculated using the Black-Scholes model. The fair value of the look-back provision plus the 15% discount is recognized as compensation expense over the purchase period. We apply a graded vesting approach since our ESPP provides for multiple purchase periods and is, in substance, a series of linked awards.

For the three months ended March 31, 2010 and 2009, approximately 200,000 shares of common shares were issued in each period, under our ESPP.

***CEO Retirement***

On January 4, 2010, we announced that James C. Mullen will retire as our President and Chief Executive Officer on June 8, 2010 and that we entered into a transition agreement with Mr. Mullen. Under the terms of the agreement, we agreed with Mr. Mullen, amongst other provisions, to vest all of Mr. Mullen's then-unvested

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equity awards on the date of his retirement and allow Mr. Mullen to exercise his vested stock options until June 8, 2013 or their expiration, whichever is earlier. The modifications to Mr. Mullen's existing stock options, RSUs and PVRsUs resulted in an incremental charge of approximately \$18.6 million, which will be recognized evenly over the requisite service period as per the terms of the transition agreement.

**13. Income Taxes**

***Tax Rate***

For the three months ended March 31, 2010 and 2009, our effective tax rates were 25.5% and 21.0%, respectively. The increase in our tax rate for the three months ended March 31, 2010 compared to the same period in 2009 was primarily a result of the expiration of the federal research and development tax credit at the end of 2009 and, in the first quarter of 2009, a favorable change in certain state tax laws. As a result of the 2009 changes in tax law we reduced our first quarter 2009 tax expense by \$30.2 million. The federal research and development tax credit had a 1.6% favorable impact on our effective tax rate for first quarter of 2009. The unfavorable impact of not having these benefits recur in 2010 was partially offset by a higher percentage of our profits being earned in lower rate international jurisdictions. This change is caused by lower 2010 domestic earnings, as a proportion of total consolidated earnings due to the recently enacted U.S. healthcare reform legislation, the growth in our international operations and a reorganization of our international operations. During 2010, we also had a favorable impact from a statutory increase in the U.S. manufacturers tax deduction.

Reconciliation between the U.S. federal statutory tax rate and our effective tax rate is summarized as follows:

	For the Three Months Ended March 31,	
	2010	2009
Statutory rate	35.0%	35.0%
State taxes	1.9	(1.1)
Taxes on foreign earnings	(9.8)	(5.8)
Credits and net operating loss utilization	(1.6)	(9.4)
Purchased intangible assets	1.5	1.6
IPR&D	0.8	1.1
Permanent items	(1.6)	(1.1)
Other	(0.7)	0.7
Effective tax rate	<u>25.5%</u>	<u>21.0%</u>

***Accounting for Uncertainty in Income Taxes***

We and our subsidiaries are routinely examined by various taxing authorities. We file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal tax examination for years before 2007 or state, local, or non-U.S. income tax examinations by tax authorities for years before 2001.

In 2006, the Massachusetts Department of Revenue (DOR) issued a Notice of Assessment against Biogen Idec MA Inc. for \$38.9 million of corporate excise tax for 2002, which includes associated interest and penalties. The assessment asserts that the portion of sales attributable to Massachusetts, the computation of Biogen Idec MA's research and development credits and the availability of certain claimed deductions were not appropriate, resulting in unpaid taxes for 2002. In December 2006, we filed an abatement application

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with the DOR, seeking abatement for 2001-2003, which was denied. In July 2007, we filed a petition with the Massachusetts Appellate Tax Board, seeking among other items, abatements of corporate excise tax for 2001-2003 and adjustments in certain credits and credit carryforwards for 2001-2003. We anticipate that the hearing will take place in 2010. In the fourth quarter of 2009, the DOR completed its audit fieldwork of our 2004, 2005 and 2006 tax filings. The DOR may make an assessment for taxes, interest, and penalties claiming that our computation and deductions for these periods were also inappropriate. We believe that positions taken in our tax filings are valid and we intend to contest this matter vigorously.

Our tax filings for 2007 and 2008 have not yet been audited by the DOR but have been prepared in a manner consistent with prior filings which may result in an assessment for those years. Due to tax law changes effective January 1, 2009, the computations and deductions at issue in previous tax filings will not be part of our tax filings starting in 2009.

There is a possibility that we may not prevail in defending all of our assertions with the DOR. If these matters are resolved unfavorably in the future, the resolution could have a material adverse impact on our future effective tax rate and our results of operations.

**14. Other Income (Expense), Net**

Components of other income (expense), net, are summarized as follows:

<u>(In millions)</u>	<u>For the Three Months</u> <u>Ended March 31,</u>	
	<u>2010</u>	<u>2009</u>
Interest income	\$ 8.9	\$ 14.8
Interest expense	(8.3)	(9.9)
Impairments of investments (Note 7)	(15.8)	(6.1)
Net realized gains on foreign currency transactions	1.0	3.0
Net realized gains on marketable securities	5.0	4.3
Other, net	0.8	0.7
Total other income (expense), net	<u>\$ (8.4)</u>	<u>\$ 6.8</u>

**15. Investments in Variable Interest Entities**

Effective January 1, 2010, we adopted a newly issued accounting standard which provides guidance for the consolidation of variable interest entities and requires an enterprise to determine whether its variable interest or interests give it a controlling financial interest in a variable interest entity. This amended consolidation guidance for variable interest entities replaces the existing quantitative approach for identifying which enterprise should consolidate a variable interest entity, which was based on which enterprise is exposed to a majority of the risks and rewards, with a qualitative approach, based on which enterprise has both (1) the power to direct the economically significant activities of the entity and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to the variable interest entity. The adoption of this standard did not have an impact on our financial position or results of operations. Determination about whether an enterprise should consolidate a variable interest entity is required to be evaluated continuously as changes to existing relationships or future transactions may result in us consolidating or deconsolidating our partner(s) to collaborations and other arrangements.

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**Consolidated Variable Interest Entities**

Our consolidated financial statements include the financial results of variable interest entities in which we are the primary beneficiary.

*Investments in Joint Ventures*

We consolidate the operations of Biogen Dompé SRL and Biogen Dompé Switzerland GmbH, our respective sales affiliates in Italy and Switzerland, as we retain the contractual power to direct the activities of these entities which most significantly and directly impact their economic performance. The activity of each of these joint ventures is significant to our overall operations. The assets of these joint ventures are restricted, from the standpoint of Biogen Idec, in that they are not available for our general business use outside the context of each joint venture. The holders of the liabilities of each joint venture, including the credit line from Dompe described in our 2009 Form 10-K, have no recourse to Biogen Idec.

Included within our consolidated balance sheet at March 31, 2010 are total joint venture assets and liabilities of \$111.5 million and \$26.9 million, respectively, the most significant of which are accounts receivable from the ordinary course of business of \$102.3 million.

We have provided no financing to these joint ventures other than previously contractually required amounts.

*Neurimmune*

We have a collaboration agreement with Neurimmune SubOne AG (Neurimmune), a subsidiary of Neurimmune Therapeutics AG, for the development and commercialization of antibodies for the treatment of Alzheimer's disease. Neurimmune conducts research to identify potential therapeutic antibodies and we are responsible for the development, manufacturing and commercialization of all products. We may pay Neurimmune up to \$360.0 million in remaining milestone payments, as well as royalties on sales of any resulting commercial products.

We have determined that we are the primary beneficiary of Neurimmune because we control the activities of the collaboration and are required to fund 100% of the research and development costs incurred in support of the collaboration agreement. As such, we consolidate the results of Neurimmune. The assets and liabilities of Neurimmune are not significant as it is a research and development organization. Amounts that we reimburse Neurimmune for research and development expense incurred in support of the collaboration are reflected in research and development expense in our consolidated statements of income.

A summary of activity related to this collaboration is as follows:

<u>(In millions)</u>	<u>For the Three Months</u> <u>Ended March 31,</u>	
	<u>2010</u>	<u>2009</u>
Milestone payments made to Neurimmune	\$ —	\$ 5.0
Total development expense incurred by the collaboration	\$ 5.1	\$ 1.8
Total expense reflected within our consolidated statements of income	\$ 5.1	\$ 6.8

We have provided no financing to Neurimmune other than previously contractually required amounts.

*Cardiokine*

We collaborate with Cardiokine Biopharma LLC (Cardiokine), a subsidiary of Cardiokine Inc., on the joint development of Lixivaptan, an oral compound for the potential treatment of hyponatremia in patients

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with congestive heart failure. Based upon our current development plans, we may pay up to \$125.0 million in remaining development milestone payments, as well as royalties on commercial sales under the terms of our collaboration agreement.

We have determined that we are the primary beneficiary of Cardiokine because we control the activities of the collaboration and are required to fund 90% of the development costs under the collaboration agreement. As such, we consolidate the results of Cardiokine. The assets and liabilities of Cardiokine are not significant as it is a research and development organization. Amounts that we reimburse Cardiokine for research and development expense incurred in support of the collaboration are reflected in research and development expense in our consolidated statements of income.

A summary of activity related to this collaboration is as follows:

(In millions)	For the Three Months Ended March 31,	
	2010	2009
Milestone payments made to Cardiokine	\$ —	\$ —
Total development expense incurred by the collaboration	\$ 17.4	\$ 13.7
Total Biogen Idec's share of expense reflected within our consolidated statements of income	\$ 15.7	\$ 12.3
Collaboration expense allocated to noncontrolling interests, net of tax	\$ 1.7	\$ 1.4

We have provided no financing to Cardiokine other than previously contractually required amounts.

***Unconsolidated Variable Interest Entities***

We have relationships with other variable interest entities which we do not consolidate as we lack the power to direct the activities that significantly impact the economic success of these entities. These relationships include investments in certain biotechnology companies and research collaboration agreements.

At March 31, 2010 the total carrying value of our investments in biotechnology companies that we have determined to be variable interest entities is \$23.4 million. Our maximum exposure to loss related to these variable interest entities is limited to the carrying value of our investments.

We have entered into research collaborations with certain variable interest entities where we are required to share or fund certain development activities. These development activities are included in research and development expense within our consolidated statements of income, as they are incurred. Depending on the collaborative arrangement, we may record funding receivables or payable balances with our partners, based on the nature of the cost-sharing mechanism and activity within the collaboration. At March 31, 2010 we have recorded a receivable of \$5.6 million related to a cost sharing arrangement with one of our collaborative relationships.

We have provided no financing to these variable interest entities other than previously contractually required amounts.

**16. Litigation**

Along with several other major pharmaceutical and biotechnology companies, Biogen, Inc. (now Biogen Idec MA Inc., one of our wholly-owned subsidiaries) or, in some cases, Biogen Idec Inc., was named as a defendant in lawsuits filed by the City of New York and numerous Counties of the State of New York. All of the cases — except for cases filed by the County of Erie, County of Oswego and County of Schenectady (Three County Actions) — are the subject of a Consolidated Complaint, first filed on September 15, 2005 in

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the U.S. District Court for the District of Massachusetts in Multi-District Litigation No. 1456 (MDL proceedings). The complaints allege that the defendants (i) fraudulently reported (or caused others to report incorrectly) the Average Wholesale Price for certain drugs for which Medicaid provides reimbursement (Covered Drugs); (ii) marketed and promoted the sale of Covered Drugs to providers based on the providers' ability to collect inflated payments from the government and Medicaid beneficiaries that exceeded payments possible for competing drugs; (iii) provided financing incentives to providers to over-prescribe Covered Drugs or to prescribe Covered Drugs in place of competing drugs; and (iv) overcharged Medicaid for illegally inflated Covered Drugs reimbursements. Among other things, the complaints allege violations of New York state law and advance common law claims for unfair trade practices, fraud, and unjust enrichment. In addition, the amended Consolidated Complaint alleges that the defendants failed to accurately report the "best price" on the Covered Drugs to the Secretary of Health and Human Services pursuant to rebate agreements, and excluded from their reporting certain discounts and other rebates that would have reduced the "best price." With respect to the MDL proceedings, some of the plaintiffs' claims were dismissed, and the parties, including Biogen Idec, began a mediation of the outstanding claims on July 1, 2008. We have not formed an opinion that an unfavorable outcome is either "probable" or "remote" in any of these cases, and do not express an opinion at this time as to their likely outcome or as to the magnitude or range of any potential loss. We believe that we have good and valid defenses to each of these complaints and are vigorously defending against them.

In 2006, the Massachusetts Department of Revenue (DOR) issued a Notice of Assessment against Biogen Idec MA Inc. for \$38.9 million of corporate excise tax for 2002, which includes associated interest and penalties. On December 6, 2006, we filed an abatement application with the DOR, seeking abatements for 2001, 2002 and 2003. The abatement application was denied on July 24, 2007. On July 25, 2007, we filed a petition with the Massachusetts Appellate Tax Board, seeking, among other items, abatements of corporate excise tax for 2001, 2002 and 2003 and adjustments in certain credits and credit carryforwards for 2001, 2002 and 2003. Issues before the Board include the computation of Biogen Idec MA's sales factor for 2001, 2002 and 2003, computation of Biogen Idec MA's research credits for those same years, and the availability of deductions for certain expenses and partnership flow-through items. We anticipate that the hearing will take place in 2010. We intend to contest this matter vigorously.

On October 27, 2008, Sanofi-Aventis Deutschland GmbH (Sanofi) filed suit against Genentech and Biogen Idec in federal court in Texas (E.D. Tex.) (Texas Action) claiming that RITUXAN and certain other Genentech products infringe U.S. Patents 5,849,522 ('522 patent) and 6,218,140 ('140 patent). Sanofi seeks preliminary and permanent injunctions, compensatory and exemplary damages, and other relief. On October 27, 2008, Genentech and Biogen Idec filed a complaint against Sanofi, Sanofi-Aventis U.S. LLC, and Sanofi-Aventis U.S., Inc. in federal court in California (N.D. Cal.) (California Action) seeking a declaratory judgment that RITUXAN and other Genentech products do not infringe the '522 patent or the '140 patent, and a declaratory judgment that those patents are invalid. (Sanofi-Aventis U.S. LLC and Sanofi-Aventis U.S., Inc. were later dismissed voluntarily.) On May 22, 2009, the United States Court of Appeals for the Federal Circuit granted Genentech's and our petition for a writ of mandamus transferring the Texas Action to the federal court in California, and denied Sanofi's petition for rehearing on August 10, 2009. The Texas Action has been consolidated with the California Action and we refer to the two actions together as the Consolidated Actions. We have not formed an opinion that an unfavorable outcome in the Consolidated Actions is either "probable" or "remote," and do not express an opinion at this time as to the likely outcome of the matters or as to the magnitude or range of any potential loss. We believe that we have good and valid defenses and intend vigorously to defend against the allegations against us.

On October 24, 2008, Hoechst GmbH filed with the ICC International Court of Arbitration (Paris) a request for arbitration against Genentech, relating to a terminated license agreement between Hoechst's predecessor and Genentech that pertained to the above-referenced patents and related patents outside the

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U.S. The license was entered as of January 1, 1991 and was terminated by Genentech on October 27, 2008. We understand that Hoechst seeks payment of royalties on sales of Genentech products, including RITUXAN, damages for breach of contract, and other relief. Although we are not a party to the arbitration, any damages awarded to Hoescht based on sales of RITUXAN may be a cost allocable to our collaboration with Genentech. Under the collaboration agreement, we may be responsible for a portion of any such damages. We have not formed an opinion that an unfavorable outcome in the arbitration is either "probable" or "remote," and do not express an opinion at this time as to the likely outcome of the matter or as to the magnitude or range of any potential loss.

In addition, we are involved in product liability claims and other legal proceedings generally incidental to our normal business activities. While the outcome of any of these proceedings cannot be accurately predicted, we do not believe the ultimate resolution of any of these existing matters would have a material adverse effect on our business or financial conditions.

**17. Segment Information**

We operate in one business segment, which is the business of development, manufacturing and commercialization of novel therapeutics for human health care and therefore, our chief operating decision-maker manages the operation of our Company as a single operating segment.

**18. New Accounting Pronouncements**

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

***Recently Issued Accounting Standards***

In October 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-13, *Multiple-Deliverable Revenue Arrangements* (ASU No. 2009-13). ASU No. 2009-13, which amends existing revenue recognition accounting pronouncements and provides accounting principles and application guidance on whether multiple deliverables exist, how the arrangement should be separated, and the consideration allocated. This guidance eliminates the requirement to establish the fair value of undelivered products and services and instead provides for separate revenue recognition based upon management's estimate of the selling price for an undelivered item when there is no other means to determine the fair value of that undelivered item. Previous accounting principles required that the fair value of the undelivered item be the price of the item either sold in a separate transaction between unrelated third parties or the price charged for each item when the item is sold separately by the vendor. This was difficult to determine when the product was not individually sold because of its unique features. If the fair value of all of the elements in the arrangement was not determinable, then revenue was deferred until all of the items were delivered or fair value was determined. This new approach is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, which for Biogen Idec means no later than January 1, 2011. Early adoption is permitted; however, adoption of this guidance as of a date other than January 1, 2011, will require us to apply this guidance retrospectively effective as of January 1, 2010 and will require disclosure of the effect of this guidance as applied to all previously reported interim periods in the fiscal year of adoption. While we do not expect the adoption of this standard to have a material impact on our financial position and results of operations, this standard may impact us in the event we complete future transactions or modify existing collaborative relationships.

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In June 2009, the FASB issued ASU No. 2009-16, *Accounting for Transfers of Financial Assets* (ASU No. 2009-16). ASU No. 2009-16 prescribes the information that a reporting entity must provide in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. Specifically, among other aspects, this standard amends previously issued accounting guidance, modifies the financial-components approach and removes the concept of a qualifying special purpose entity when accounting for transfers and servicing of financial assets and extinguishments of liabilities, and removes the exception from applying the general accounting principles for the consolidation of variable interest entities that are qualifying special-purpose entities. This new accounting standard is effective for transfers of financial assets occurring on or after January 1, 2010. The adoption of this standard did not have an impact on our financial position or results of operations.



**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion should be read in conjunction with our consolidated financial statements and related notes beginning on page 3 of this quarterly report on Form 10-Q.

**Executive Summary****Introduction**

Biogen Idec is a global biotechnology company that creates new standards of care in therapeutic areas with high unmet medical needs. Our business strategy is focused on discovering and developing first-in-class or best-in-class products that we can deliver to specialty markets globally. Patients around the world benefit from Biogen Idec's significant products that address medical needs in the areas of neurology, oncology and immunology.

In the near term, we are dependent upon continued sales of AVONEX, RITUXAN and TYSABRI to drive our revenue growth. In the longer term, our revenue growth will also be dependent upon the successful clinical development, regulatory approval and launch of new commercial products. As part of our ongoing research and development efforts, we have also incurred significant expenditures related to conducting clinical studies to develop new pharmaceutical products and explore the utility of our existing products in treating disorders beyond those currently approved in their labels. We continue to focus our research and development efforts within our core and emergent areas of neurology, oncology, immunology, cardiopulmonary and hemophilia.

**Financial Highlights**

The following table is a summary of results achieved:

(In millions, except per share amounts and percentages)	For the Three Months Ended March 31,		
	2010	2009	Change %
Total revenues	\$1,108.9	\$1,036.5	7.0%
Income from operations	\$ 303.7	\$ 305.0	(0.4)%
Net income attributable to Biogen Idec	\$ 217.4	\$ 244.0	(10.9)%
Diluted earnings per share attributable to Biogen Idec	\$ 0.80	\$ 0.84	(4.8)%

As described below under Results of Operations, our operating results for the three months ended March 31, 2010 were primarily driven by:

- Increased AVONEX worldwide revenue. AVONEX revenues totaled \$592.5 million in the first quarter 2010, representing a 6.7% increase over the same period in 2009.
- Continued TYSABRI growth. Global in-market net sales of TYSABRI totaled \$291.9 million in the first quarter of 2010. Our share of TYSABRI revenues totaled \$218.6 million for the first quarter of 2010, representing an increase of 32.3% over the same period in 2009.
- U.S. in-market net sales of RITUXAN totaled \$686.7 million in the first quarter of 2010, representing an increase of 7.0% over the same period in 2009. Our share of RITUXAN revenues in the first quarter of 2010 totaled \$254.9 million, which includes of our share of co-promotion profits in the U.S. totaling \$200.3 million representing an increase of 11.6% over the same period in 2009. This increase was offset by a \$45.9 million decrease in our share of revenue on sales of RITUXAN in the rest of world. Selling and development expenses incurred by us and reimbursed by Genentech, which are also included within our share of RITUXAN revenues, increased 8.0% to \$16.2 million.
- Total costs and expenses increased 10.1% in the first quarter of 2010 compared to the same period in 2009. This increase was driven by a 48.6% increase in collaboration profit sharing expense due to TYSABRI revenue growth, a 12.1% increase in selling, general and administrative costs, a 9.9% increase in research and development expense, and the \$40.0 million milestone payment made to the

former shareholders of Syntonix recorded as acquired in-process research and development (IPR&D) expense during the first quarter of 2010. These increases were primarily offset by a decrease in amortization of acquired intangible assets of 45.2%.

For the three months ended March 31, 2010 we also generated \$336.9 million of net cash flows from operations which were primarily driven by our earnings. In addition we also repurchased approximately 10.5 million shares of our common stock at a total cost of approximately \$577.6 million during the first quarter of 2010.

Cash and cash equivalents and marketable securities totaled approximately \$2,184.9 million as of March 31, 2010.

#### ***Business Highlights***

- In April 2010, we announced that our Board of Directors authorized the repurchase of up to \$1.5 billion of our common stock. This new repurchase authorization is intended to reduce our shares outstanding with the objective of returning excess cash to shareholders. We intend to retire these shares following repurchase on the open market. This repurchase authorization does not have an expiration date.
- In March 2010, healthcare reform legislation was enacted in the U.S. This legislation contains several provisions that impact our business, which include expanding rebate coverage to Managed Medicaid and an increase to the rate of rebates for all our drugs dispensed to Medicaid beneficiaries, expanding the 340(B) drug pricing program requiring drug manufacturers to provide discounted product to reduce the Medicare Part D coverage gap, assessing a new fee on manufacturers and importers of branded prescription drugs paid for pursuant to coverage provided under specified government programs and the inclusion of a biosimilars approval pathway granting biologics manufacturers a 12 year period of exclusivity before generic competition can be introduced. The impact of these changes is further discussed below under the subsection titled "Healthcare Reform".
- In March 2010, we entered into an agreement with certain funds affiliated with Carl C. Icahn pursuant to which we appointed Dr. Eric K. Rowinsky and Dr. Stephen A. Sherwin to our Board of Directors.
- In February 2010, we restructured our collaboration agreement with Swedish Orphan Biovitrum (Biovitrum) and assumed full development responsibilities and costs, as well as manufacturing rights for the Factor VIII and Factor IX programs in exchange for increased marketing rights for rest of world territories which had been previously shared between the two companies. These territories are in addition to our existing commercial rights in North America. Biovitrum will retain commercial rights in Europe, Russia, Turkey and the Middle East. As a result of our assuming full development and manufacturing responsibilities, we anticipate higher research and development expense associated with these programs as compared to prior periods during which we shared development costs equally with Biovitrum.
- In January 2010, we announced that James C. Mullen will retire as our President and Chief Executive Officer on June 8, 2010, and will retire from our Board of Directors upon the completion of his current term as a director upon certification of the election results at our 2010 Annual Meeting of Stockholders. We entered into a transition agreement with Mr. Mullen on January 4, 2010. A search for Mr. Mullen's successor is underway.

#### ***Product and Pipeline Highlights***

- In March 2010, Roche submitted a supplemental biologics license application to the U.S. Food and Drug Administration (FDA) to extend the RITUXAN label in NHL to include maintenance treatment after achieving a response to RITUXAN in combination with chemotherapy for previously untreated patients with advanced, follicular lymphoma, which is a slow growing NHL. Roche previously filed RITUXAN with the European Medicines Agency (EMA) to extend the RITUXAN label in Europe to include maintenance treatment for previously untreated patients with advanced follicular lymphoma.

- In March 2010, we and Elan initiated a Phase 3b head-to-head study, known as SURPASS, that will evaluate changing to TYSABRI from COPAXONE or REBIF in patients with relapsing remitting multiple sclerosis (RRMS). The study, which is expected to enroll 1,800 patients in 27 countries, will also evaluate the safety and tolerability of changing therapy to TYSABRI.
- In March 2010, we and Roche announced our decision to suspend ocrelizumab treatment of patients in the RA program following the recommendation of the independent Ocrelizumab RA & Lupus Data and Safety Monitoring Board based upon their assessment of our four RA and two lupus studies. We plan to work with regulators to determine the next steps for these studies. Our current Phase 2 ocrelizumab study for the treatment of RRMS remains on-going at this time.
- In March 2010, we initiated two clinical studies in the U.S., known as STRATIFY-1 and STRATIFY-2, to evaluate the potential clinical utility of a blood test that is designed to detect antibodies to the JC virus. These studies are intended to define the prevalence of serum JC virus antibody in patients with relapsing MS receiving or considering treatment with TYSABRI and to evaluate the potential to stratify patients into lower or higher risk for developing progressive multifocal leukoencephalopathy (PML) based on antibody status.
- In March 2010, we and Genentech, a wholly owned member of the Roche Group, were issued a patent by the U.S. Patent and Trademark Office (PTO) related to a method of treating chronic lymphocytic leukemia (CLL) using an anti-CD20 antibody. We subsequently filed a lawsuit in federal court in the Southern District of California alleging infringement of that patent based upon GlaxoSmithKline's manufacture, marketing and sale of ARZERRA. In February 2010, the FDA approved RITUXAN in combination with fludarabine and cyclophosphamide for patients with previously untreated, as well as previously treated, CD20-positive CLL. These events expand the label for RITUXAN beyond its current use in the treatment of RA and NHL.
- In January 2010, the EMA recommended updating the TYSABRI label in the E.U. to reflect, among other therapy, that the risk of PML increases after two years of therapy, with limited experience beyond three years. Additional information about the EMA's recommendations is set forth below under the subsection titled "Product Revenues — TYSABRI". Preparations are currently underway to update the TYSABRI label. In addition, a Direct Health Care Professional Communication was sent out in February 2010 which provides information consistent with the EMA's recommendations.
- In January 2010, we initiated patient enrollment in a registrational study for long-acting recombinant Factor IX in hemophilia B, known as B-LONG. The initiation of this study resulted in the achievement of a milestone, obligating us to pay approximately \$40.0 million to the former shareholders of Syntonix.

**Results of Operations**

**Revenues**

Revenues are summarized as follows:

(In millions, except percentages)	For the Three Months Ended March 31,			
	2010		2009	
Product:				
United States	\$ 410.3	37.0%	\$ 393.0	38.0%
Rest of world	413.9	37.3%	340.4	32.8%
Total product revenues	\$ 824.2	74.3%	\$ 733.4	70.8%
Unconsolidated joint business	254.9	23.0%	278.8	26.9%
Other	29.7	2.7%	24.3	2.3%
Total revenues	\$ 1,108.9	100.0%	\$ 1,036.5	100.0%

**Product Revenues**

Product revenues are summarized as follows:

(In millions, except percentages)	For the Three Months Ended March 31,			
	2010		2009	
AVONEX	\$ 592.5	71.9%	\$ 555.3	75.8%
TYSABRI	218.6	26.5%	165.2	22.5%
Other	13.1	1.6%	12.9	1.7%
Total product revenues	\$ 824.2	100.0%	\$ 733.4	100.0%

**AVONEX**

Revenues from AVONEX are summarized as follows:

(In millions, except percentages)	For the Three Months Ended March 31,		
	2010	2009	Change %
United States	\$ 349.9	\$ 340.0	2.9%
Rest of world	242.6	215.3	12.7%
Total AVONEX revenues	\$ 592.5	\$ 555.3	6.7%

For the three months ended March 31, 2010 compared to the same period in 2009, the increase in U.S. AVONEX revenue was due to price increases offset by decreased commercial demand. Decreased commercial demand resulted in a 9.4% decline in U.S. AVONEX sales volume in the three months ended March 31, 2010 over the prior year comparative period. In addition, during the three months ended March 31, 2010, we experienced higher participation in our Access Program, which provides free product to eligible patients.

For the three months ended March 31, 2010 compared to the same period in 2009, the increase in rest of world AVONEX revenue was due to the positive impact of foreign currency exchange rate changes and increased commercial demand. Increased commercial demand resulted in a 3.7% increase in rest of world AVONEX sales volume in the three months ended March 31, 2010 as compared to the prior year comparative period.

We expect AVONEX to face increasing competition in the MS marketplace in both the U.S. and rest of world from existing and new MS treatments, including oral and other alternative formulations developed by our competitors, the continued growth of TYSABRI and the commercialization of our other pipeline product candidates, which may have a continued negative impact on the unit sales of AVONEX as well as increasing price pressure.

**TYSABRI**

We collaborate with Elan Pharma International, Ltd (Elan) an affiliate of Elan Corporation, plc, on the development and commercialization of TYSABRI. Please read Note 17, *Collaborations*, to our Consolidated Financial Statements included within our 2009 Form 10-K for a description of this collaboration. Revenues from TYSABRI are summarized as follows:

(In millions, except percentages)	For the Three Months Ended March 31,		
	2010	2009	Change %
United States	\$ 60.4	\$ 53.0	14.0%
Rest of world	158.2	112.2	41.0%
Total TYSABRI revenues	\$ 218.6	\$ 165.2	32.3%

For the three months ended March 31, 2010 compared to the same period in 2009, the increase in U.S. TYSABRI revenue was due to the continued increase in the number of patients using TYSABRI in the U.S. Increased commercial demand resulted in a 14.5% increase in U.S. TYSABRI sales volume in the three months ended March 31, 2010 as compared to the prior year comparative period. Net sales of TYSABRI from our collaboration partner, Elan, to third-party customers in the U.S. for each of the three months ended March 31, 2010 and 2009 totaled \$135.2 million and \$116.0 million, respectively.

For the three months ended March 31, 2010 compared to the same period in 2009, the increase in rest of world TYSABRI revenue was due to the continued increase in the number of patients using TYSABRI in our rest of world markets as well as the positive impact of foreign currency exchange rate changes. Increased commercial demand resulted in a 32.6% increase in rest of world TYSABRI sales volume in the three months ended March 31, 2010 as compared to the prior year comparative period.

Since we reintroduced TYSABRI to the market in July 2006, some patients taking TYSABRI have been diagnosed with PML, a rare but serious brain infection described in the TYSABRI label. In November 2009, the U.S. prescribing information for TYSABRI was revised to reflect that the risk of PML increases with longer treatment duration, and for patients treated for 24 to 36 months is generally similar to the rates seen in clinical trials. The revised label also reflects that there is limited experience beyond three years of treatment and that immune reconstitution inflammatory syndrome (IRIS) has been reported in TYSABRI treated patients who developed PML and subsequently discontinued TYSABRI. In January 2010, the EMA recommended updating the TYSABRI label in the E.U. to reflect that (1) the risk of PML increases after two years of therapy; (2) the limited experience in patients taking TYSABRI beyond three years means that the risk for PML in these patients cannot currently be estimated; and (3) there is a risk for the occurrence of IRIS in patients with TYSABRI induced PML following discontinuation or removal of TYSABRI by plasma exchange, a process that clears TYSABRI from a patients' blood allowing the immune system to fight the infection. The EMA also recommended that patients have an MRI at baseline and annual MRIs thereafter as well as be informed of the risk of PML through the use of treatment forms at the start of treatment and again after two years of therapy. Preparations are currently underway to update the TYSABRI label. In addition, a Direct Health Care Professional Communication was sent out in February 2010 to all physicians prescribing TYSABRI in the E.U. together with their professional associations, which provides information consistent with the EMA's recommendations.

We continue to monitor the growth of TYSABRI unit sales, which may be further impacted by the updated prescribing information. We continue to research and develop protocols that may reduce risk and improve outcomes of PML in patients. We are working to identify patient or viral characteristics which contribute to the risk of developing PML, including the presence of asymptomatic JC virus infection with an assay to detect an immune response against the JC virus. Our efforts to improve management of PML by physicians and to improve patient outcomes have included researching plasma exchange to more rapidly remove TYSABRI from a patient, and drug screening that identified mefloquine as an anti-JC virus drug candidate. Specifically with respect to the JC virus antibody assay, we have initiated two clinical studies in the U.S., known as STRATIFY-1 and STRATIFY-2. These studies are intended to define the prevalence of serum JC virus antibody in patients with relapsing MS receiving or considering treatment with TYSABRI and to evaluate the potential to stratify patients into lower or higher risk for developing PML based on antibody status. Our efforts at stratifying patients into lower or higher risk for developing PML, including evaluating the potential clinical utility of a JC virus antibody assay, and other ongoing or future clinical trials involving TYSABRI, may have a negative impact on prescribing behavior which may result in decreased product revenues from sales of TYSABRI.

#### **Unconsolidated Joint Business Revenue**

We collaborate with Genentech on the development and commercialization of RITUXAN. Please read Note 17, *Collaborations*, to our Consolidated Financial Statements included within our 2009 Form 10-K,

for a description of this collaboration. Revenues from unconsolidated joint business are summarized as follows:

(In millions, except percentages)	For the Three Months Ended March 31		
	2010	2009	Change %
Biogen Idec's share of co-promotion profits in the U.S.	\$ 200.3	\$ 179.5	11.6%
Reimbursement of selling and development expense in the U.S.	16.2	15.0	8.0%
Revenue on sales of RITUXAN in the rest of world	38.4	84.3	(54.4)%
Total unconsolidated joint business revenues	<u>\$ 254.9</u>	<u>\$ 278.8</u>	<u>(8.6)%</u>

The following table provides a summary of amounts comprising our share of co-promotion profits in the U.S.:

(In millions, except percentages)	For the Three Months Ended March 31		
	2010	2009	Change %
Product revenues, net	\$ 686.7	\$ 641.6	7.0%
Costs and expenses	173.5	180.3	(3.8)%
Co-promotion profits in the U.S.	<u>\$ 513.2</u>	<u>\$ 461.3</u>	<u>11.3%</u>
Biogen Idec's share of co-promotion profits in the U.S.	<u>\$ 200.3</u>	<u>\$ 179.5</u>	<u>11.6%</u>

For the three months ended March 31, 2010 compared to the same period in 2009, the increase in U.S. RITUXAN product revenues on sales recorded by Genentech resulted from continued unit growth and price increases. Collaboration costs and expenses for the three months ended March 31, 2010 compared to the same period in 2009 decreased primarily due to higher costs incurred in development of RITUXAN for use in other indications during 2009.

Under our collaboration agreement, our current pretax co-promotion profit-sharing formula, which resets annually, provides for a 40% share of co-promotion profits if co-promotion operating profits exceed \$50.0 million. In 2010 and 2009, the 40% threshold was met during the first quarter. Our agreement with Genentech also provides that the successful development and commercialization of the first New Anti-CD20 Product will decrease our percentage of co-promotion profits of the collaboration. Please read Note 17, *Collaborations*, to our Consolidated Financial Statements included within our 2009 Form 10-K, for additional information regarding the pretax co-promotion profit sharing formula for RITUXAN and New Anti-CD20 Products sold by us and Genentech following the approval date of the first New Anti-CD20 Product.

For the three months ended March 31, 2010 compared to the same period in 2009, the increase in selling and development expenses incurred by us in the U.S. and reimbursed by Genentech was primarily the result of our increased clinical development and marketing expenses associated with the continued development of RITUXAN. As discussed in Note 17, *Collaborations*, to our Consolidated Financial Statements included within our 2009 Form 10-K, Genentech incurs the majority of continuing development costs for RITUXAN. Expenses incurred by Genentech in the development of RITUXAN are not recorded as research and development expense, but rather reduce our share of co-promotion profits recorded as a component of unconsolidated joint business revenue. Costs associated with the development of other anti-CD20 products, such as GA101, are recorded as research and development expense; however, upon achievement of the successful commercialization of these products, additional costs incurred in their continuing development will no longer be recorded as research and development expense but will instead reduce our share of co-promotion profits recorded as a component of unconsolidated joint business revenue.

For the three months ended March 31, 2010 compared to the same period in 2009, revenues on sales of RITUXAN in the rest of world continue to decline due to royalty expirations in certain of our rest of world markets. The royalty period for sales in the rest of world with respect to all products is 11 years from the first commercial sale of such product on a country-by-country basis. Specifically, the royalty periods with respect to sales in France, Spain, Germany and the United Kingdom expired in 2009. The royalty period with respect

to sales in Italy expired in this quarter. The royalty periods for substantially all of the remaining royalty-bearing sales of RITUXAN in the rest of the world will subsequently expire through 2012. As a result of these expirations, we expect royalty revenues derived from sales of RITUXAN in the rest of world to continue to decline in future periods.

#### Other Revenues

Other revenues are summarized as follows:

(In millions, except percentages)	For the Three Months Ended March 31,		
	2010	2009	Change %
Royalty revenues	\$ 26.0	\$ 24.1	7.9%
Corporate partner revenues	3.7	0.2	1750.0%
Total other revenues	\$ 29.7	\$ 24.3	22.2%

We receive royalties on sales by our licensees of a number of products covered under patents we own. For the three months ended March 31, 2010 compared to the same period in 2009, total royalty revenues were similar.

Our most significant source of royalty revenue is derived from sales of ANGIOMAX by The Medicines Company (TMC). TMC sells ANGIOMAX in the U.S., Europe, Canada, and Latin America. Royalty revenues related to the sales of ANGIOMAX are recognized in an amount equal to the level of net sales achieved during a calendar year multiplied by the royalty rate in effect for that tier under our agreement with TMC. The royalty rate increases based upon which tier of total net sales are earned in any calendar year. The increased royalty rate is applied retroactively to the first dollar of net sales achieved during the year. This formula has the effect of increasing the amount of royalty revenue to be recognized in later quarters. Accordingly, an adjustment is recorded in the period in which an increase in royalty rate has been achieved.

Under the terms of our agreement, TMC is obligated to pay us royalties earned, on a country-by-country basis, until the later of (1) twelve years from the date of the first commercial sale of ANGIOMAX in such country and (2) the date upon which the product is no longer covered by a patent in such country. The annual royalty rate is reduced by a specified percentage in any country where the product is no longer covered by a patent and where sales have been reduced to a certain volume-based market share. TMC began selling ANGIOMAX in the U.S. in January 2001. The principal U.S. patent that covers ANGIOMAX was due to expire in March 2010 and TMC applied for an extension of the term of this patent. The PTO rejected TMC's application because in its view the application was not timely filed, but extended the patent term until May 2010. TMC is in legal proceedings against the PTO seeking to extend to December 2014 the term of the principal U.S. patent. In the event that TMC is unsuccessful in obtaining such a patent term extension and third parties sell products comparable to ANGIOMAX after the period of marketing exclusivity expires (the FDA granted TMC an additional six-month period of marketing exclusivity for ANGIOMAX for having investigated its use in pediatric patients), we would expect a significant decrease in royalty revenues due to both lower royalty rates and increased competition.

#### Provision for Discounts and Allowances

Revenues from product sales are recorded net of applicable allowances for trade term discounts, wholesaler incentives, Medicaid rebates, Veterans Administration (VA) and Public Health Service (PHS) discounts, managed care rebates, product returns, and other applicable allowances. Reserves established for these discounts and allowances are classified as reductions of accounts receivable (if the amount is payable to

our customer) or a liability (if the amount is payable to a party other than our customer). Reserves for discounts, contractual adjustments and returns that reduced gross product revenues are summarized as follows:

(In millions, except percentages)	For the Three Months Ended March 31,		
	2010	2009	Change %
Discounts	\$ 19.3	\$ 17.2	12.2%
Contractual adjustments	55.9	41.8	33.7%
Returns	4.6	5.9	(22.0)%
Total reserves	\$ 79.8	\$ 64.9	23.0%
Gross Product Revenues	\$ 904.0	\$ 798.3	13.2%
Percent of gross product revenues	8.8%	8.1%	8.6%

Discount reserves include trade term discounts and wholesaler incentives. For the three months ended March 31, 2010 compared to the same period in 2009, the increase in discounts was primarily driven by increases in trade term discounts and wholesaler incentives as a result of increased sales.

Contractual adjustment reserves relate to Medicaid and managed care rebates, VA and PHS discounts and other applicable allowances. For the three months ended March 31, 2010 compared to the same period in 2009, contractual adjustments increased primarily due to the impact of higher reserves resulting from U.S. healthcare reform legislation, increased activity under managed care programs and increased rebates and discounts resulting from U.S. price increases.

Product return reserves are established for returns made by wholesalers. In accordance with contractual terms, wholesalers are permitted to return product for reasons such as damaged or expired product. We also accept returns from our patients for various reasons. For the three months ended March 31, 2010 compared to the same period in 2009, return reserves remained relatively unchanged.

#### **Healthcare Reform**

In March 2010, healthcare reform legislation was enacted in the U.S. This legislation contains several provisions that impact our business.

Although many provisions of the new legislation do not take effect immediately, several provisions became effective in the first quarter of 2010. These include (1) an increase in the minimum Medicaid rebate to states participating in the Medicaid program from 15.1% to 23.1% on our branded prescription drugs; (2) the extension of the Medicaid rebate to Managed Care Organizations that dispense drugs to Medicaid beneficiaries; and (3) the expansion of the 340(B) Public Health Services drug pricing program, which provides outpatient drugs at reduced rates, to include additional hospitals, clinics, and healthcare centers.

Beginning in 2011, the new law requires drug manufacturers to provide a 50% discount to Medicare beneficiaries whose prescription drug costs cause them to be subject to the Medicare Part D coverage gap (i.e. the “donut hole”). Also, beginning in 2011, we will be assessed our share of a new fee assessed on all branded prescription drug manufacturers and importers. This fee will be calculated based upon each organization’s percentage share of total branded prescription drug sales to U.S. government programs (such as Medicare, Medicaid and VA and PHS discount programs) made during the previous year. The aggregated industry wide fee is expected to total \$28 billion through 2019, ranging from \$2.5 billion to \$4.1 billion annually.

Presently, uncertainty exists as many of the specific determinations necessary to implement this new legislation have yet to be decided and communicated to industry participants. For example, we do not yet know when and how discounts will be provided to the additional hospitals eligible to participate under the 340(B) program. In addition, determinations as to how the Medicare Part D coverage gap will operate and how the annual fee on branded prescription drugs will be calculated and allocated remain to be clarified, though, as noted above, these programs will not be effective until 2011. We have made several estimates with regard to important assumptions relevant to determining the financial impact of this legislation on our business



due to the lack of availability of both certain information and complete understanding of how the process of applying the legislation will be implemented.

In 2010, we expect that the new legislation will reduce our revenues by approximately \$70 to \$90 million as a result of the higher rebates and discounts on our products. We are still assessing the full extent of this legislation's longer term impact on our business. While certain aspects of the new legislation implemented in 2010 are expected to reduce our revenues in 2010 and in future years, other provisions of this legislation may offset, at some level, any reduction in revenues when these provisions become effective. In future years, based on our understanding, these other provisions are expected to result in higher revenues due to an increase in the total number of patients covered by health insurance and an expectation that existing insurance coverage will provide more comprehensive consumer protections. This would include a federal subsidy for a portion of a beneficiary's out-of-pocket cost under Medicare Part D. However, these higher revenues will be negatively impacted by the branded prescription drug manufacturers fee.

In addition, we anticipate seeing continued efforts to reduce healthcare costs in many other countries outside the U.S. For example, the German government is expected to implement measures during the second half of 2010 that, among other things, increase mandatory discounts and impose a three year price freeze on pharmaceuticals, based on 2009 pricing. We expect that our revenues would be negatively impacted if these or similar measures are implemented.

**Costs and Expenses**

Total costs and expenses are summarized as follows:

(In millions, except percentages)	For the Three Months Ended March 31,		
	2010	2009	% Change
Cost of sales, excluding amortization of acquired intangible assets	\$ 97.1	\$ 98.2	(1.2)%
Research and development	307.0	279.5	9.9%
Selling, general and administrative	248.7	221.8	12.1%
Collaboration profit sharing	63.6	42.8	48.6%
Amortization of acquired intangible assets	48.9	89.2	(45.2)%
Acquired in-process research and development	40.0	—	—
Total costs and expenses	\$ 805.2	\$ 731.5	10.1%

**Cost of Sales, Excluding Amortization of Acquired Intangible Assets (Cost of Sales)**

(In millions, except percentages)	For the Three Months Ended March 31,		
	2010	2009	Change %
Cost of sales	\$ 97.1	\$ 98.2	(1.2)%

For the three months ended March 31, 2010 compared to the same period in 2009, the decrease in cost of sales was essentially unchanged.

**Research and Development**

(In millions, except percentages)	For the Three Months Ended March 31,		
	2010	2009	Change %
Research and development	\$ 307.0	\$ 279.5	9.9%

For the three months ended March 31, 2010 compared to the same period in 2009, the increase in research and development expense was primarily due to increased clinical activity related to our Factor IX and Factor VIII programs and the related restructuring of the collaboration agreement with Biovitrum, whereby we assumed full development and manufacturing responsibilities for these programs and as a result incurred increased costs.

In addition, our R&D spend also increased as a result of increasing clinical trial activity for certain product candidates in or near registrational stage development, including among others, PEGylated interferon beta-1a and Daclizumab. These increases were offset by a reduction in spending in certain programs, including Adentri, Lumiliximab and CDP323, which were deprioritized in 2009. For the three months ended March 31, 2010 compared to the same period in 2009, milestone payments included within research and development expense totaled \$6.0 million and \$10.0 million, respectively.

The timing of upfront fees and milestone payments in the future may cause variability in future research and development expense. As of March 31, 2010, we anticipate that we may pay approximately \$33.0 million of additional milestone payments during the remainder of 2010, provided various developmental milestones are achieved. Included within this amount is a \$30.0 million milestone payable to Facet Biotech Corporation, our collaborative partner for the development and commercialization of Daclizumab, due upon enrollment of the first patient in a Phase 3 trial in relapsing MS, known as DECIDE. This milestone is expected to be achieved in the second quarter of 2010.

**Selling, General and Administrative**

(In millions, except percentages)	For the Three Months Ended March 31,		
	2010	2009	Change %
Selling, general and administrative	\$ 248.7	\$ 221.8	12.1%

For the three months ended March 31, 2010 compared to the same period in 2009, selling, general and administrative expenses increased primarily due to increased sales and marketing activities in support of AVONEX and TYSABRI, the negative impact of foreign currency exchange rates and \$10.6 million of additional expense recognized related to the modification of equity based compensation in accordance with the transition agreement entered into with James C. Mullen, who will retire as our President and Chief Executive Officer on June 8, 2010.

**Collaboration Profit Sharing**

(In millions, except percentages)	For the Three Months Ended March 31,		
	2010	2009	Change %
Collaboration profit sharing	\$ 63.6	\$ 42.8	48.6%

For the three months ended March 31, 2010 compared to the same period in 2009, the increase in collaboration profit sharing expense was due to the continued increase in TYSABRI rest of world sales resulting in higher rest of world net operating profits to be shared with Elan and resulting in growth in the third-party royalties Elan paid on behalf of the collaboration. For the three months ended March 31, 2010 compared to the same period in 2009, our collaboration profit sharing expense included \$11.4 million and \$8.1 million, respectively, related to the reimbursement of third-party royalty payments made by Elan. Please read Note 17, *Collaborations*, to our Consolidated Financial Statements included within our 2009 Form 10-K for a description of this collaboration.

**Amortization of Acquired Intangible Assets**

(In millions, except percentages)	For the Three Months Ended March 31,		
	2010	2009	Change %
Amortization of acquired intangible assets	\$ 48.9	\$ 89.2	(45.2)%

For the three months ended March 31, 2010 compared to the same period in 2009, amortization of acquired intangible assets decreased significantly primarily as a result of a change in the amortization for the core technology related to our AVONEX product which is our most significant intangible asset. Our amortization policy reflects our belief that the economic benefit of our core technology is consumed as revenue is generated from our AVONEX product. We refer to this amortization methodology as the economic

consumption model. An analysis of the anticipated lifetime revenue of AVONEX is performed at least annually during our long range planning cycle each year. This analysis serves as the basis for the calculation of economic consumption amortization model.

We completed our most recent long range planning cycle in the third quarter of 2009. This analysis is based upon certain assumptions that we evaluate on a periodic basis, such as the anticipated product sales of AVONEX and expected impact of competitive products and our own pipeline product candidates, as well as the issuance of new patents or the extension of existing patents. The results of our most recent analysis were most significantly impacted by the issuance in September 2009 of a U.S. patent covering the treatment of MS with AVONEX, which resulted in an increase in the total expected lifetime revenue of AVONEX and an extension of the assumed remaining life of our core intangible asset. Based upon this most recent analysis, amortization of intangible assets, included within our consolidated balance sheet as of March 31, 2010, is expected to be in the range of approximately \$160.0 million to \$220.0 million for each of the next five years.

**Acquired In-Process Research and Development (IPR&D)**

<u>(In millions, except percentages)</u>	For the Three Months Ended March 31,		
	2010	2009	Change %
Acquired in-process research and development	\$ 40.0	\$ —	—

In connection with our acquisition of Syntonix, we agreed to make additional future consideration payments contingent upon the achievement of certain milestone events. In January 2010, we initiated patient enrollment in a registrational study for long-acting recombinant Factor IX in hemophilia B, known as B-LONG. The initiation of this study resulted in the achievement of a milestone under the acquisition agreement, obligating us to pay approximately \$40.0 million to the former shareholders of Syntonix. This amount is reflected as IPR&D expense within our consolidated statement of income for the three months ended March 31, 2010.

**Other Income (Expense), Net**

<u>(In millions, except percentages)</u>	For the Three Months Ended March 31,		
	2010	2009	Change %
Interest income	\$ 8.9	\$ 14.8	(39.9)%
Interest expense	(8.3)	(9.9)	16.2%
Impairments of investments	(15.8)	(6.1)	(159.0)%
Net realized gains on foreign currency transactions	1.0	3.0	(66.7)%
Net realized gains on marketable securities	5.0	4.3	16.3%
Other, net	0.8	0.7	14.3%
Total other income (expense), net	\$ (8.4)	\$ 6.8	(223.5)%

**Interest Income**

For the three months ended March 31, 2010 compared to the same period in 2009, interest income decreased primarily due to lower yields on cash, cash equivalents, and marketable securities and lower average cash balances.

**Impairment on Investments**

For the three months ended March 31, 2010 and 2009, we recognized \$15.8 million and \$2.5 million, respectively, in charges for the other-than-temporary impairment of our publicly held strategic investments and investments in privately-held companies. The increase in the three months ended March 31, 2010 compared to

the same period in 2009 was primarily the result of AVEO Pharmaceuticals, Inc., one of our strategic investments, executing an equity offering at an amount below our cost basis.

For the three months ended March 31, 2009, we recognized other-than-temporary impairment charges of \$3.6 million on our marketable debt securities. No impairments were recognized related to our marketable debt securities for the three months ended March 31, 2010.

#### **Impairment on Property**

We own or lease real estate primarily consisting of buildings that contain research laboratories, office space, and biologic manufacturing operations, some of which are located in markets that are experiencing high vacancy rates and decreasing property values. If we decide to consolidate, co-locate or dispose of certain aspects of our business operations, for strategic or other operational reasons, we may dispose of one or more of our properties. Due to reduced expectations of product demand, improved yields on production and other factors, we may not fully utilize our manufacturing facilities at normal levels resulting in idle time at facilities or substantial excess manufacturing capacity. We are always evaluating our current strategy, as well as other alternatives, including whether to delay completion of a manufacturing facility in Denmark. If any of our owned properties are held for sale and we determine that the fair value of the properties is lower than their book value, we may not realize the full investment in these properties and incur significant impairment charges. In addition, if we decide to fully or partially vacate a leased property, we may incur significant cost, including lease termination fees, rent expense in excess of sublease income and impairment of leasehold improvements.

#### **Income Tax Provision**

##### **Tax Rate**

<b>(In millions, except percentages)</b>	<b>For the Three Months Ended March 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>Change %</b>
Effective tax rate	25.5%	21.0%	21.4%
Income tax expense	\$ 75.3	\$ 65.2	15.5%

Our effective tax rate will fluctuate from period to period due to several factors including the nature of our global operations. The factors that most significantly impact our effective tax rate include the variability in the allocation of our taxable earnings in multiple jurisdictions, changes in tax laws, acquisitions and licensing transactions.

For the three months ended March 31, 2010 and 2009, our effective tax rates were 25.5% and 21.0%, respectively. The increase in our tax rate for the three months ended March 31, 2010 compared to the same period in 2009 was primarily a result of the expiration of the federal research and development tax credit at the end of 2009 and, in the first quarter of 2009, a favorable change in certain state tax laws. As a result of the 2009 changes in tax law we reduced our first quarter 2009 tax expense by \$30.2 million. The federal research and development tax credit had a 1.6% favorable impact on our effective tax rate for first quarter of 2009. The unfavorable impact of not having these benefits recur in 2010 was partially offset by a higher percentage of our profits being earned in lower rate international jurisdictions. This change is caused by lower 2010 domestic earnings, as a proportion of total consolidated earnings due to the recently enacted U.S. healthcare reform legislation, the growth in our international operations and a reorganization of our international operations. During 2010, we also had a favorable impact from a statutory increase in the U.S. manufacturers tax deduction.

We expect our full-year 2010 effective tax rate to be between 28% and 30%. This rate does not consider the impact of a potential renewal of the U.S. federal research and development tax credit. Please read Note 13, *Income Taxes* to our Consolidated Financial Statements included in this report for a detailed income tax rate reconciliation for the three months ended March 31, 2010 and 2009.

**Financial Condition and Liquidity**

Our financial condition is summarized as follows:

(In millions, except percentages)	As of March 31, 2010	As of December 31, 2009	Change%
<b>Financial assets:</b>			
Cash and cash equivalents	\$ 639.6	\$ 581.9	9.9%
Marketable securities — current	513.1	681.8	(24.7)%
Marketable securities — non-current	1,032.2	1,194.1	(13.6)%
<b>Total financial assets</b>	<b>\$ 2,184.9</b>	<b>\$ 2,457.8</b>	<b>(11.1)%</b>
<b>Borrowings:</b>			
Current portion of notes payable and line of credit	\$ 19.1	\$ 19.8	(3.3)%
Notes payable and line of credit	1,076.2	1,080.2	(0.4)%
<b>Total borrowings</b>	<b>\$ 1,095.3</b>	<b>\$ 1,100.0</b>	<b>(0.4)%</b>
<b>Working Capital:</b>			
Current assets	\$ 2,409.0	\$ 2,480.6	(2.9)%
Current liabilities	(682.3)	(714.9)	4.6%
<b>Total working capital</b>	<b>\$ 1,726.7</b>	<b>\$ 1,765.7</b>	<b>(2.2)%</b>

For the three months ended March 31, 2010, certain significant cash flows were as follows:

- \$577.6 million used for share repurchases;
- \$329.6 million in net proceeds received on sales of marketable securities;
- \$52.8 million in proceeds from the issuance of stock for share-based compensation arrangements;
- \$40.0 million payment made to the former shareholders of Syntonix recognized as IPR&D expense; and
- \$38.2 million used for purchases of property, plant and equipment.

For the three months ended March 31, 2009, certain significant cash flows were as follows:

- \$57.6 million used for share repurchases;
- \$62.9 million in total payments for income taxes;
- \$52.7 million used for net purchases of marketable securities; and
- \$37.0 million used for purchases of property, plant and equipment.

We have financed our operating and capital expenditures principally through cash flows from our operations. We expect to continue financing our current and planned operating requirements principally through cash from operations, as well as existing cash resources. We believe that existing funds, cash generated from operations and existing sources of, and access to, financing are adequate to satisfy our operating, working capital, strategic alliance and acquisition, milestone payment, capital expenditure and debt service requirements for the foreseeable future. In addition, we plan to opportunistically return cash to shareholders and pursue other business initiatives, including acquisition and licensing activities. We may, from time to time, seek additional funding through a combination of new collaborative agreements, strategic alliances and additional equity and debt financings or from other sources.

Please read the “Risk Factors” and “Quantitative and Qualitative Disclosures About Market Risk” sections of this report for items that could negatively impact our cash position and ability to fund future operations.

### **Share Repurchase Programs**

In October 2009, our Board of Directors authorized the repurchase of up to \$1.0 billion of our common stock with the objective of reducing shares outstanding and returning excess cash to shareholders. This repurchase program was completed during the first quarter of 2010. During the three months ended March 31, 2010, approximately 10.5 million shares of our common stock were repurchased for approximately \$577.6 million under this program. During 2009, we repurchased approximately 8.8 million shares under this program at a cost of approximately \$422.4 million. All shares repurchased under this program were retired.

In April 2010, we announced that our Board of Directors authorized the repurchase of up to \$1.5 billion of our common stock. This new repurchase authorization is intended to reduce our shares outstanding with the objective of returning excess cash to shareholders. We intend to retire these shares following repurchase on the open market. This repurchase authorization does not have an expiration date.

### **Cash, Cash Equivalents and Marketable Securities**

Until required for use in the business, we invest our cash reserves in bank deposits, certificates of deposit, commercial paper, corporate notes, U.S. and foreign government instruments and other interest bearing marketable debt instruments in accordance with our investment policy. We attempt to mitigate credit risk in our cash reserves and marketable securities by maintaining a well diversified portfolio that limits the amount of investment exposure as to institution, maturity, and investment type. In particular, the value of our investments may be adversely affected by increases in interest rates, downgrades in the corporate bonds included in our portfolio, instability in the global financial markets that reduces the liquidity of securities included in our portfolio, and by other factors which may result in other-than-temporary declines in the value of the investments. Each of these events may cause us to record charges to reduce the carrying value of our investment portfolio or sell investments for less than our acquisition cost which could adversely impact our financial position and our overall liquidity. Please read Note 6, *Fair Value Measurements* to our Consolidated Financial Statements included in this report for a summary of the fair value and valuation methods of our marketable securities as of March 31, 2010 and December 31, 2009.

The decrease in cash and marketable securities from December 31, 2009 is primarily due to share repurchases, purchases of property, plant and equipment, tax payments and the \$40.0 milestone payment paid to the former shareholders of Syntonix offset by an increase in cash from operations and proceeds from the issuance of stock under our share-based compensation arrangements.

### **Borrowings**

There have been no significant changes in our borrowings since December 31, 2009.

We have a \$360.0 million senior unsecured revolving credit facility, which we may use for future working capital and general corporate purposes. This facility terminates in June 2012. As of March 31, 2010 and December 31, 2009, there were no borrowings under this credit facility and we were in compliance with applicable covenants. The credit rating on our Senior Notes at March 31, 2010, was Baa3 with a stable outlook by Moody's Investors Service and BBB+ with a stable outlook by Standard & Poor's. Please read Note 6, *Fair Value Measurements* to our Consolidated Financial Statements included in this report for a summary of the fair and carrying value of outstanding borrowings as of March 31, 2010 and December 31, 2009.

### **Working Capital**

We define working capital as current assets less current liabilities. The decrease in working capital from December 31, 2009 primarily reflects the overall decrease in current assets of \$71.6 million and was primarily due to the net decrease in cash, cash equivalents and marketable securities resulting from our return of excess cash to shareholders via completion of our 2009 share repurchase program, offset by the overall reduction of current liabilities of \$32.6 million. The reduction in current liabilities was driven by a \$67.9 million reduction in accrued expenses and other, primarily related to the payment of 2009 annual bonus amounts due to

employees and the payment of interest on our Senior Notes, which is payable March 1 and September 1 of each year, offset by an increase in balances attributable to taxes payable.

### Cash Flows

The following table summarizes our cash flow activity:

(In millions, except percentages)	For the Three Months Ended March 31,		
	2010	2009	Change %
Net cash flows provided by operating activities	\$ 336.9	\$ 300.8	12.0%
Net cash flows provided by (used in) investing activities	\$ 249.7	\$ (91.7)	372.3%
Net cash flows used in financing activities	\$ (523.5)	\$ (66.9)	(682.1)%

#### Operating Activities

Cash flows from operating activities represent the cash receipts and disbursements related to all of our activities other than investing and financing activities. Cash provided by operating activities is primarily driven by our earnings and changes in working capital. We expect cash provided from operating activities will continue to be our primary source of funds to finance operating needs and capital expenditures for the foreseeable future.

Operating cash flow is derived by adjusting net income for:

- Non-cash operating items such as depreciation and amortization, impairment charges and share-based compensation charges;
- Changes in operating assets and liabilities which reflect timing differences between the receipt and payment of cash associated with transactions and when they are recognized in results of operations; and
- The payment of contingent milestones associated with our prior acquisitions of businesses.

The increase in cash provided by operating activities for the three months ended March 31, 2010 compared to the same period in 2009, was primarily driven by a decrease in payments related to accrued expenses and income tax liabilities offset by an increase in receivables due from unconsolidated joint business.

#### Investing Activities

The increase in cash provided by investing activities is primarily due to net sales of marketable securities during the three months ended March 31, 2010 compared to the same period in 2009, offset by our milestone payment made to the former shareholders of Syntonix.

Net proceeds received on net sales of marketable securities totaled \$329.6 million for the three months ended March 31, 2010 as compared to net purchases of \$52.7 million made during the same period in 2009.

#### Financing Activities

The increase in cash used in financing activities is due principally to increases in the amounts of our common stock repurchased compared to the same period in 2009. In the three months ended March 31, 2010, we repurchased approximately 10.5 million shares of our common stock for approximately \$577.6 million as compared to 1.2 million shares for approximately \$57.6 million in the three months ended March 31, 2009.

## **Contractual Obligations and Off-Balance Sheet Arrangements**

### ***Contractual Obligations***

Our contractual obligations primarily consists of our obligations under non-cancellable operating leases, our notes payable and line of credit and other purchase obligations, excluding amounts related to uncertain tax positions, amounts payable to tax authorities, funding commitments, contingent milestone payments, and other off-balance sheet arrangements as described below. There have been no significant changes in our contractual obligations since December 31, 2009.

### ***Tax Related Obligations***

We exclude liabilities pertaining to uncertain tax positions from our summary of contractual obligations as we cannot make a reliable estimate of the period of cash settlement with the respective taxing authorities. As of March 31, 2010, we have approximately \$57.6 million of long-term liabilities associated with uncertain tax positions.

In addition, our summary of contractual obligations excludes amounts related to the settlement of certain federal and state tax audits in the fourth quarter of 2009. As of March 31, 2010, we expect to pay approximately \$88.5 million within the next six months in connection with such settlements.

### ***Funding Commitments***

As of March 31, 2010, we have funding commitments of up to approximately \$23.1 million as part of our investment in biotechnology oriented venture capital investments.

As of March 31, 2010, we have several ongoing clinical studies in various clinical trial stages. Our most significant clinical trial expenditures are to clinical research organizations (CROs). The contracts with CROs are generally cancellable, with notice, at our option. We have recorded \$30.3 million of accrued expenses on our consolidated balance sheet for work done by CROs as of March 31, 2010. We have approximately \$400.0 million in cancellable future commitments based on existing CRO contracts as of March 31, 2010, which are not included within contractual obligations as they are cancellable.

### ***Contingent Milestone Payments***

Based on our development plans as of March 31, 2010, we have committed to make potential future milestone payments to third parties of up to \$1,400.0 million as part of our various collaborations including licensing and development programs. Payments under these agreements generally become due and payable only upon achievement of certain developmental, regulatory or commercial milestones. Because the achievement of these milestones had not occurred as of March 31, 2010, such contingencies have not been recorded in our financial statements. As of March 31, 2010, we anticipate that we may make approximately \$33.0 million of additional milestone payments during the remainder of 2010, provided various developmental milestones are achieved.

Amounts related to contingent milestone payments are not considered contractual obligations as they are contingent on the successful achievement of certain development, regulatory approval and commercial milestones. These milestones may not be achieved.

### ***Other Off-Balance Sheet Arrangements***

We do not have any significant relationships with entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships. We consolidate entities if we are the primary beneficiary.



**Legal Matters**

Please read Note 16, *Litigation* to our Consolidated Financial Statements included in this report for a discussion of legal matters as of March 31, 2010.

**New Accounting Standards**

Refer read Note 18, *New Accounting Pronouncements* to our Consolidated Financial Statements included in this report for a discussion of new accounting standards.

**Critical Accounting Estimates**

The discussion and analysis of our financial position and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and judgments that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition and related allowances, marketable securities, derivatives and hedging activities, inventory, impairments of long-lived assets including intangible assets, impairments of goodwill, the consolidation of variable interest entities, income taxes including the valuation allowance for deferred tax assets, valuation of investments, research and development expenses, contingencies and litigation, and share-based payments. We base our estimates on historical experience and on various other assumptions that we believe are reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Please read Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2009 Form 10-K for a discussion of our critical accounting estimates.

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

Our market risks, and the ways we manage them, are summarized in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” of our 2009 Form 10-K. There have been no material changes in the first three months of 2010 to our market risks or to our management of such risks.

**Item 4. Controls and Procedures**

**Disclosure Controls and Procedures and Internal Control over Financial Reporting**

*Disclosure Controls and Procedures*

We have carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Securities Exchange Act), as of March 31, 2010. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in ensuring that (a) the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and (b) such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Part II — OTHER INFORMATION**

**Item 1. Legal Proceedings**

Please read Note 16, *Litigation*, to our Consolidated Financial Statements included in this report, which is incorporated into this item by reference.

**Item 1A. Risk Factors**

***We are substantially dependent on revenues from our three principal products.***

Our current and future revenues depend upon continued sales of our three principal products, AVONEX, RITUXAN and TYSABRI, which represented substantially all of our total revenues during 2009 and the first quarter of 2010. Although we have developed and continue to develop additional products for commercial introduction, we expect to be substantially dependent on sales from these three products for many years. Any negative developments relating to any of these products, such as safety or efficacy issues, the introduction or greater acceptance of competing products, including biosimilars, or adverse regulatory or legislative developments may reduce our revenues and adversely affect our results of operations.

***TYSABRI's sales growth is important to our success.***

We expect that our revenue growth over the next several years will be dependent upon sales of TYSABRI. If we are not successful in growing sales of TYSABRI, our future business plans, revenue growth and results of operations may be adversely affected.

TYSABRI's sales growth cannot be certain given the significant restrictions on use and the significant safety warnings in the label, including the risk of developing progressive multifocal leukoencephalopathy (PML), a rare but serious brain infection. The risk of developing PML increases with longer treatment duration, with limited experience beyond three years of treatment. This may cause prescribing physicians or patients to suspend treatment with TYSABRI. If the incidence of PML at various durations of exposure were to exceed the rate implied in the TYSABRI label, it could limit sales growth, prompt regulatory review, require significant changes to the label or result in market withdrawal. Additional regulatory restrictions on the use of TYSABRI or safety-related label changes, including enhanced risk management programs, whether as a result of additional cases of PML or otherwise, may significantly reduce expected revenues and require significant expense and management time to address the associated legal and regulatory issues. In addition, ongoing or future clinical trials involving TYSABRI and efforts at stratifying patients into lower or higher risk for developing PML, including evaluating the potential clinical utility of a JC virus antibody assay, may have an adverse impact on prescribing behavior and reduce sales of TYSABRI.

Because of the significant restrictions on use, TYSABRI sales may be especially sensitive to new competing products. A number of such products are expected to be approved for use in multiple sclerosis beginning in 2010. If these products have a similar or more attractive profile in terms of efficacy, convenience or safety, future sales of TYSABRI could be limited, which would reduce our revenues.

***If we fail to compete effectively, our business and market position would suffer.***

The biotechnology and pharmaceutical industry is intensely competitive. We compete in the marketing and sale of our products, the development of new products and processes, the acquisition of rights to new products with commercial potential and the hiring and retention of personnel. We compete with biotechnology and pharmaceutical companies that have a greater number of products on the market and in the product

pipeline, greater financial and other resources and other technological or competitive advantages. One or more of our competitors may receive patent protection that dominates, blocks or adversely affects our product development or business, may benefit from significantly greater sales and marketing capabilities, and may develop products that are accepted more widely than ours. The introduction of more efficacious, safer, cheaper, or more convenient alternatives to our products could reduce our revenues and the value of our product development efforts. In addition, recently enacted healthcare reform legislation in the U.S. has created a pathway for the FDA to approve biosimilars, which could compete on price and differentiation with products that we now or could in the future market.

In addition to competing directly with products that are marketed by substantial pharmaceutical competitors, AVONEX, RITUXAN and TYSABRI also face competition from off-label uses of drugs approved for other indications. Some of our current competitors are also working to develop alternative formulations for delivery of their products, which may in the future compete with ours.

***Our long-term success depends upon the successful development and commercialization of other product candidates.***

Our long-term viability and growth will depend upon the successful development and commercialization of other products from our research and development activities. Product development and commercialization are very expensive and involve a high degree of risk. Only a small number of research and development programs result in the commercialization of a product. Success in preclinical work or early stage clinical trials does not ensure that later stage or larger scale clinical trials will be successful. Even if later stage clinical trials are successful, regulatory authorities may disagree with our view of the data or require additional studies.

Conducting clinical trials is a complex, time-consuming and expensive process. Our ability to complete our clinical trials in a timely fashion depends in large part on a number of key factors including protocol design, regulatory and institutional review board approval, the rate of patient enrollment in clinical trials, and compliance with extensive current good clinical practice requirements. We have opened clinical sites and are enrolling patients in a number of new countries where our experience is more limited, and we are in many cases using the services of third-party clinical trial providers. If we fail to adequately manage the design, execution and regulatory aspects of our large, complex and diverse clinical trials, our studies and ultimately our regulatory approvals may be delayed or we may fail to gain approval for our product candidates altogether.

Our product pipeline includes several small molecule drug candidates. Our small molecule drug discovery platform is not as well developed as our biologics platform, and we will have to make a significant investment of time and resources to expand our capabilities in this area. Currently, third party manufacturers supply substantially all of our clinical requirements for small molecules. If these manufacturers fail to deliver sufficient quantities of such drug candidates in a timely and cost-effective manner, it could adversely affect our small molecule drug discovery efforts. If we decide to manufacture clinical or commercial supplies of any small molecule drugs in our own facilities, we will need to invest substantial additional funds and recruit qualified personnel to develop our small molecule manufacturing capabilities.

***Adverse safety events can negatively affect our business and stock price.***

Adverse safety events involving our marketed products may have a negative impact on our commercialization efforts. Later discovery of safety issues with our products that were not known at the time of their approval by the FDA could cause product liability events, additional regulatory scrutiny and requirements for additional labeling, withdrawal of products from the market and the imposition of fines or criminal penalties. Any of these actions could result in, among other things, material write-offs of inventory and impairments of intangible assets, goodwill and fixed assets. In addition, the reporting of adverse safety events involving our products and public rumors about such events could cause our stock price to decline or experience periods of volatility.

***We depend, to a significant extent, on reimbursement from third party payors and a reduction in the extent of reimbursement could reduce our product sales and revenue.***

Sales of our products are dependent, in large part, on the availability and extent of reimbursement from government health administration authorities, private health insurers and other organizations. Changes in government regulations or private third-party payors' reimbursement policies may reduce reimbursement for our products and adversely affect our future results.

The U.S. Congress recently enacted legislation to reform the health care system. While this legislation will, over time, increase the number of patients who have insurance coverage for our products, it also imposes cost containment measures that adversely affect the amount of reimbursement for our products. These measures include increasing the minimum rebates for our drugs covered by Medicaid programs and extending such rebates to drugs dispensed to Medicaid beneficiaries enrolled in Medicaid managed care organizations as well as expansion of the 340(B) Public Health Services drug discount program.

Some states are also considering legislation that would control the prices of drugs, and state Medicaid programs are increasingly requesting manufacturers to pay supplemental rebates and requiring prior authorization by the state program for use of any drug for which supplemental rebates are not being paid. Managed care organizations continue to seek price discounts and, in some cases, to impose restrictions on the coverage of particular drugs. Government efforts to reduce Medicaid expenses may lead to increased use of managed care organizations by Medicaid programs. This may result in managed care organizations influencing prescription decisions for a larger segment of the population and a corresponding constraint on prices and reimbursement for our products. It is likely that federal and state legislatures and health agencies will continue to focus on additional health care reform in the future.

We encounter similar regulatory and legislative issues in most other countries. In the European Union and some other international markets, the government provides health care at low cost to consumers and regulates pharmaceutical prices, patient eligibility or reimbursement levels to control costs for the government-sponsored health care system. This international system of price regulations may limit or reduce our prices or lead to inconsistent prices. Within the European Union and in other countries, the availability of our products in some markets at lower prices undermines our sales in some markets with higher prices. Additionally, certain countries set prices by reference to the prices in other countries where our products are marketed. Thus, our inability to secure adequate prices in a particular country may also impair our ability to obtain acceptable prices in existing and potential new markets. This may create the opportunity for third party cross border trade or influence our decision to sell or not to sell a product, thus affecting our geographic expansion plans. In addition, we expect to see continued efforts to reduce healthcare costs in our international markets. For example, the German government is expected during the second half of 2010 to implement measures that, among other things, increase mandatory discounts and impose a three year price freeze on pharmaceuticals based on 2009 pricing.

When a new medical product is approved, the availability of government and private reimbursement for that product is uncertain, as is the amount for which that product will be reimbursed. We cannot predict the availability or amount of reimbursement for our product candidates.

***We depend on collaborators for both product and royalty revenue and the clinical development of future collaboration products, which are outside of our full control.***

Collaborations between companies on products or programs are a common business practice in the biotechnology industry. Out-licensing typically allows a partner to collect up front payments and future milestone payments, share the costs of clinical development and risk of failure at various points, and access sales and marketing infrastructure and expertise in exchange for certain financial rights to the product or program going to the in-licensing partner. In addition, the obligation of in-licensees to pay royalties or share profits generally terminates upon expiration of the related patents. We have a number of collaborators and

partners, and have both in-licensed and out-licensed several products and programs. These collaborations are subject to several risks:

- we are not fully in control of the royalty or profit sharing revenues we receive from collaborators, which may be adversely affected by patent expirations, pricing or health care reforms, other legal and regulatory developments, the introduction of competitive products, and new indication approvals which may affect the sales of collaboration products;
- any failure on the part of our collaboration partners to comply with applicable laws and regulatory requirements in the sale and marketing of our products could have an adverse effect on our revenues as well as involve us in possible legal proceedings; and
- collaborations often require the parties to cooperate, and failure to do so effectively could have an adverse impact on product sales by our collaborators and partners, and could adversely affect the clinical development of products or programs under joint control.

In addition, under our collaboration agreement with Genentech, the successful development and commercialization of the first anti-CD20 product acquired or developed by Genentech will decrease our percentage of the collaboration's co-promotion profits.

***If we do not successfully execute our growth initiatives through the acquisition, partnering and in-licensing of products, technologies or companies, our future performance could be adversely affected.***

We anticipate growing through internal development projects as well as external opportunities, which include the acquisition, partnering and in-licensing of products, technologies and companies or the entry into strategic alliances and collaborations. The availability of high quality opportunities is limited and we are not certain that we will be able to identify candidates that we and our shareholders consider suitable or complete transactions on terms that are acceptable to us and our shareholders. In order to pursue such opportunities, we may require significant additional financing, which may not be available to us on favorable terms, if at all. Even if we are able to successfully identify and complete acquisitions, we may not be able to integrate them or take full advantage of them and therefore may not realize the benefits that we expect. In addition, third parties may be reluctant to partner with us due to the uncertainty created by the presence on our Board of Directors of three individuals nominated by an activist shareholder and the possibility that activist shareholders may gain additional representation on or control of our Board of Directors. If we are unsuccessful in our external growth program, we may not be able to grow our business significantly and we may incur asset impairment charges as a result of acquisitions that are not successful.

***If we fail to comply with the extensive legal and regulatory requirements affecting the health care industry, we could face increased costs, penalties and a loss of business.***

Our activities, and the activities of our collaborators and third party providers, are subject to extensive government regulation and oversight both in the U.S. and in foreign jurisdictions. The FDA and comparable agencies in other jurisdictions directly regulate many of our most critical business activities, including the conduct of preclinical and clinical studies, product manufacturing, advertising and promotion, product distribution, adverse event reporting and product risk management. States increasingly have been placing greater restrictions on the marketing practices of health care companies. In addition, pharmaceutical and biotechnology companies have been the target of lawsuits and investigations alleging violations of government regulation, including claims asserting submission of incorrect pricing information, impermissible off-label promotion of pharmaceutical products, payments intended to influence the referral of federal or state health care business, submission of false claims for government reimbursement, antitrust violations, or violations related to environmental matters. Violations of governmental regulation may be punishable by criminal and civil sanctions, including fines and civil monetary penalties and exclusion from participation in government programs, including Medicare and Medicaid. In addition to penalties for violation of laws and regulations, we could be required to repay amounts we received from government payors, or pay additional rebates and interest if we are found to have miscalculated the pricing information we have submitted to the government.

Whether or not we have complied with the law, an investigation into alleged unlawful conduct could increase our expenses, damage our reputation, divert management time and attention and adversely affect our business.

***If we fail to meet the stringent requirements of governmental regulation in the manufacture of our products, we could incur substantial costs and a reduction in sales.***

We and our third party providers are generally required to maintain compliance with current Good Manufacturing Practice and are subject to inspections by the FDA or comparable agencies in other jurisdictions to confirm such compliance. In addition, the FDA must approve any significant changes to our suppliers or manufacturing methods. If we or our third party service providers cannot demonstrate ongoing current Good Manufacturing Practice compliance, we may be required to withdraw or recall product, interrupt commercial supply of our products or seek more costly manufacturing alternatives. Any delay, interruption or other issues that arise in the manufacture, fill-finish, packaging, or storage of our products as a result of a failure of our facilities or the facilities or operations of third parties to pass any regulatory agency inspection could significantly impair our ability to develop and commercialize our products. Significant noncompliance could also result in the imposition of monetary penalties or other civil or criminal sanctions. This non-compliance could increase our costs, cause us to lose revenue or market share and damage our reputation.

***Changes in laws affecting the health care industry could adversely affect our revenues and profitability.***

We and our collaborators and third party providers operate in a highly regulated industry. As a result, governmental actions may adversely affect our business, operations or financial condition, including:

- new laws, regulations or judicial decisions, or new interpretations of existing laws, regulations or decisions, related to health care availability, method of delivery and payment for health care products and services;
- changes in the FDA and foreign regulatory approval processes that may delay or prevent the approval of new products and result in lost market opportunity;
- changes in FDA and foreign regulations that may require additional safety monitoring, labeling changes, restrictions on product distribution or use, or other measures after the introduction of our products to market, which could increase our costs of doing business, adversely affect the future permitted uses of approved products, or otherwise adversely affect the market for our products;
- new laws, regulations and judicial decisions affecting pricing or marketing practices; and
- changes in the tax laws relating to our operations.

The enactment in the U.S. of health care reform, potential regulations easing the entry of competing follow-on biologics in the marketplace, new legislation or implementation of existing statutory provisions on importation of lower-cost competing drugs from other jurisdictions, and legislation on comparative effectiveness research are examples of previously enacted and possible future changes in laws that could adversely affect our business. In addition, the Food and Drug Administration Amendments Act of 2007 included new authorization for the FDA to require post-market safety monitoring, along with an expanded clinical trials registry and clinical trials results database, and expanded authority for the FDA to impose civil monetary penalties on companies that fail to meet certain commitments.

***Problems with manufacturing or with inventory planning could result in inventory shortages, product recalls and increased costs.***

Biologics manufacturing is extremely susceptible to product loss due to contamination, equipment failure, or vendor or operator error. In addition, we may need to close a manufacturing facility for an extended period of time due to microbial, viral or other contamination. Any of these events could result in shipment delays or product recalls, impairing our ability to supply products in existing markets or expand into new markets. In the past, we have taken inventory write-offs and incurred other charges and expenses for products that failed to meet specifications, and we may incur similar charges in the future.

We rely solely on our manufacturing facility in Research Triangle Park, North Carolina for the production of TYSABRI. Our global bulk supply of TYSABRI depends on the uninterrupted and efficient operation of this facility, which could be adversely affected by equipment failures, labor shortages (whether as a result of pandemic flu outbreak or otherwise), natural disasters, power failures and numerous other factors. If we are unable to meet demand for TYSABRI for any reason, we would need to rely on a limited number of qualified third party contract manufacturers. We cannot be certain that we could reach agreement on reasonable terms, if at all, with those manufacturers or that the FDA would approve our use of such manufacturers on a timely basis, if at all. Moreover, the transition of our manufacturing process to a third party could take a significant amount of time, involve significant expense and increase our manufacturing costs.

***Our investments in properties, including our manufacturing facilities, may not be fully realizable.***

We own or lease real estate primarily consisting of buildings that contain research laboratories, office space, and biologic manufacturing operations, some of which are located in markets that are experiencing high vacancy rates and decreasing property values. If we decide to consolidate or co-locate certain aspects of our business operations, for strategic or other operational reasons, we may dispose of one or more of our properties.

Due to reduced expectations of product demand, improved yields on production and other factors, we may not fully utilize our manufacturing facilities at normal levels resulting in idle time at facilities or substantial excess manufacturing capacity. We are always evaluating our current manufacturing strategy, and may pursue alternatives that include delaying the completion of a manufacturing facility in Denmark or disposing of manufacturing facilities.

If any of our owned properties are held for sale and we determine that the fair value of the properties is lower than their book value, we may not realize the full investment in these properties and incur significant impairment charges. In addition, if we decide to fully or partially vacate a leased property, we may incur significant cost, including lease termination fees, rent expense in excess of sublease income and impairment of leasehold improvements.

***We rely on third parties to provide services in connection with the manufacture of our products and, in some instances, manufacture the product itself.***

We rely on Genentech for all RITUXAN manufacturing. Genentech relies on a third party to manufacture certain bulk RITUXAN requirements. If Genentech or any third party upon which it relies does not manufacture or fill-finish RITUXAN in sufficient quantities and on a timely and cost-effective basis, or if Genentech or any third party does not obtain and maintain all required manufacturing approvals, our business could be harmed.

We also source all of our fill-finish and the majority of our final product storage operations, along with a substantial portion of our packaging operations, to a concentrated group of third party contractors. Any third party we use to fill-finish, package or store our products to be sold in the U.S. must be licensed by the FDA. As a result, alternative third party providers may not be readily available on a timely basis or, if available, may be more costly than current providers. The manufacture of products and product components, fill-finish, packaging and storage of our products require successful coordination among us and multiple third party providers. Our inability to coordinate these efforts, the lack of capacity available at a third party contractor or any other problems with the operations of these third party contractors could require us to delay shipment of saleable products; recall products previously shipped or impair our ability to supply products at all. This could increase our costs, cause us to lose revenue or market share, diminish our profitability or damage our reputation.

Due to the unique manner in which our products are manufactured, we rely on single source providers of several raw materials. We make efforts to qualify new vendors and to develop contingency plans so that production is not impacted by short-term issues associated with single source providers. Nonetheless, our business could be materially impacted by long-term or chronic issues associated with single source providers.

***Our effective tax rate may fluctuate and we may incur obligations in tax jurisdictions in excess of accrued amounts.***

As a global biotechnology company, we are subject to taxation in numerous countries, states and other jurisdictions. As a result, our effective tax rate is derived from a combination of applicable tax rates in the various places that we operate. In preparing our financial statements, we estimate the amount of tax that will become payable in each of such places. Our effective tax rate, however, may be different than experienced in the past due to numerous factors, including changes in the mix of our profitability from country to country, the results of audits of our tax filings, changes in accounting for income taxes and changes in tax laws. Any of these factors could cause us to experience an effective tax rate significantly different from previous periods or our current expectations, which could have an effect on our business and results of operations.

In addition, our inability to secure or sustain acceptable arrangements with tax authorities and previously enacted or future changes in the tax laws, among other things, may require us to accrue for future tax payments in excess of amounts accrued in our financial statements

The Obama administration announced several proposals to reform U.S. tax rules, including proposals that may reduce or eliminate the deferral of U.S. income tax on our unrepatriated earnings, potentially requiring those earnings to be taxed at the U.S. federal income tax rate, reduce or eliminate our ability to claim foreign tax credits, and eliminate various tax deductions until foreign earnings are repatriated to the U.S. Our future reported financial results may be adversely affected by tax rule changes which restrict or eliminate our ability to claim foreign tax credits or deduct expenses attributable to foreign earnings, or otherwise affect the treatment of our unrepatriated earnings.

***The growth of our business depends on our ability to attract and retain qualified personnel and key relationships.***

The achievement of our commercial, research and development and external growth objectives depends upon our ability to attract and retain qualified scientific, manufacturing, sales and marketing and executive personnel and develop and maintain relationships with qualified clinical researchers and key distributors. Competition for these people and relationships is intense and comes from a variety of sources, including pharmaceutical and biotechnology companies, universities and non-profit research organizations. It may be more difficult for us to attract and retain these people and relationships due to the uncertainty created by the presence on our Board of Directors of three individuals nominated by an activist shareholder and the possibility that activist shareholders may gain additional representation on or control of our Board of Directors.

We are currently conducting searches for successors to our Chief Executive Officer, who will retire in June 2010, and our President, Research and Development, who retired in October 2009. Recruiting qualified candidates for such senior executive positions within the life sciences industry when there have been three successive proxy contests for elections of our Board of Directors is challenging. In addition, it may be more difficult for us to recruit and retain other personnel as we continue to search for successors to our Chief Executive Officer and President, Research and Development.

***Our sales and operations are subject to the risks of doing business internationally.***

We are increasing our presence in international markets, which subjects us to many risks, such as:

- economic problems that disrupt foreign health care payment systems;
- fluctuations in currency exchange rates;
- difficulties in staffing and managing international operations;
- the imposition of governmental controls;
- less favorable intellectual property or other applicable laws;
- the inability to obtain any necessary foreign regulatory or pricing approvals of products in a timely manner;



- restrictions on direct investments by foreign entities and trade restrictions;
- Changes in tax laws and tariffs; and
- longer payment cycles.

In addition, our international operations are subject to regulation under U.S. law. For example, the Foreign Corrupt Practices Act prohibits U.S. companies and their representatives from offering, promising, authorizing or making payments to foreign officials for the purpose of obtaining or retaining business abroad. In many countries, the health care professionals we regularly interact with may meet the definition of a foreign official for purposes of the Foreign Corrupt Practices Act. Failure to comply with domestic or foreign laws could result in various adverse consequences, including possible delay in approval or refusal to approve a product, recalls, seizures, withdrawal of an approved product from the market, and the imposition of civil or criminal sanctions.

***Recent proxy contests have been costly and disruptive, and the presence of directors nominated by an activist shareholder and the possibility that activist shareholders may gain additional representation on or control of our Board of Directors could cause uncertainty about the direction of our business.***

Entities affiliated with Carl Icahn have commenced proxy contests in each of the past three years. These proxy contests have been disruptive to our operations and caused us to incur substantial costs. The SEC has recently proposed to give shareholders the ability to include director nominees and proposals relating to a shareholder nomination process in company proxy materials, which would make it easier for activists to nominate directors to our Board of Directors. If the SEC implements its proxy access proposal, we may face an increase in the number of shareholder nominees for election to our Board of Directors. Future proxy contests could be costly and time-consuming, disrupt our operations and divert the attention of management and our employees from executing our strategic plans.

As a result of our proxy contests with the Icahn entities, three of their director nominees have been elected to our Board of Directors. Another activist shareholder has also publicly advocated for certain changes at our company. These and other existing or potential shareholders may attempt to gain additional representation on or control of our Board of Directors, the possibility of which may create uncertainty regarding the direction of our business. Perceived uncertainties as to our future direction may result in the loss of potential acquisitions, collaborations or in-licensing opportunities, and may make it more difficult to attract and retain qualified personnel and business partners. In addition, disagreement among our directors about the direction of our business could impair our ability to effectively execute our strategic plan.

***If we are unable to adequately protect and enforce our intellectual property rights, our competitors may take advantage of our development efforts or our acquired technology.***

We have filed numerous patent applications in the U.S. and various other countries seeking protection of the processes, products and other inventions originating from our research and development. Patents have been issued on many of these applications. We have also obtained rights to various patents and patent applications under licenses with third parties, which provide for the payment of royalties by us. The ultimate degree of patent protection that will be afforded to biotechnology products and processes, including ours, in the U.S. and in other important markets remains uncertain and is dependent upon the scope of protection decided upon by the patent offices, courts and lawmakers in these countries. Our patents may not afford us substantial protection or commercial benefit. Similarly, our pending patent applications or patent applications licensed from third parties may not ultimately be granted as patents and we may not prevail if patents that have been issued to us are challenged in court. In addition, pending legislation to reform the patent system and court decisions or patent office regulations that place additional restrictions on patent claims or that facilitate patent challenges could also reduce our ability to protect our intellectual property rights. If we cannot prevent others from exploiting our inventions, we will not derive the benefit from them that we currently expect.

We also rely upon unpatented trade secrets and other proprietary information, and we cannot assure that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose such technology, or that we can meaningfully protect

such rights. We require our employees, consultants, outside scientific collaborators, scientists whose research we sponsor and other advisers to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements may not provide meaningful protection or adequate remedies for our unpatented proprietary information in the event of use or disclosure of such information.

***If our products infringe the intellectual property rights of others, we may incur damages and be required to incur the expense of obtaining a license.***

A substantial number of patents have already been issued to other biotechnology and pharmaceutical companies. To the extent that valid third party patent rights cover our products or services, we or our strategic collaborators would be required to seek licenses from the holders of these patents in order to manufacture, use or sell these products and services, and payments under them would reduce our profits from these products and services. We are currently unable to predict the extent to which we may wish or be required to acquire rights under such patents and the availability and cost of acquiring such rights, or whether a license to such patents will be available on acceptable terms or at all. There may be patents in the U.S. or in foreign countries or patents issued in the future that are unavailable to license on acceptable terms. Our inability to obtain such licenses may hinder our ability to manufacture and market our products.

***Uncertainty over intellectual property in the biotechnology industry has been the source of litigation, which is inherently costly and unpredictable.***

We are aware that others, including various universities and companies working in the biotechnology field, have filed patent applications and have been granted patents in the U.S. and in other countries claiming subject matter potentially useful to our business. Some of those patents and patent applications claim only specific products or methods of making such products, while others claim more general processes or techniques useful or now used in the biotechnology industry. There is considerable uncertainty within the biotechnology industry about the validity, scope and enforceability of many issued patents in the U.S. and elsewhere in the world, and, to date, there is no consistent policy regarding the breadth of claims allowed in biotechnology patents. We cannot currently determine the ultimate scope and validity of patents which may be granted to third parties in the future or which patents might be asserted to be infringed by the manufacture, use and sale of our products.

There has been, and we expect that there may continue to be, significant litigation in the industry regarding patents and other intellectual property rights. Litigation and administrative proceedings concerning patents and other intellectual property rights may be protracted, expensive and distracting to management. Competitors may sue us as a way of delaying the introduction of our products. Any litigation, including any interference proceedings to determine priority of inventions, oppositions to patents in foreign countries or litigation against our partners may be costly and time consuming and could harm our business. We expect that litigation may be necessary in some instances to determine the validity and scope of certain of our proprietary rights. Litigation may be necessary in other instances to determine the validity, scope or non-infringement of certain patent rights claimed by third parties to be pertinent to the manufacture, use or sale of our products. Ultimately, the outcome of such litigation could adversely affect the validity and scope of our patent or other proprietary rights or hinder our ability to manufacture and market our products.

***Pending and future product liability claims may adversely affect our business and our reputation.***

The administration of drugs in humans, whether in clinical studies or commercially, carries the inherent risk of product liability claims whether or not the drugs are actually the cause of an injury. Our products or product candidates may cause, or may appear to have caused, injury or dangerous drug interactions, and we may not learn about or understand those effects until the product or product candidate has been administered to patients for a prolonged period of time.

We are subject from time to time to lawsuits based on product liability and related claims. We cannot predict with certainty the eventual outcome of any pending or future litigation. We may not be successful in defending ourselves in the litigation and, as a result, our business could be materially harmed. These lawsuits may result in large judgments or settlements against us, any of which could have a negative effect on our

financial condition and business if in excess of our insurance coverage. Additionally, lawsuits can be expensive to defend, whether or not they have merit, and the defense of these actions may divert the attention of our management and other resources that would otherwise be engaged in managing our business.

***Our operating results are subject to significant fluctuations.***

Our quarterly revenues, expenses and net income (loss) have fluctuated in the past and are likely to fluctuate significantly in the future due to the timing of charges and expenses that we may take. In recent periods, for instance, we have recorded charges that include:

- impairments that we are required to take with respect to investments;
- impairments that we are required to take with respect to fixed assets, including those that are recorded in connection with the sale of fixed assets;
- inventory write-downs for failed quality specifications, charges for excess or obsolete inventory and charges for inventory write downs relating to product suspensions;
- milestone payments under license and collaboration agreements;
- payments in connection with acquisitions and other business development activity; and
- the cost of restructurings.

Our revenues are also subject to foreign exchange rate fluctuations due to the global nature of our operations. We recognize foreign currency gains or losses arising from our operations in the period in which we incur those gains or losses. Although we have foreign currency forward contracts to hedge specific forecasted transactions denominated in foreign currencies, our efforts to reduce currency exchange losses may not be successful. As a result, currency fluctuations among our reporting currency, the U.S. dollar, and the currencies in which we do business will affect our operating results, often in unpredictable ways. Additionally, our net income may fluctuate due to the impact of charges we may be required to take with respect to foreign currency hedge transactions. In particular, we may incur higher charges from hedge ineffectiveness than we expect or from the termination of a hedge relationship.

These examples are only illustrative and other risks, including those discussed in these “Risk Factors,” could also cause fluctuations in our reported earnings. In addition, our operating results during any one period do not necessarily suggest the anticipated results of future periods.

***Credit and financial market conditions may exacerbate certain risks affecting our business.***

Sales of our products are dependent on reimbursement from government health administration authorities, private health insurers, distribution partners and other organizations. As a result of credit and financial market conditions, these organizations may be unable to satisfy their reimbursement obligations or may delay payment. In addition, federal and state health authorities may reduce Medicare and Medicaid reimbursements, and private insurers may increase their scrutiny of claims. A reduction in the availability or extent of reimbursement could reduce our product sales and revenue.

We rely on third parties for several important aspects of our business, including portions of our product manufacturing, royalty revenue, clinical development of future collaboration products, conduct of clinical trials, and raw materials. Such third parties may be unable to satisfy their commitments to us due to tightening of global credit from time to time, which would adversely affect our business.

***Our portfolio of marketable securities is significant and subject to market, interest and credit risk that may reduce its value.***

We maintain a significant portfolio of marketable securities. Changes in the value of this portfolio could adversely affect our earnings. In particular, the value of our investments may decline due to increases in interest rates, downgrades in the corporate bonds and other securities included in our portfolio, instability in the global financial markets that reduces the liquidity of securities included in our portfolio, declines in the

value of collateral underlying the mortgage and asset-backed securities included in our portfolio, and other factors. Each of these events may cause us to record charges to reduce the carrying value of our investment portfolio or sell investments for less than our acquisition cost. Although we attempt to mitigate these risks by investing in high quality securities and continuously monitoring our portfolio's overall risk profile, the value of our investments may nevertheless decline.

***Our level of indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business.***

As of March 31, 2010, we had \$1.1 billion of outstanding indebtedness, and we may incur additional debt in the future. Our level of indebtedness could adversely affect our business by, among other things:

- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes, including business development efforts and research and development;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, thereby placing us at a competitive disadvantage compared to our competitors that may have less debt; and
- increasing our vulnerability to general adverse economic and industry conditions.

***Our business involves environmental risks, which include the cost of compliance and the risk of contamination or injury.***

Our business and the business of several of our strategic partners, including Genentech and Elan, involves the controlled use of hazardous materials, chemicals, biologics and radioactive compounds. Although we believe that our safety procedures for handling and disposing of such materials comply with state and federal standards, there will always be the risk of accidental contamination or injury. By law, radioactive materials may only be disposed of at state-approved facilities. We currently store radioactive materials from our California laboratory on-site because the approval of a disposal site in California for all California-based companies has been delayed indefinitely. If and when a disposal site is approved, we may incur substantial costs related to the disposal of these materials. If we were to become liable for an accident, or if we were to suffer an extended facility shutdown, we could incur significant costs, damages and penalties that could harm our business. Biologics manufacturing also requires permits from government agencies for water supply and wastewater discharge. If we do not obtain appropriate permits, or permits for sufficient quantities of water and wastewater, we could incur significant costs and limits on our manufacturing volumes that could harm our business.

***Several aspects of our corporate governance and our collaboration agreements may discourage a third party from attempting to acquire us.***

Several factors might discourage a takeover attempt that could be viewed as beneficial to shareholders who wish to receive a premium for their shares from a potential bidder. For example:

- we are subject to Section 203 of the Delaware General Corporation Law, which provides that we may not enter into a business combination with an interested shareholder for a period of three years after the date of the transaction in which the person became an interested shareholder, unless the business combination is approved in the manner prescribed in Section 203;
- our board of directors has the authority to issue, without a vote or action of shareholders, shares of preferred stock and to fix the price, rights, preferences and privileges of those shares, each of which could be superior to the rights of holders of common stock;
- our collaboration agreement with Elan provides Elan with the option to buy the rights to TYSABRI if we undergo a change of control, which may limit our attractiveness to potential acquirers;

- our collaboration agreement with Genentech provides that, if we undergo a change of control, within 90 days Genentech may present an offer to us to purchase our rights to RITUXAN. If a change of control were to occur in the future and Genentech were to present an offer for the RITUXAN rights, we must either accept Genentech's offer or purchase Genentech's rights to RITUXAN on the same terms as its offer. If Genentech presents such an offer, then they will be deemed concurrently to have exercised a right, in exchange for a royalty on net sales in the U.S. of any anti-CD20 product acquired or developed by Genentech or any anti-CD20 product that Genentech licenses from a third party that is developed under the agreement, to purchase our interest in each such product;
- our directors are elected to staggered terms, which prevents the entire board from being replaced in any single year; and
- advance notice is required for nomination of candidates for election as a director and for proposals to be brought before an annual meeting of shareholders.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

**Issuer Purchases of Equity Securities**

The following table summarizes our common stock repurchase activity during the first quarter of 2010:

Period	Total Number of Shares Purchased (#)	Average Price Paid per Share (\$)	Total Number of Shares Purchased as Part of Publicly Announced Programs (#)	Approximate Dollar Value of Shares That May Yet Be Purchased Under Our Programs (\$ in millions)
<b>2009 Repurchase Program</b>				
Jan-10	4,199,200	53.63	4,199,200	352.4
Feb-10	2,933,495	53.79	2,933,495	194.6
Mar-10	3,372,203	57.71	3,372,203	—
<b>Total</b>	<b>10,504,898</b>	<b>54.98</b>		

On October 20, 2009, we announced that our Board of Directors authorized the repurchase of up to \$1.0 billion of our common stock with the objective of reducing shares outstanding and returning excess cash to shareholders. This repurchase program did not have an expiration date and was completed during the first quarter of 2010.

On April 20, 2010, we announced that our Board of Directors authorized the repurchase of up to \$1.5 billion of our common stock. This new authorization is intended to continue to reduce our shares outstanding with the objective of returning excess cash to shareholders. We intend to retire these shares following repurchase on the open market. This repurchase authorization does not have an expiration date. As of April 20, 2010, no shares have been repurchased under this new program. The number of shares that will be repurchased under this program is subject to price fluctuations of our common stock.

**Item 6. Exhibits**

The exhibits listed on the Exhibit Index immediately preceding such exhibits, which is incorporated herein by reference, are filed or furnished as part of this Quarterly Report on Form 10-Q.

**SIGNATURES**

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.

BIOGEN IDEC INC.

/s/ Paul J. Clancy  
Paul J. Clancy  
Executive Vice President and  
Chief Financial Officer

April 20, 2010

EXHIBIT INDEX

Exhibit Number*	Description of Exhibit
10.1+	Form of cash-settled performance shares award agreement under the 2008 Omnibus Equity Plan.
10.2+	Form of market stock unit award agreement under the 2008 Omnibus Equity Plan.
10.3+	Biogen Idec Inc. 2006 Non-Employee Directors Equity Plan, as amended.
10.4	Agreement among Biogen Idec and certain entities affiliated with Carl C. Icahn. Filed as exhibit 99.1 to our Current Report on Form 8-K filed on March 22, 2010.
31.1+	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1++	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101++	The following materials from Biogen Idec Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows, and (iv) Notes to Consolidated Financial Statements, tagged as blocks of text.

\* Unless otherwise indicated, exhibits were previously filed with the Securities and Exchange Commission under Commission File Number 0-19311 and are incorporated herein by reference.

+ Filed herewith

++ Furnished herewith

**CASH-SETTLED PERFORMANCE SHARES AWARD AGREEMENT  
GRANTED UNDER  
BIOGEN IDEC INC. 2008 OMNIBUS EQUITY PLAN**

**1. Grant of Cash-Settled Performance Shares**

Biogen Idec Inc. (the "Company") hereby grants on **Grant Date** (the "Grant Date") to **Participant Name**, an employee of the Company or its Affiliates (the "Participant") pursuant to the Biogen Idec Inc. 2008 Omnibus Equity Plan (the "Plan") **Number Granted** cash-settled performance shares (the "Granted CSPSs" or the "Award"), subject to the terms and conditions of this award agreement ("Agreement") and the Plan. No CSPSs shall be paid unless vested in accordance with this Agreement. The Participant's rights to the CSPSs granted pursuant to this Agreement are subject to the restrictions described in this Agreement and the Plan, in addition to such other restrictions, if any, as may be imposed by law. All initially capitalized terms used will have the meaning specified in the Plan, unless another meaning is specified in this Agreement.

**2. Vesting**

A. The Participant shall have a nonforfeitable right to a portion of this Award (such portion, the vested portion) only upon the dates described in this Section 2, except as otherwise provided herein or determined by the Committee in its sole discretion. No portion of any Award shall become vested on the vesting date unless the Participant is then, and since the Grant Date has continuously been, employed by the Company or any Affiliate. If the Participant ceases to be employed by the Company and its Affiliates for any reason, any then-outstanding and unvested portion of the Award shall be automatically and immediately forfeited and terminated, except as otherwise provided in this Agreement and the Plan.

B. This Award will become eligible to vest upon achievement of the **Year** CSPS revenue and earnings per share goals ("Performance Goals"), as adopted by the Compensation and Management Development Committee (the "CMDC") on **Date**. The Performance Goals are specified in the **Year** Long-Term Incentive Program Overview for Executives ("LTI Overview") which is incorporated in this document by reference. CSPSs that become eligible to vest are referred to as the "Eligible CSPSs." In the event and to the extent that the Performance Goals are not satisfied, such Granted CSPSs shall not become eligible to vest and shall be immediately forfeited. As specified in the Performance Goals, in the event and to the extent that the Performance Goals are exceeded, an additional number of CSPSs will become eligible to vest. In no event shall the number of Eligible CSPSs exceed 200% of the number of Granted CSPSs. Eligible CSPSs will become vested in the following installments (the "Vesting Period"):

**One-third** of the Eligible CSPSs shall vest on the later of one year from the Grant Date or the date of CMDC determination of the degree to which the performance criteria set forth above have been satisfied;

an additional **one-third** of the Eligible CSPSs shall vest on **2nd Vesting Date**; and

an additional **one-third** of the Eligible CSPSs shall vest on **3rd Vesting Date**.

C. Except as otherwise provided in the Plan, upon termination of the Participant's employment with the Company and its Affiliates for any reason, any portion of this Award that is not then vested will immediately terminate, except as follows:

(1) any portion of this Award held by the Participant immediately prior to the Participant's termination of employment on account of death or Disability will, to the extent not vested previously, become fully vested upon the later of the date of death or Disability or determination of the Eligible CSPSs based on the performance criteria set forth above and CMDC approval, even if such determination occurs following the date of death or Disability; and

(2) any portion of this Award held by the Participant immediately prior to the Participant's Retirement, to the extent not vested previously, will become fully vested upon the later of the date of Retirement or determination of the Eligible CSPSs based on the performance criteria set forth above and CMDC approval for fifty percent (50%) of the number of Eligible CSPSs covered by such unvested portion and for an additional ten percent (10%) of the number of Eligible CSPSs covered by such unvested portion for every full year of employment by the Company and its



Affiliates beyond ten (10) years, up to the remaining amount of the unvested Eligible CSPSs of this Award. For the avoidance of doubt, Retirement means the Participant's termination from the Company and its Affiliates after reaching age 55 with ten (10) full years of service with the Company or its Affiliates, but not including any termination For Cause or any termination for insufficient performance, as determined by the Company and its Affiliates.

D. Notwithstanding anything herein to the contrary, any portion of this Award held by a Participant or a Participant's permitted transferee immediately prior to the cessation of the Participant's employment For Cause shall terminate at the commencement of business on the date of such termination.

### **3. Delivery of Award**

A. With respect to a Participant who is not eligible for Retirement, within 30 days following the date on which an Eligible CSPA becomes vested, the Company shall pay to the Participant, subject to applicable withholding as discussed in Section 7 of this Agreement, the cash value of one share of common stock of the Company ("Common Stock") in satisfaction of each vested CSPA. For purposes of this Agreement, the cash value of a share of Common Stock ("Cash Value") will be determined in accordance with the LTI Overview.

B. With respect to a Participant who is or becomes eligible for Retirement at any time during the Vesting Period, the Company shall pay to the Participant, subject to applicable withholding as described in Section 7 of this Agreement, the Cash Value for each vested CSPA (determined in accordance with Section 2 of this Agreement and Section 10 of the Plan) within 30 days of the earliest of (i) the date the Eligible CSPA otherwise would have vested under Section 2.B. of this Agreement, (ii) the date on which the Participant experiences a separation from service (within the meaning of Section 409A), subject to Section 3.C. of this Agreement or (iii) the date on which a Covered Transaction that satisfies the definition of a "change in control event" under Section 409A occurs.

C. If you are a "specified employee" (as defined in Section 409A), you will be paid on the earlier of (i) the date which is six (6) months after you separate from service (within the meaning of Section 409A) or (ii) your date of death or Disability. The preceding sentence will not apply to any payments that are exempt from or are not subject to the requirements of Section 409A. For avoidance of doubt, if payments would be made under Section 3.B.(i) or Section 3.B.(iii) before the six month payment date on account of other than your separation from service, such payment will be made under Section 3.B.(i) or Section 3.B.(iii) as applicable.

### **4. Cancellation and Rescission of Awards**

The Committee may cancel, rescind, withhold or otherwise limit or restrict this Award prior to payment at any time if the Participant is not in compliance with all applicable provisions of this Agreement and the Plan, or if the Participant engages in any Detrimental Activity.

### **5. No Voting, Dividend or Other Rights as a Stockholder**

The Participant shall not have any rights as a stockholder with respect to any shares of Common Stock that are used to calculate the Cash Value to be delivered to the Participant in satisfaction of any vested CSPAs or with respect to any other aspect of the Award. Accordingly, the Award shall not be interpreted to bestow upon the Participant any equity interest or ownership in the Company or any Affiliate. Furthermore, the Participant is not entitled to vote any Common Stock or to receive or be credited with any dividends declared and payable on any share of Common Stock by reason of the granting of this Award.

### **6. Unfunded Status**

The obligations of the Company and its Affiliates hereunder shall be contractual only. The Participant shall rely solely on the unsecured promise of the Company and nothing herein shall be construed to give the Participant or any other person or persons any right, title, interest or claim in or to any specific asset, fund, reserve, account or property of any kind whatsoever owned by the Company or any Affiliate.

**7. Withholding**

Awards will be subject to income tax withholding and reporting as required under local law. If statutory withholding of taxes and/or social insurance is required at the time of vesting, the Company will withhold from delivery to the Participant an amount of cash equal to the amount so required to be withheld.

In certain cases, local law may require that an award be subject to tax earlier than the date of payment. If that occurs, the Company will notify the Participant and will deduct the required tax amount from the Participant's pay in accordance with applicable law.

**8. Provisions of the Plan**

This Award is subject to the provisions of the Plan, which are incorporated herein by reference, and in the event of any inconsistency or conflict between the provisions of this Agreement and the Plan, the provisions of the Plan shall control. A copy of the Plan as in effect on the Grant Date has been made available to the Participant.

**9. No Right to Employment**

The grant of this Award shall not constitute a contract of employment or confer upon the Participant any right with respect to the continuance of his/her employment by or other service with the Company or any Affiliate, nor shall it or they be construed as affecting the rights of the Company (or Affiliate) to terminate the service of the Participant at any time or otherwise change the terms of such service, including, without limitation, the right to promote, demote or otherwise re-assign the Participant from one position to another within the Company or any Affiliate.

**10. Governing Law**

The provisions of this Award shall be governed by and interpreted in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officer.

**Biogen Idec Inc.**

By Craig E. Schneier, Ph.D.  
EVP, Human Resources, Public Affairs & Communications

Dated: \_\_\_\_\_

**Participant**

\_\_\_\_\_

Dated: \_\_\_\_\_

**BY ACCEPTING THIS AWARD OR ANY BENEFIT HEREUNDER, THE PARTICIPANT CONSENTS TO ALL THE TERMS AND CONDITIONS IN THIS AGREEMENT AND IN THE PLAN.**

**MARKET STOCK UNIT AWARD AGREEMENT  
GRANTED UNDER  
BIOGEN IDEC INC. 2008 OMNIBUS EQUITY PLAN**

**1. Grant of Market Stock Units**

Biogen Idec Inc. (the "Company") hereby grants on **Grant Date** (the "Grant Date") to **Participant Name**, an employee of the Company or its Affiliates (the "Participant") pursuant to the Biogen Idec Inc. 2008 Omnibus Equity Plan (the "Plan") **Number Granted** market stock units (the "Granted MSUs" or the "Award"), subject to the terms and conditions of this award agreement ("Agreement") and the Plan. No MSU shall be paid unless vested in accordance with this Agreement. The Participant's rights to the MSUs granted pursuant to this Agreement are subject to the restrictions described in this Agreement and the Plan, in addition to such other restrictions, if any, as may be imposed by law. All initially capitalized terms used will have the meaning specified in the Plan, unless another meaning is specified in this Agreement.

**2. Vesting**

A. The Participant shall have a nonforfeitable right to a portion of this Award (such portion, the vested portion) only upon the dates described in this Section 2, except as otherwise provided herein or determined by the Committee in its sole discretion. No portion of any Award shall become eligible to vest on the vesting date unless the Participant is then, and since the Grant Date has continuously been, employed by the Company or any Affiliate. If the Participant ceases to be employed by the Company and its Affiliates for any reason, any then-outstanding and unvested portion of the Award shall be automatically and immediately forfeited and terminated, except as otherwise provided in this Agreement and the Plan.

B. (i) MSUs will become eligible to vest in the following installments (the "Vesting Period") and each such date below (a "Vesting Date"):

**One-fourth** of the MSUs shall become eligible to vest on **1st Vesting Date**:

an additional **one-fourth** of the MSUs shall become eligible to vest on **2nd Vesting Date**:

an additional **one-fourth** of the MSUs shall become eligible to vest on **3rd Vesting Date**; and

an additional **one-fourth** of the MSUs shall become eligible to vest on **4th Vesting Date**.

(ii) On each Vesting Date, the number of MSUs that become eligible to vest on such Vesting Date will vest based upon the change in the Biogen Idec share price between the Vesting Date and the Grant Date. The calculation of the number of MSUs that will vest is specified in the **Year** Long-Term Incentive Program Overview for Executives ("LTI Overview") which is incorporated in this document by reference. In the event and to the extent that a number of the MSUs then eligible to vest do not vest on the applicable Vesting Date in accordance with this Agreement and the LTI Overview, such MSUs shall be immediately forfeited. In the event that the threshold is not met based on the calculation described in the LTI Overview, any MSUs then eligible to vest shall not vest and shall be immediately forfeited. In the event and to the extent that the target is exceeded based on the calculation described in the LTI Overview, an additional number of MSUs will vest. In no event shall the number of MSUs that vest on the applicable Vesting Date exceed 150% of the MSUs that became eligible to vest on such Vesting Date.

C. Except as otherwise provided in the Plan, upon termination of the Participant's employment with the Company and its Affiliates for any reason, any portion of this Award that is not then vested will immediately terminate, except as follows:

(1) any portion of this Award held by the Participant immediately prior to the Participant's termination of employment on account of death or Disability will, to the extent not vested previously, become eligible to vest as of the date of such termination of employment, and such MSUs then eligible to vest will vest in accordance with Section 2.B.(ii) with the date of the termination of employment serving as the applicable Vesting Date; and

(2) any portion of this Award held by the Participant immediately prior to the Participant's Retirement, to the extent not vested previously, will remain outstanding and will become eligible to vest over the remainder of the Vesting Period as set forth in Section 2.B.(i) without regard to

the service requirement specified in Section 2.A., for fifty percent (50%) of the number of MSUs covered by such unvested portion and for an additional ten percent (10%) of the number of MSUs covered by such unvested portion for every full year of employment by the Company and its Affiliates beyond ten (10) years, up to the remaining amount of the unvested MSUs, and such MSUs that become eligible to vest will vest in accordance with Section 2.B.(ii). For the avoidance of doubt, Retirement means the Participant's termination from the Company and its Affiliates after reaching age 55 with ten (10) full years of service with the Company or its Affiliates, but not including any termination For Cause or any termination for insufficient performance, as determined by the Company and its Affiliates.

D. Notwithstanding anything herein to the contrary, any portion of this Award held by a Participant or a Participant's permitted transferee immediately prior to the cessation of the Participant's employment For Cause shall terminate at the commencement of business on the date of such termination.

### **3. Delivery of Award**

A. With respect to a Participant who is not eligible for Retirement, within 30 days following the date on which an MSU becomes vested, the Company shall issue to the Participant, subject to applicable withholding as discussed in Section 7 of this Agreement, one share of common stock of the Company ("Common Stock") in satisfaction of each vested MSU.

B. With respect to a Participant who is or becomes eligible for Retirement at any time during the Vesting Period, the Company shall issue to the Participant, subject to applicable withholding as described in Section 7 of this Agreement, one share of Common Stock for each vested MSU (determined in accordance with Section 2 of this Agreement and Section 10 of the Plan) within 30 days of the earliest of (i) the date the MSU otherwise would have vested under Sections 2.B. and 2.C. of this Agreement or (ii) the date on which a Covered Transaction that satisfies the definition of a "change in control event" under Section 409A occurs.

C. If you are a "specified employee" (as defined in Section 409A), you will be paid on the earlier of (i) the date which is six (6) months after you separate from service (within the meaning of Section 409A) or (ii) your date of death or Disability. The preceding sentence will not apply to any payments that are exempt from or are not subject to the requirements of Section 409A. For avoidance of doubt, if payments would be made under Section 3.B.(i) or Section 3.B.(ii) before the six month payment date on account of other than your separation from service, such payment will be made under Section 3.B.(i) or Section 3.B.(ii) as applicable.

### **4. Cancellation and Rescission of Awards**

The Committee may cancel, rescind, withhold or otherwise limit or restrict this Award prior to payment at any time if the Participant is not in compliance with all applicable provisions of this Agreement and the Plan, or if the Participant engages in any Detrimental Activity.

### **5. No Voting, Dividend or Other Rights as a Stockholder**

The Participant shall not have any rights as a stockholder with respect to any shares of Common Stock to be issued under this Award until he or she becomes the holder of such shares. Accordingly, the Award shall not be interpreted to bestow upon the Participant any equity interest or ownership in the Company or any Affiliate prior to the date on which the Company delivers to the Participant shares of Common Stock. Furthermore, the Participant is not entitled to vote any Common Stock by reason of the granting of this Award or to receive or be credited with any dividends declared and payable on any share of Common Stock underlying this Award prior to the payment date with respect to such share.

### **6. Unfunded Status**

The obligations of the Company and its Affiliates hereunder shall be contractual only. The Participant shall rely solely on the unsecured promise of the Company and nothing herein shall be construed to give the Participant or any other person or persons any right, title, interest or claim in or to any specific asset, fund, reserve, account or property of any kind whatsoever owned by the Company or any Affiliate.

**7. Withholding**

Awards will be subject to income tax withholding and reporting as required under local law. If statutory withholding of taxes and/or social insurance is required at the time of vesting, the Company will withhold from delivery to the Participant a number of shares of Common Stock equal in value to the statutory minimum amount required to be withheld. A similar amount of cash will be paid by the Company on behalf of the employee to the applicable tax authorities. The number of shares to be withheld will be calculated using the closing sales price of a share of Common Stock on the Vesting Date. Shares (net of the number withheld for the payment of withholding taxes, if applicable) will be delivered to the Participant's stock plan account upon vesting in accordance with the Plan. The Company may, in its discretion, permit Participants to make alternative arrangements for payment of any such taxes and/or social insurance.

In certain cases, local law may require that an award be subject to tax earlier than the date of payment. If that occurs, the Company will notify the Participant and will deduct the required tax amount from the Participant's pay in accordance with applicable law.

**8. Provisions of the Plan**

This Award is subject to the provisions of the Plan, which are incorporated herein by reference, and in the event of any inconsistency or conflict between the provisions of this Agreement and the Plan, the provisions of the Plan shall control. A copy of the Plan as in effect on the Grant Date has been made available to the Participant.

**9. No Right to Employment**

The grant of this Award shall not constitute a contract of employment or confer upon the Participant any right with respect to the continuance of his/her employment by or other service with the Company or any Affiliate, nor shall it or they be construed as affecting the rights of the Company (or Affiliate) to terminate the service of the Participant at any time or otherwise change the terms of such service, including, without limitation, the right to promote, demote or otherwise re-assign the Participant from one position to another within the Company or any Affiliate.

**10. Governing Law**

The provisions of this Award shall be governed by and interpreted in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officer.

**Biogen Idec Inc.**

By Craig E. Schneier, Ph.D.  
EVP, Human Resources, Public Affairs & Communications

Dated: \_\_\_\_\_

**Participant**

\_\_\_\_\_

Dated: \_\_\_\_\_

**BY ACCEPTING THIS AWARD OR ANY BENEFIT HEREUNDER, THE PARTICIPANT CONSENTS TO ALL THE TERMS AND CONDITIONS IN THIS AGREEMENT AND IN THE PLAN.**

**BIOGEN IDEC INC.**  
**2006 NON-EMPLOYEE DIRECTORS EQUITY PLAN**  
(Approved by stockholders on May 25, 2006; as amended through April 14, 2010)

**1. Purpose; Establishment.**

The Biogen Idec Inc. 2006 Non-Employee Directors Equity Plan is intended to encourage ownership of shares of Common Stock by Non-Employee Directors of the Company and its Affiliates, and to provide an additional incentive to those directors to promote the success of the Company and its Affiliates. The Plan has been adopted and approved by the Board of Directors, subject to the approval of the stockholders of the Company, and shall become effective as of the Effective Date.

**2. Definitions.**

As used in the Plan, the following definitions apply to the terms indicated below:

- (a) "Affiliate" shall have the meaning set forth in Rule 12b-2 under Section 12 of the Exchange Act.
  - (b) "Agreement" shall mean either the written agreement between the Company and a Participant or a written notice from the Company to a Participant evidencing an Award.
  - (c) "Award" shall mean any Option, Restricted Stock, Restricted Stock Unit, Dividend Equivalent Rights, Stock Appreciation Right or Other Award granted pursuant to the terms of the Plan.
  - (d) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act, except that a Person shall not be deemed to be the Beneficial Owner of any securities with respect to which such Person has properly filed an effective Schedule 13G.
  - (e) "Board of Directors" or "Board" shall mean the Board of Directors of the Company.
  - (f) "Certificate" shall mean either a physical paper stock certificate or electronic book entry or other electronic form of account entry evidencing the ownership of shares of Restricted Stock or shares of Common Stock acquired upon exercise, vesting or settlement, as the case may be, of Awards other than Restricted Stock.
  - (g) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.
  - (h) "Committee" means the committee appointed to administer the Plan pursuant to Section 3.
  - (i) "Company" shall mean Biogen Idec Inc., a Delaware corporation.
  - (j) "Common Stock" shall mean the common stock of the Company, par value \$0.0005 per share.
  - (k) A "Corporate Change in Control" shall be deemed to have occurred upon the first of the following events:
    - (i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its subsidiaries) representing 50% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction which is a merger or consolidation; or
    - (ii) the election to the Board of Directors, without the recommendation or approval of a majority of the incumbent Board of Directors (as of the Effective Date), of directors constituting a majority of the number of directors of the Company then in office, provided, however, that directors whose election following the Effective Date is approved by a majority of the members of the incumbent Board of Directors shall be deemed to be members of the incumbent Board of Directors for purposes hereof, provided further that
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directors whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company will not be considered as members of the incumbent Board of Directors for purposes of this paragraph (ii).

(l) A "Corporate Transaction" shall be deemed to have occurred upon the first of the following:

(i) there is consummated a merger or consolidation of the Company, or any direct or indirect subsidiary of the Company, with any other company other than: (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) at least 50% of the combined voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation, unless following such merger or consolidation the voting securities of the Company outstanding immediately prior thereto represent less than 60% of the combined voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation and the transaction results in those persons who are members of the incumbent Board of Directors immediately prior to such merger or consolidation constituting less than 50% of the membership of the Board of Directors or the board of directors of such surviving or parent entity immediately after, or subsequently at any time as contemplated by such merger or consolidation (in which case the transaction shall be a Corporate Transaction), or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its subsidiaries) representing 30% or more of the combined voting power of the Company's then outstanding securities; or

(ii) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company, or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

(m) A "Disability" shall exist for purposes of the Plan if a Participant is entitled to receive benefits under the applicable long-term disability program of the Company or an Affiliate of the Company, or, if no such program is in effect with respect to such Participant, if the Participant has become totally and permanently disabled within the meaning of Section 22(e)(3) of the Code.

(n) "Dividend Equivalent Rights" shall mean a right, granted in connection with an Award, to receive dividends (which may or may not be made subject to restrictions or forfeiture conditions, as determined by the Committee) upon the payment of a dividend with respect to the Common Stock underlying the Award, which dividends will be held in escrow until all restrictions or conditions to the vesting of the Common Stock underlying the Award have lapsed. Any escrowed dividends may, in the Committee's discretion, be reinvested or deemed reinvested in Common Stock as of the dividend payment date.

(o) "Effective Date" shall mean the date that the Company's stockholders approve the Plan in accordance with Section 20 hereof.

(p) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(q) "Fair Market Value" of the Common Stock shall be calculated as follows: (i) if the Common Stock is listed on a national securities exchange and sale prices are regularly reported for the Common Stock, then the Fair Market Value shall be the closing selling price for the Common Stock reported on the applicable composite tape or other comparable reporting system on the applicable date, or if the applicable date is not a trading day, on the most recent trading day immediately prior to the applicable date; or (ii) if closing selling prices are not regularly reported for the Common Stock as described in clause (i) above, but bid and asked prices for the Common Stock are regularly reported, then the Fair Market Value shall be the arithmetic mean between the

closing or last bid and asked prices for the Common Stock on the applicable date or, if the applicable date is not a trading day, on the most recent trading day immediately prior to the applicable date; or (iii) if prices are not regularly reported for the Common Stock as described in clauses (i) or (ii) above, then the Fair Market Value shall be such value as the Committee in good faith determines.

(r) "For Cause" shall mean any act of: (i) fraud or intentional misrepresentation, or (ii) embezzlement, misappropriation or conversion of assets or opportunities of the Company or any Affiliate. The determination of the Committee as to the existence of circumstances warranting a termination For Cause shall be conclusive.

(s) "Non-Employee Director" has the meaning set forth in Section 5.

(t) "Nonqualified Stock Option" shall mean an Option that is not an "incentive stock option" within the meaning of Section 422 of the Code, or any successor provision.

(u) "Option" shall mean an option to purchase shares of Common Stock granted pursuant to Section 7.

(v) "Other Award" shall mean an Award granted pursuant to Section 10.

(w) "Participant" shall mean a Non-Employee Director to whom an Award is granted pursuant to the Plan.

(x) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include: (i) the Company or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefits plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities or (iv) a corporation or other business entity owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(y) "Restricted Stock" shall mean a share of Common Stock which is granted pursuant to the terms of Section 8 and which may not be in any manner transferred or disposed of (such restrictions being known as the "Transfer Restrictions") prior to the applicable Vesting Date.

(z) "Restricted Stock Unit" means a unit granted pursuant to Section 8 that represents the right to receive the Fair Market Value of one share of Common Stock, which is payable in cash or Common Stock, as specified in the applicable Agreement, and which may or may not be subject to forfeiture restrictions.

(aa) "Retirement" as to any Participant shall mean such person's leaving the Board under the following circumstances: (i) as of the annual stockholders meeting that occurs in the year in which the Participant reaches age 75, or (ii) upon the completion of such person's current term provided he or she has provided the Board with at least six months prior written notice of retirement, but not including a Participant's termination For Cause, as determined by the Committee. Notwithstanding the foregoing, a Participant elected to the Board other than at an annual stockholders meeting shall not be eligible for Retirement pursuant to clause (ii) of this Section 2(aa) until the completion of a term for which such Participant is elected to serve by the stockholders at an annual stockholders meeting.

(bb) "Rule 16b-3" shall mean Rule 16b-3 promulgated under the Exchange Act, as amended from time to time.

(cc) "Stock Appreciation Right" shall mean the right to receive an amount equal to the excess of the Fair Market Value of a share of Common Stock (as determined on the date of exercise) over: (i) if the Stock Appreciation Right is not related to an Option, the purchase price of a share of Common Stock on the date the Stock Appreciation Right was granted, or (ii) if the Stock Appreciation Right is related to an Option, the purchase price of a share of Common Stock specified in the related Option, and pursuant to such further terms and conditions as are provided under Section 9.

(dd) "Transaction" has the meaning set forth in Section 4(c).



(ee) "Vesting Date" shall mean the date established by the Committee on which an Award shall vest.

### **3. Administration of the Plan.**

The Plan shall be administered by the Board of Directors, or by a committee of the Board which shall consist of two or more persons each of whom, unless otherwise determined by the Board, is (a) a "non-employee director" within the meaning of Rule 16b-3 and (b) an "independent director" as defined in Nasdaq Stock Market Rules. References in the Plan to the "Committee" shall mean the Board or any such committee. The Committee shall have the authority in its sole and absolute discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation: (1) the authority to grant Awards, (2) to determine the type and number of Awards to be granted, the number of shares of Common Stock to which an Award may relate and the terms, conditions and restrictions relating to any Award, (3) to determine whether, to what extent, and under what circumstances an Award may be settled, cancelled, forfeited, exchanged, or surrendered, (4) to construe and interpret the Plan and any Award, (5) to prescribe, amend and rescind rules and regulations relating to the Plan, (6) to determine the terms and provisions of Agreements, and (7) to make all other determinations deemed necessary or advisable for the administration of the Plan.

The Committee may, in its sole and absolute discretion, without amendment to the Plan, waive or amend the operation of Plan provisions respecting exercise after termination of Board service and, except as otherwise provided herein, adjust any of the terms of any Award. The Committee may also (a) accelerate the date on which any Award granted under the Plan becomes exercisable or (b) accelerate the Vesting Date or waive or adjust any condition imposed hereunder with respect to the vesting or exercisability of an Award, provided that the Committee determines that such acceleration, waiver or other adjustment is necessary or desirable in light of extraordinary circumstances. Notwithstanding the foregoing, no Award outstanding under the Plan may be repriced, regranted through cancellation or otherwise amended to reduce the exercise price applicable thereto (other than with respect to adjustments made in connection with a Transaction or other change in the Company's capitalization) without the approval of the Company's stockholders. In addition, no Award shall provide a "reload" feature pursuant to which the Participant would receive an automatic grant of additional Awards to replace the shares of Common Stock surrendered to exercise an Award, and no Option shall be exercisable prior to the applicable Vesting Date for shares of Common Stock subject to repurchase by the Company, upon a termination of Board service prior to such Vesting Date, for the exercise price paid by the Participant.

### **4. Stock Subject to the Plan.**

(a) *Shares Available for Awards.* Subject to the provisions of Sections 4(c) and 4(d) hereof, the maximum number of shares of Common Stock reserved for issuance under the Plan shall be 850,000 shares. Such shares may be authorized but unissued Common Stock or authorized and issued Common Stock held in the Company's treasury. The grant of any Award other than an Option or a Stock Appreciation Right shall, for purposes of this Section 4(a), reduce the number of shares of Common Stock available for issuance under the Plan by one and one-half (1.5) shares of Common Stock for each such share actually subject to the Award. The grant of an Option or a Stock Appreciation Right shall be deemed, for purposes of this Section 4(a), as an Award of one share of Common Stock for each such share actually subject to the Award.

(b) *Adjustment for Change in Capitalization.* In the event that any dividend or other distribution is declared (whether in the form of cash, Common Stock, or other property), or there occurs any recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event, then, unless otherwise determined by the Committee in its sole and absolute discretion with respect to dividends or distributions of cash or other non-stock property, (1) the number and kind of shares of stock which may thereafter be issued in connection with Awards, (2) the number and kind of shares of stock or other property issued or issuable in connection with outstanding Awards, (3) the exercise price, grant price or purchase price relating to any outstanding Awards, and (4) the limits on Awards under Section 6(b) shall be equitably adjusted as necessary to prevent the dilution or enlargement of the rights of Participants.

(c) *Adjustment for Change or Exchange of Shares for Other Consideration.* In the event that outstanding shares of Common Stock shall be changed into or exchanged for any other class or series of capital stock or cash, securities or other property pursuant to a recapitalization, reclassification, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event ("Transaction"), then, unless otherwise determined by the Committee in its sole and absolute discretion, (1) each outstanding Option shall thereafter become exercisable for the number and/or kind of capital stock, and/or the amount of cash, securities or other property so distributed, into which the shares of Common Stock subject to the Option would have been changed or exchanged had the Option been exercised in full prior to such Transaction, provided that, if necessary, the provisions of the Option shall be appropriately adjusted so as to be applicable to any shares of capital stock, cash, securities or other property thereafter issuable or deliverable upon exercise of the Option, and (2) each outstanding Award that is not an Option and that is not automatically changed in connection with the Transaction shall represent the number and/or kind of capital stock, and/or the amount of cash, securities or other property so distributed, into which the shares of Common Stock covered by the outstanding Award would have been changed or exchanged had they been held by a stockholder of the Company.

(d) *Reuse of Shares.* Any shares subject to an Award that remain unissued upon the cancellation, surrender, exchange or termination of such Award for any reason whatsoever shall again become available for Awards in an amount determined in accordance with the share counting formulas set forth in Section 4(a), except that the exercise of a Stock Appreciation Right shall not be deemed to result in unissued shares, even if fewer shares are issued than the number of shares in which the Award was denominated.

#### **5. Eligibility.**

The persons who shall be eligible to receive Awards pursuant to the Plan shall be limited to: (i) those individuals who are first elected as non-employee Board members after the Effective Date, whether by the Company's stockholders or by the Board, and (ii) those individuals who continue to serve as non-employee Board members after such Effective Date, whether or not they commenced Board service prior to such Effective Date. In no event, however, shall any non-employee Board member be eligible to participate in the Plan unless such individual is an "independent director" as defined in Nasdaq Stock Market Rules. Each non-employee Board member eligible to participate in the Plan pursuant to the foregoing criteria shall be designated an eligible "Non-Employee Director" for purposes of the Plan.

#### **6. Awards Under the Plan; Agreement.**

(a) *General.* The Committee may grant Options, shares of Restricted Stock, Restricted Stock Units, Stock Appreciation Rights and Other Awards pursuant to Section 6(b), in such amounts and with such terms and conditions as the Committee shall determine, subject to the provisions of the Plan, and may provide for Dividend Equivalent Rights with respect to any Award. Each Award granted under the Plan shall be evidenced by an Agreement which shall contain such provisions as the Committee may in its sole discretion deem necessary or desirable, which are not in conflict with the terms of the Plan. By accepting an Award, a Participant thereby agrees that the Award shall be subject to all of the terms and provisions of the Plan and the applicable Agreement.

(b) *Awards.* Awards shall be granted as specified below.

(i) *Initial Grant.* Each individual who is first elected as a Non-Employee Director, whether by the Company's stockholders or by the Board, on or after the Effective Date, shall be granted, on the date of such initial election, one or more Awards (defined as the "Initial Grant"), the amount and type of which shall be determined by the Committee consistent with the provisions of the Plan, provided that the number of shares of Common Stock subject to such Initial Grant shall not exceed 35,000 shares in the aggregate (calculated as described in subsection (iv) below). Initial Grants shall vest ratably in equal annual installments on each of the first three anniversaries of the date of grant.

(ii) *Annual Grant.* On the date of each annual stockholders meeting, commencing with the 2006 annual meeting, each individual who is at the time serving as a Non-Employee Director shall be granted one or more Awards (defined as the "Annual Grant"), the amount and type of which shall be determined by the Committee consistent with the provisions of the Plan, provided that the number of shares of Common Stock subject to such

Annual Grant shall not exceed 17,500 shares in the aggregate (calculated as described in subsection (iv) below). An individual elected as a Non-Employee Director other than at an annual meeting of stockholders shall receive, on the date of such election, a pro rata portion of the Annual Grant made at the preceding annual stockholders meeting based on the number of days from the date of election to the next annual meeting of stockholders, divided by 365. Annual Grants shall fully vest on the first anniversary of the date of grant or over such longer period and in such increments as the Committee may otherwise determine.

(iii) Non-Executive Chairman Grants. Upon election as Non-Executive Chairman of the Board of Directors on or after the Effective Date, a Non-Employee Director shall be granted, on the date of such election, one or more Awards (defined as the "Supplemental Initial Grant"), the amount and type of which shall be determined by the Committee consistent with the provisions of the Plan, provided that the number of shares of Common Stock subject to such an individual's Initial Grant and Supplemental Initial Grant shall not exceed 50,000 shares in the aggregate (calculated as described in subsection (iv) below). On the date of each annual stockholders meeting commencing with the 2006 annual meeting, any Non-Employee Director then serving as Non-Executive Chairman of the Board of Directors shall be granted one or more Awards (defined as the "Supplemental Annual Grant"), the amount and type of which shall be determined by the Committee consistent with the provisions of the Plan, provided that the number of shares of Common Stock subject to such an individual's Annual Grant and Supplemental Annual Grant shall not exceed 30,000 shares in the aggregate (calculated as described in subsection (iv) below). A Non-Employee Director elected as Non-Executive Chairman of the Board other than at an annual meeting of stockholders shall receive, on the date of such election, a pro rata portion of the Supplemental Annual Grant. Supplemental Initial Grants shall vest ratably in equal annual installments on each of the first three anniversaries of the date of grant, and Supplemental Annual Grants shall fully vest on the first anniversary of the date of grant.

(iv) Share Equivalents. For purposes of applying the limits on the number of shares of Common Stock which may be subject to Awards made pursuant to Initial Grants, Supplemental Initial Grants, Annual Grants and Supplemental Annual Grants under this Section 6(b): (A) the grant of any Award other than an Option or a Stock Appreciation Right shall be treated as an Award of one and one-half (1.5) shares of Common Stock for each such share actually subject to the Award, and (B) the grant of an Option or a Stock Appreciation Right shall be treated as an Award of one share of Common Stock for each such share actually subject to the Award.

## **7. Options.**

(a) *Identification of Options.* Each Option shall be a Nonqualified Stock Option and shall state the number of shares of the Common Stock to which it pertains.

(b) *Exercise Price.* Each Agreement with respect to an Option shall set forth the amount (the "option exercise price") payable by the grantee to the Company upon exercise of the Option. The option exercise price per share shall be equal to the Fair Market Value of the Common Stock on the date of grant.

(c) *Term and Exercise of Options.*

(i) Each Option shall become exercisable at the time or times determined by the Committee as set forth in the applicable Agreement, consistent with the provisions of the Plan. The expiration date of each Option shall be ten (10) years from the date of the grant thereof, or at such earlier time as the Committee shall expressly state in the applicable Agreement.

(ii) An Option shall be exercised by delivering notice as specified in the Agreement on the form of notice provided by the Company. The option exercise price shall be payable upon the exercise of the Option. It shall be payable in one of the following forms: (A) in United States dollars in cash or by check, (B) if permitted by the Committee, in shares of Common Stock that have been held by the Participant (or a permitted transferee of such person) for at least six months and having a Fair Market Value as of the date of exercise equal to the aggregate option exercise price, (C) at the discretion of the Committee, in accordance with a cashless exercise program established with a securities brokerage firm, or (D) at the discretion of the Committee, by any combination of (A), (B) and (C) above, or (E) by such other method as the Committee may, in its discretion, permit.

(iii) Certificates for shares of Common Stock purchased upon the exercise of an Option shall be issued in the name of or for the account of the Participant, or other person entitled to receive such shares, and delivered to the Participant or such other person as soon as practicable following the effective date on which the Option is exercised.

(iv) Notwithstanding anything to the contrary in this Plan, on the last day on which an Option is exercisable in accordance with the Plan and the terms of the Award, if the exercise price of the Option is less than the Fair Market Value of the Common Stock on that day, the stock option will be deemed to have been exercised on a net share settlement basis at the close of business on that day. As promptly as practicable thereafter, the Company will deliver to the Participant the number of shares underlying the Option less the number of shares having a Fair Market Value on the date of the deemed exercise equal to the aggregate exercise price for the Option.

*(d) Effect of Termination of Board Service.*

(i) In the event that the Participant's Board service shall terminate on account of the Retirement of the Participant, each Option granted to such Participant that is outstanding as of the date of such termination shall become fully exercisable and shall remain exercisable by the Participant (or, in the event of the Participant's death while such Option is still outstanding, by the Participant's legal representatives, heirs or legatees) for the three year period following such termination (or for such other period as may be provided by the Committee), but in no event following the expiration of its term.

(ii) In the event that the Participant's Board service shall terminate on account of the death of the Participant, each Option granted to such Participant that is outstanding as of the date of death shall become fully exercisable and shall remain exercisable by the Participant's legal representatives, heirs or legatees for the one year period following the date of death (or for such other period as may be provided by the Committee), but in no event following the expiration of its term.

(iii) In the event that the Participant's Board service shall terminate on account of the Disability of the Participant, each Option granted to such Participant that is outstanding as of the date of such termination shall become fully exercisable and shall remain exercisable by the Participant (or such Participant's legal representatives or, in the event of the Participant's death while such Option is still outstanding, such Participant's legal representatives, heirs or legatees) for the one year period following such termination (or for such other period as may be provided by the Committee), but in no event following the expiration of its term.

(iv) In the event of the termination of a Participant's Board service For Cause, each outstanding Option granted (including any portion of the Option that is then exercisable) to such Participant shall be cancelled at the commencement of business on the date of such termination.

(v) In the event that the Participant's Board service shall terminate for any reason other than (A) Retirement, (B) death, (C) Disability or (D) For Cause, each Option granted to such Participant, to the extent that it is exercisable at the time of such termination, shall remain exercisable for the six month period following such termination (or for such other period as may be provided by the Committee), but in no event following the expiration of its term. Each Option that remains unexercisable as of the date of such a termination shall be cancelled at the time of such termination (except as may otherwise be determined by the Committee).

(vi) In the event of the Participant's death within six months following the Participant's termination of Board service for any reason other than (A) Retirement, (B) Disability or (C) For Cause, each Option granted to such Participant that is vested and outstanding as of the date of death shall remain exercisable by such Participant's legal representatives, heirs or legatees for the one year period following the date of death (or for such other period as may be provided by the Committee), but in no event following the expiration of its term.

**8. Restricted Stock; Restricted Stock Units.**

(a) *Price.* At the time of the grant of shares of Restricted Stock, the Committee shall determine the price, if any, to be paid by the Participant for each share of Restricted Stock subject to the Award.

(b) *Vesting Date.* Provided that all conditions to the vesting of a share of Restricted Stock imposed pursuant to Section 6(b) are satisfied, and except as provided in Section 8(g), upon the occurrence of the Vesting Date with respect to a share of Restricted Stock, such share shall vest and the Transfer Restrictions shall lapse. Provided that all conditions to the vesting of a Restricted Stock Unit imposed pursuant to Section 6(b) are satisfied, and except as provided in Section 8(g), upon the occurrence of the Vesting Date with respect to a Restricted Stock Unit, such Restricted Stock Unit shall vest and become non-forfeitable; provided, however, that the payment with respect to such Restricted Stock Unit shall be made in a manner that complies with the requirements of Section 409A of the Code.

(c) *Dividends.* Any dividends paid on shares of Restricted Stock will be held in escrow until all restrictions or conditions to the vesting of such shares have lapsed. Any escrowed dividends may, in the Committee's discretion, be reinvested or deemed reinvested in Common Stock as of the dividend payment date.

(d) *Issuance of Certificates.* Following the date of grant with respect to shares of Restricted Stock, or the settlement of a Restricted Stock Unit payable in Common Stock, the Company shall cause to be issued a Certificate, registered in the name of or for the account of the Participant to whom such shares were granted, evidencing such shares. In the case of an Award of Restricted Stock, each such Certificate shall bear the following legend or substantially similar restrictive account legend:

"The transferability of this Certificate and the shares of stock represented hereby are subject to the restrictions, terms and conditions (including forfeiture provisions and restrictions against transfer) contained in or imposed pursuant to the Biogen Idec Inc. 2006 Non-Employee Directors Equity Plan."

Such legend shall not be removed until such shares vest pursuant to the terms hereof.

Each Certificate issued pursuant to this Section 8(d) in connection with a grant of Restricted Stock shall be held by the Company or its designee prior to the applicable Vesting Date, unless the Committee determines otherwise.

(e) *Consequences of Vesting of Restricted Stock.* Upon the vesting of a share of Restricted Stock pursuant to the terms hereof, the Transfer Restrictions shall lapse with respect to such share. Following the date on which a share of Restricted Stock vests, the Company shall cause to be delivered to the Participant to whom such shares were granted (or a permitted transferee of such person), a Certificate evidencing such share, free of the legend set forth in Section 8(d).

(f) *Settlement of Restricted Stock Units.* The settlement of Restricted Stock Units may occur or commence when all vesting conditions applicable to the Restricted Stock Units have been satisfied, or it may be deferred in accordance with such terms and conditions as the Committee may specify, subject to compliance with Code Section 409A.

(g) *Effect of Termination of Board Service.* In the event that the Participant's Board service shall terminate for any reason other than (i) Retirement, (ii) death or (iii) Disability, each unvested grant of Restricted Stock or Restricted Stock Units shall be forfeited at the time of such termination (except as may be otherwise determined by the Committee). In the event that the Participant's Board service shall terminate on account of Retirement, death or Disability of the Participant, each grant of Restricted Stock and Restricted Stock Units that is outstanding as of the date of Retirement, death or Disability shall become fully vested.

#### **9. Stock Appreciation Rights.**

(a) A Stock Appreciation Right may be granted in connection with an Option, either at the time of grant or at any time thereafter during the term of the Option, or may be granted unrelated to an Option. At the time of grant of a Stock Appreciation Right, the Committee may impose such restrictions or conditions to the exercisability of the Stock Appreciation Right as it, in its absolute discretion, deems appropriate. The term of a Stock Appreciation Right granted without relationship to an Option shall not exceed ten years from the date of grant.

(b) A Stock Appreciation Right related to an Option shall require the holder, upon exercise, to surrender such Option with respect to the number of shares as to which such Stock Appreciation Right is exercised, in order to

receive payment of any amount computed pursuant to Section 9(d). Such Option will, to the extent surrendered, then cease to be exercisable.

(c) Subject to Section 9(d)(i), and to such rules and restrictions as the Committee may impose, a Stock Appreciation Right granted in connection with an Option will be exercisable at such time or times, and only to the extent that a related Option is exercisable, and will not be transferable except to the extent that such related Option may be transferable.

(d) Subject to Section 9(f), the exercise of a Stock Appreciation Right related to an Option will entitle the holder to receive payment of an amount determined by multiplying:

- (i) the excess of the Fair Market Value of a share of Common Stock on the date of exercise of such Stock Appreciation Right over the option exercise price specified in the related Option, by
- (ii) the number of shares as to which such Stock Appreciation Right is exercised.

(e) The maximum number of shares underlying a Stock Appreciation Right granted without relationship to an Option shall be set forth in the applicable Award Agreement. A Stock Appreciation Right granted without relationship to an Option will entitle the holder to receive payment, subject to Section 9(f), of an amount determined by multiplying:

- (i) the excess of the Fair Market Value of a share of Common Stock on the date of exercise of such Stock Appreciation Right over the greater of the Fair Market Value of a share of Company Stock on the date the Stock Appreciation Right was granted or such greater amount as may be set forth in the applicable Agreement, by
- (ii) the number of shares as to which such Stock Appreciation Right is exercised.

(f) Notwithstanding subsections (d) and (e) above, the Committee may place a limitation on the amount payable upon exercise of a Stock Appreciation Right. Any such limitation must be determined as of the date of grant and noted in the applicable Award Agreement.

(g) Payment of the amount determined under subsections (d) and (e) above may be made solely in whole shares of Common Stock valued at their Fair Market Value on the date of exercise of the Stock Appreciation Right or alternatively, in the sole discretion of the Committee, solely in cash or a combination of cash and shares of Common Stock. If the Committee decides that payment of the amount determined under subsections (d) and (e) above may be made shares of Common Stock, and the amount payable results in a fractional share, payment for the fractional share will be made in cash. The payment with respect to any Stock Appreciation Right shall be made in a manner that complies with the requirements of Section 409A of the Code.

(h) Other than with respect to an adjustment described in Section 4(c), in no event shall the exercise price with respect to a Stock Appreciation Right be reduced following the grant of such Stock Appreciation Right, nor shall the Stock Appreciation Right be cancelled in exchange for a replacement Stock Appreciation Right with a lower exercise price.

(i) *Effect of Termination of Board Service.*

(i) In the event that the Participant's Board service shall terminate on account of the Retirement of the Participant, each Stock Appreciation Right granted to such Participant that is outstanding as of the date of such termination shall become fully exercisable and shall remain exercisable for the three year period following such termination (or for such other period as may be provided by the Committee), but in no event following the expiration of its term.

(ii) In the event that the Participant's Board service shall terminate on account of the death of the Participant, each Stock Appreciation Right granted to such Participant that is outstanding as of the date of death shall become fully exercisable and shall remain exercisable by the Participant's legal representatives, heirs or legatees

for the one year period following the date of death (or for such other period as may be provided by the Committee), but in no event following the expiration of its term.

(iii) In the event that the Participant's Board service shall terminate on account of the Disability of the Participant, each Stock Appreciation Right granted to such Participant that is outstanding as of the date of such termination shall become fully vested and shall remain exercisable by the Participant (or such Participant's legal representatives) for the one year period following such termination (or for such other period as may be provided by the Committee), but in no event following the expiration of its term.

(iv) In the event of the termination of a Participant's Board service For Cause, each outstanding Stock Appreciation Right granted (including any portion of the Stock Appreciation Right that is then exercisable) to such Participant shall be cancelled at the commencement of business on the date of such termination.

(v) In the event that the Participant's Board service shall terminate for any reason other than (A) Retirement, (B) death, (C) Disability or (D) For Cause, each Stock Appreciation Right granted to such Participant, to the extent that it is exercisable at the time of such termination, shall remain exercisable for the six month period following such termination (or for such other period as may be provided by the Committee), but in no event following the expiration of its term. Each Stock Appreciation Right that remains unexercisable as of the date of such a termination shall be cancelled at the time of such termination (except as may be otherwise determined by the Committee).

(vi) In the event of the Participant's death within six months following the Participant's termination of Board service other than For Cause, each Stock Appreciation Right granted to such Participant that is vested and outstanding as of the date of death shall remain exercisable by the Participant's legal representatives, heirs or legatees for the one year period following the date of death (or for such other period as may be provided by the Committee), but in no event following the expiration of its term.

#### **10. Other Awards.**

(a) *General.* Other Awards valued in whole or in part by reference to, or otherwise based on, Common Stock may be granted either alone or in addition to other Awards under the Plan. Subject to the provisions of Section 6(b), the Committee shall have sole and complete authority to determine the number of shares of Common Stock to be granted pursuant to such Other Awards and all other terms and conditions of such Other Awards.

(b) *Payment of Non-Employee Directors' Fees in Securities.* In addition to the Awards authorized under Section 6(b), and only to the extent permitted by the Committee, a Non-Employee Director may elect to receive his or her annual retainer payments and/or meeting fees from the Company in the form of Awards under the Plan by completing the procedures prescribed by the Committee. Such Awards shall be issued under the Plan. The terms and the number of Awards to be granted to Non-Employee Directors in lieu of annual retainers and/or meeting fees under this Section 10 shall be determined by the Committee.

#### **11. Effect of a Corporate Transaction.**

(a) *Options and Stock Appreciation Rights.* In the event of a Corporate Transaction, the Committee shall, prior to the effective date of the Corporate Transaction, as to each outstanding Option and Stock Appreciation Right under the Plan, either: (i) make appropriate provisions for the Options and Stock Appreciation Rights to be assumed by the successor corporation or its parent or be replaced with a comparable option or stock appreciation right to purchase shares of the capital stock of the successor corporation or its parent; (ii) upon reasonable prior written notice to the Participants provide that all Options and Stock Appreciation Rights must be exercised prior to a specified date and, to the extent unexercised as of such specified date, such Options and Stock Appreciation Rights will terminate (all Options and Stock Appreciation Rights having been made fully exercisable as set forth below in this Section 11); or (iii) terminate all Options and Stock Appreciation Rights in exchange for, in the case of Options, a cash payment equal to the excess of the then aggregate Fair Market Value of the shares subject to such Options over the aggregate exercise prices thereof, or in the case of Stock Appreciation Rights, the amount otherwise payable on exercise of such Stock Appreciation Rights pursuant to Section 9 (all Options and Stock Appreciation Rights having been made fully exercisable as set forth below in this Section 11). Without limiting the generality of Sections 4(b) and 4(c)

hereof, each outstanding Option and Stock Appreciation Right under the Plan which is assumed in connection with a Corporate Transaction, or is otherwise to continue in effect, shall be appropriately adjusted, immediately after such Corporate Transaction, to apply and pertain to the number and class of securities which would have been issued, in consummation of such Corporate Transaction, to an actual holder of the same number of shares of the Common Stock as are subject to such Option or Stock Appreciation Right immediately prior to such Corporate Transaction. Appropriate adjustments shall also be made to the option exercise price payable per share pursuant to the Option, provided the aggregate option exercise price payable for such securities pursuant to the Option shall remain the same, and the basis for calculating the amount payable on exercise of the Stock Appreciation Right pursuant to Section 9.

(b) *Awards other than Options and Stock Appreciation Rights.* In the event of a Corporate Transaction, the Committee shall, prior to the effective date of the Corporate Transaction, as to each outstanding Award (other than an Option or Stock Appreciation Right) under the Plan either: (i) make appropriate provisions for the Awards to be assumed by the successor corporation or its parent, or be replaced with a comparable award with respect to the successor corporation or its parent; (ii) provide that such Awards shall be fully vested and settled prior to such Corporate Transaction; or (iii) terminate all such Awards in exchange for a cash payment equal to the then aggregate Fair Market Value of the shares of Common Stock and cash payments subject to such Award (all Awards having been made fully vested as set forth below in this Section 11).

(c) *Involuntary Termination.* If at any time within two years of the effective date of a Corporate Transaction there is an Involuntary Termination with respect to a Participant's continued service as a Non-Employee Director of the successor corporation or its parent, each then outstanding Award assumed or replaced under this Section 11 and held by such Participant (or a permitted transferee of such person) shall, upon the occurrence of such Involuntary Termination, automatically accelerate so that each such Award shall become fully vested or exercisable, as applicable, immediately prior to such Involuntary Termination. Upon the occurrence of an Involuntary Termination with respect to a Participant, any outstanding Option or Stock Appreciation Right held by such Participant (and a permitted transferee of such person) shall be exercisable within one year of the Involuntary Termination or, if earlier, within the originally prescribed term of the Option or Stock Appreciation Right. An "Involuntary Termination" as to a Participant shall mean the termination of the Participant's Board service other than (1) because of termination For Cause, (2) on account of the Participant's voluntary resignation or (3) on account of the Participant's choosing not to seek reelection; provided, however, that for purposes of the Plan, a termination of Board service, at the request of the Board, where such termination is in connection with a reduction of the number of members of the Board (and not in connection with a replacement of the terminating member) shall be treated as an Involuntary Termination.

(d) *Other Adjustments.* The class and number of securities available for issuance under the Plan on both an aggregate and per Participant or per grant basis shall be appropriately adjusted by the Committee to reflect the effect of the Corporate Transaction upon the Company's capital structure.

(e) *Termination of Plan; Cash Out of Awards.* In the event the Company terminates the Plan or elects to cash out Awards in accordance with clauses (ii) or (iii) of paragraph (a) or clause (iii) of paragraph (b) of this Section 11, then the exercisability and vesting of each affected Award outstanding under the Plan shall be automatically accelerated so that each such Award shall, immediately prior to such Corporate Transaction, become fully vested and may be exercised prior to such Corporate Transaction for all or any portion of such Award. The Committee shall, in its discretion, determine the timing and mechanics required to implement the foregoing Plan provision.

(f) *Special Rule Regarding Determination of Termination for Cause.* Following the occurrence of a Corporate Transaction, the determination of whether circumstances warrant a termination For Cause shall be made in good faith by the Committee, provided that such determination shall not be presumed to be correct or given deference in any subsequent litigation, arbitration or other proceeding with respect to the existence of circumstances warranting a termination For Cause.

## **12. Acceleration Upon Corporate Change in Control.**

Unless otherwise determined by the Committee at the time of grant and set forth in the applicable Award Agreement, in the event of a Corporate Change in Control, the exercisability or vesting of each Award outstanding



under the Plan shall be automatically accelerated so that each such Award shall, immediately prior to such Corporate Change in Control, become fully vested and/or exercisable for the full number of shares of the Common Stock purchasable or cash payable under an Award to the extent not previously exercised, and may be exercised for all or any portion of such shares or cash within the originally prescribed term of such Award. The Committee shall, in its discretion, determine the timing and mechanics required to implement the foregoing Plan provision.

**13. Rights as a Stockholder.**

No person shall have any rights as a stockholder with respect to any shares of Common Stock covered by or relating to any Award until the date of issuance of a Certificate with respect to such shares. Except as otherwise expressly provided in Section 4(c), no adjustment to any Award shall be made for dividends or other rights for which the record date occurs prior to the date of issuance of such Certificate.

**14. No Right to Continued Board Service; No Right to Award.**

Nothing contained in the Plan or any Agreement shall confer upon any Participant any right with respect to the continuation of service as a member of the Board or interfere in any way with the right of the Company or its stockholders to remove any individual from the Board at any time in accordance with the provisions of applicable law. No person shall have any claim or right to receive an Award hereunder. The Committee's granting of an Award to a Participant at any time shall neither require the Committee to grant any other Award to such Participant or other person at any time or preclude the Committee from making subsequent grants to such Participant or any other person.

**15. Securities Matters.**

(a) Notwithstanding anything herein to the contrary, the Company shall not be obligated to cause to be issued or delivered any Certificates evidencing shares of Common Stock pursuant to the Plan unless and until the Company is advised by its counsel that the issuance and delivery of such Certificates is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Common Stock are traded. The Committee may require, as a condition of the issuance and delivery of Certificates evidencing shares of Common Stock pursuant to the terms hereof, that the recipient of such shares make such agreements and representations, and that such Certificates bear such legends, as the Committee, in its sole discretion, deems necessary or desirable.

(b) The transfer of any shares of Common Stock hereunder shall be effective only at such time as counsel to the Company shall have determined that the issuance and delivery of such shares is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Common Stock are traded. The Committee may, in its sole discretion, defer the effectiveness of any transfer of shares of Common Stock hereunder in order to allow the issuance of such shares to be made pursuant to registration or an exemption from registration or other methods for compliance available under federal or state securities laws. The Committee shall inform the Participant (or a permitted transferee of such person) in writing of its decision to defer the effectiveness of a transfer. During the period of such deferral in connection with the exercise of an Option, the Participant (or a permitted transferee of such person) may, by written notice, withdraw such exercise and obtain the refund of any amount paid with respect thereto, subject to compliance with the requirements of Section 409A of the Code.

**16. Notification of Election Under Section 83(b) of the Code.**

If any Participant shall, in connection with the acquisition of shares of Common Stock under the Plan, make the election permitted under Section 83(b) of the Code, such Participant shall notify the Company of such election within 10 days of filing notice of the election with the Internal Revenue Service.

**17. Amendment or Termination of the Plan.**

The Board of Directors may, at any time, suspend or terminate the Plan or revise or amend it in any respect whatsoever; provided, however, that stockholder approval shall be required for any such amendment if and to the

extent the Board of Directors determines that such approval is appropriate or necessary for purposes of satisfying any applicable law or the requirements of any securities exchange upon which the securities of the Company trade. Nothing herein shall restrict the Committee's ability to exercise its discretionary authority pursuant to Section 3, which discretion may be exercised without amendment to the Plan. No amendment or termination of the Plan may, without the consent of the affected Participant, reduce the Participant's rights under any outstanding Award.

**18. Transferability.**

The Committee may direct that any Certificate evidencing shares issued pursuant to the Plan shall bear a legend setting forth such restrictions on transferability as may apply to such shares. Awards granted under the Plan shall not be transferable by a Participant other than: (i) by will or by the laws of descent and distribution, (ii) pursuant to a qualified domestic relations order, as defined by the Code or Title 1 of the Employee Retirement Income Security Act or the rules thereunder or (iii) as otherwise determined by the Committee in its sole and absolute discretion. The designation of a beneficiary of an Award by a Participant shall not be deemed a transfer prohibited by this Section 18. Except as provided pursuant to this Section 18, an Award shall be exercisable during a Participant's lifetime only by the Participant (or by his or her legal representative) and shall not be assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation, or other disposition of any Award contrary to the provisions of this Section 18, or the levy of any attachment or similar process upon an Award, shall be null and void. Upon the death of a Participant, outstanding Awards granted to such Participant may be exercised only by the designated beneficiary, executor or administrator of the Participant's estate, or by a person who shall have acquired the right to such exercise by will or by the laws of descent and distribution (or by a permitted transferee of such person). No transfer of an Award by will or the laws of descent and distribution, or as otherwise permitted by this Section 18, shall be effective to bind the Company unless the Committee shall have been furnished with: (a) written notice thereof and with such evidence as the Committee may deem necessary to establish the validity of the transfer, and (b) an agreement by the transferee to comply with all the terms and conditions of the Award that are or would have been applicable to the Participant and to be bound by the acknowledgments made by the Participant in connection with the grant of the Award.

**19. Dissolution or Liquidation of the Company.**

Immediately prior to the dissolution or liquidation of the Company, other than in connection with transactions to which Section 11 is applicable, all Awards granted hereunder shall terminate and become null and void; provided, however, that if the rights hereunder of a Participant or one who acquired an Award by will or by the laws of descent and distribution, or as otherwise permitted pursuant to Section 18, have not otherwise terminated and expired, the Participant or such person shall have the right immediately prior to such termination to exercise any Award granted hereunder to the extent that the right to exercise such Award has vested as of the date immediately prior to such dissolution or liquidation. Awards of Restricted Stock and Restricted Stock Units that have not vested as of the date of such dissolution or liquidation shall be forfeited immediately prior to such dissolution or liquidation.

**20. Effective Date and Term of Plan.**

The Plan shall be subject to the requisite approval of the stockholders of the Company. In the absence of such approval, any Awards shall be null and void. Unless extended or earlier terminated by the Board of Directors, the right to grant Awards under the Plan shall terminate on the tenth anniversary of the Effective Date. Awards outstanding at Plan termination shall remain in effect according to their terms and the provisions of the Plan and the applicable Award Agreement.

**21. Applicable Law.**

The Plan shall be construed and enforced in accordance with the laws of the State of Delaware, without reference to its principles of conflicts of law.

**22. Participant Rights.**

No Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment for Participants.

**23. Unfunded Status of Awards.**

The Plan is intended to constitute an “unfunded” plan for incentive and deferred compensation purposes. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Agreement shall give any such Participant any rights that are greater than those of a general, unsecured creditor of the Company.

**24. No Fractional Shares.**

No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan. The Committee shall determine whether cash, other Awards, or other property shall be issued or paid in lieu of such fractional shares, or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

**25. Beneficiary.**

A Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Participant, the executor or administrator of the Participant’s estate shall be deemed to be the Participant’s beneficiary.

**26. Interpretation; Special Rules.**

Awards under the Plan are intended either to be exempt from the rules of Section 409A of the Code or to satisfy those rules, and shall be construed accordingly. Granted Awards may be modified at any time, in the Committee’s discretion, so as to increase the likelihood of exemption from or compliance with the rules of Section 409A. In the event that a Participant is prohibited from executing market trades by reason of the application of the federal securities laws or for any other reason determined by the Committee, the Committee may extend the exercise period of an Award to the extent permitted by Section 409A. Subject to Section 16 of the Exchange Act, to the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law or practices, and to further the purpose of the Plan, the Committee may, without amending the Plan, establish special rules applicable to Awards granted to Participants who are foreign nationals or are employed outside the United States, or both, including rules that differ from those set forth in the Plan, and grant Awards (or amend existing Awards) in accordance with those rules.

**27. Severability.**

If any provision of the Plan is held to be invalid or unenforceable, the other provisions of the Plan shall not be affected but shall be applied as if the invalid or unenforceable provision had not been included in the Plan.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James C. Mullen, certify that:

1. I have reviewed this quarterly report of Biogen Idec 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(s) 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 the 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(s) 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: April 20, 2010

/s/ James C. Mullen

James C. Mullen

Chief Executive Officer and President

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul J. Clancy, certify that:

1. I have reviewed this quarterly report of Biogen Idec 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(s) 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 the 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(s) 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: April 20, 2010

/s/ Paul J. Clancy

Paul J. Clancy

Executive Vice President and Chief Financial Officer

**CERTIFICATION**  
**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Biogen Idec Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 20, 2010

/s/ James C. Mullen  
James C. Mullen  
Chief Executive Officer and President  
[principal executive officer]

Dated: April 20, 2010

/s/ Paul J. Clancy  
Paul J. Clancy  
Executive Vice President and Chief Financial Officer  
[principal financial officer]

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.