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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 12, 2003**

Biogen Idec Inc.
(Exact name of registrant as specified in its charter)

Delaware	**0-19311**	**33-0112644**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

14 Cambridge Center, Cambridge, Massachusetts 02142
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: **(617) 679-2000**

IDEC Pharmaceuticals Corporation
3030 Callan Road
San Diego, California 92121
(858) 431-8500
(Former name or former address, if changed since last report)

Item 2. Acquisition or Disposition of Assets.

On November 12, 2003, Bridges Merger Corporation ("Merger Sub"), a wholly owned subsidiary of the Registrant, was merged with and into Biogen, Inc. ("Biogen") with Biogen continuing as the surviving corporation and a wholly owned subsidiary of the Registrant (the "Merger"). At the same time, the Registrant filed an amendment to its certificate of incorporation to change its name to Biogen Idec Inc. The merger and name change were made pursuant to an Agreement and Plan of Merger, dated as of June 20, 2003, by and among the Registrant, Merger Sub and Biogen (the "Merger Agreement"). At a special meeting of the Registrant's stockholders held on November 12, 2003, the issuance of the Registrant's common stock under the Merger Agreement and the Registrant's change of name were approved by the requisite vote of the Registrant's stockholders. In addition, at a special meeting of Biogen stockholders held on November 12, 2003, the Merger Agreement was approved by the requisite vote of Biogen's stockholders.

As a result of the Merger, each share of Biogen common stock issued and outstanding at the effective time of the Merger, other than shares held by dissenting stockholders, was converted into the right to receive 1.15 (the "Exchange Ratio") shares of the Registrant's common stock. In addition, the Registrant assumed all options outstanding at the effective time of the Merger under Biogen's existing stock option plans. Each such option is now exercisable for a number of shares of the Registrant's common stock, and at an exercise price, adjusted to reflect the Exchange Ratio.

Upon completion of the Merger, Biogen's common stock was delisted from the Nasdaq National Market. In connection with the Merger, the Registrant's common stock symbol on the Nasdaq National Market was changed from "IDPH" to "BIIB."

The issuance of the Registrant's common stock under the Merger Agreement was registered under the Securities Act of 1933, as amended, pursuant to Form S-4/A (File No. 333-107098) filed with the Securities and Exchange Commission. The joint proxy statement/prospectus filed by the Registrant with the SEC on October 6, 2003 contains additional information about this transaction.

A copy of the Merger Agreement is included as an exhibit to the Registrant's Current Report on Form 8-K filed with the SEC on June 23, 2003 and is incorporated herein by reference. A copy of the press release dated November 12, 2003 announcing the completion of the Merger is attached as exhibit 99.1 to this Report and is incorporated herein by reference. Also attached to this Report as exhibits 99.2 and 99.3, and incorporated herein by reference herein, are certain historical financial statements of Biogen.

Item 5. Other Events and Regulation FD Disclosure

At the special meeting of the Registrant's stockholders on November 12, 2003, the Registrant's stockholders also approved, by the requisite vote:

1. an amendment to the Registrant's certificate of incorporation to increase the number of authorized shares of the Registrant's common stock from 500,000,000 to 1,000,000,000;

2. a new equity incentive plan entitled the 2003 Omnibus Equity Plan; and

3. a new performance based management incentive plan entitled the Performance Based Management Incentive Plan.

A copy of the 2003 Omnibus Equity Plan is included as exhibit 10.73 to this Report and is incorporated herein by reference. A copy of the Performance Based Management Incentive Plan is included as exhibit 10.74 to this Report and is incorporated herein by reference.

Item 7. Financial Statements and Exhibits

(a) Financial statements of business acquired.

(1) The consolidated balance sheets of Biogen and its subsidiaries at December 31, 2002 and 2001, the consolidated statements of income, cash flows and shareholders' equity of Biogen and its subsidiaries for each of the years ended December 31, 2002, 2001 and 2000, the notes to consolidated financial statements filed along with the above referenced consolidated balance sheets, statements of income, statements of cash flows and statements of shareholders' equity and the related report of Independent Accountants are being filed as exhibit 99.2 to this Report and are incorporated herein by reference.

(2) The unaudited condensed consolidated balance sheet of Biogen and its subsidiaries at September 30, 2003, the unaudited condensed consolidated statements of income of Biogen and its subsidiaries for the three and nine months ended September 30, 2003 and 2002, the unaudited condensed consolidated statements of cash flows of Biogen and its subsidiaries for the nine months ended September 30, 2003 and 2002 and the notes to the condensed consolidated financial statements filed along with the above referenced unaudited condensed consolidated balance sheet, statements of income and statements of cash flows are being filed as exhibit 99.3 to this Report and are incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed combined consolidated financial statements of the Registrant giving effect to the Merger as a purchase of Biogen by the Registrant in accordance with Article 11 of Regulation S-X (17 C.F.R. Section 210.11 (2000)), including the unaudited pro forma condensed combined balance sheet combining the historical consolidated balance sheets of the Registrant and Biogen as of the nine months ended September 30, 2003, giving effect to the Merger as if it occurred on September 30, 2003, and the unaudited pro forma condensed combined statements of income of the Registrant and Biogen for the year ended December 31, 2002 and the nine months ended September 30, 2003, giving effect to the Merger as if it occurred on January 1, 2002, will be filed by amendment within 60 days after the date that this initial Report must be filed.

(c) Exhibits.

Exhibit No.	Exhibit
2.1*	Agreement and Plan of Merger, dated June 20, 2003, by and among the Registrant, Bridges Merger Corporation and Biogen, Inc.
3.4	Certificate of Amendment dated November 12, 2003 to the Amended and Restated Certificate of Incorporation of the Registrant
10.73	2003 Omnibus Equity Plan of the Registrant
10.74	Performance Based Management Incentive Plan of the Registrant
23.1	Consent of PricewaterhouseCoopers LLP (for Biogen)
99.1	Press release of the Registrant dated November 12, 2003
99.2	The consolidated balance sheets of Biogen and its subsidiaries at December 31, 2002 and 2001, the consolidated statements of income, cash flows and shareholders' equity of Biogen and its subsidiaries for each of the years ended December 31, 2002, 2001 and 2000, the notes to consolidated financial statements filed along with the above referenced consolidated balance sheets, statements of income, statements of cash flows and statements of shareholders' equity and the related report of Independent Accountants
99.3	The unaudited condensed consolidated balance sheet of Biogen and its subsidiaries at September 30, 2003, the unaudited condensed consolidated statements of income of Biogen and its subsidiaries for the three and nine months ended September 30, 2003 and 2002, the unaudited condensed consolidated statements of cash flows of Biogen and its subsidiaries for the nine months ended September 30, 2003 and 2002 and the notes to the condensed consolidated financial statements filed along with the above referenced unaudited condensed consolidated balance sheet, statements of income and statements of cash flows

* Previously filed with the SEC as an exhibit to the Registrant's Current Report on Form 8-K (File No. 0-19311) filed on June 23, 2003, and incorporated by reference herein.

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 hereunto duly authorized.

BIOGEN IDEC INC.

(Registrant)

Date: November 12, 2003

By:

/s/ THOMAS J. BUCKNUM

Thomas J. Bucknum
Executive Vice President, General Counsel and Secretary

EXHIBIT INDEX

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EXHIBIT 3.4

CERTIFICATE OF AMENDMENT TO THE CERTIFICATE OF INCORPORATION OF IDEC PHARMACEUTICALS CORPORATION

Pursuant to Section 242 of the General
Corporation Law of the State of Delaware

IDEC Pharmaceuticals Corporation, a Delaware corporation (hereinafter called the "Corporation"), does hereby certify as follows:

FIRST: Article I of the Corporation's Amended and Restated Certificate of Incorporation is hereby amended to read in its entirety as set forth below:

ARTICLE I

The name of this corporation is "Biogen Idec Inc."

SECOND: Article IV(A) of the Corporation's Amended and Restated Certificate of Incorporation is hereby amended to read in its entirety as set forth below:

(A) Classes of Stock. The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue is One Billion Eight Million (1,008,000,000) shares. One Billion (1,000,000,000) shares shall be Common Stock, par value $0.0005 per share, and Eight Million (8,000,000) shares shall be Preferred Stock, par value $0.001 per share.

THIRD: The foregoing amendments were duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be duly executed in its corporate name this 12th day of November, 2003.

IDEC PHARMACEUTICALS CORPORATION

By: /s/ WILLIAM H. RASTETTER, PH.D.

Name: William H. Rastetter, Ph.D.
Title: Chairman of the Board and Chief Executive Officer

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ARTICLE I

Exhibit 10.73

IDEC PHARMACEUTICALS CORPORATION
2003 OMNIBUS EQUITY PLAN

1. *Purpose; Establishment.*

The IDEC Pharmaceuticals Corporation 2003 Omnibus Equity Plan (the "Plan") is intended to encourage ownership of shares of IDEC Pharmaceuticals Corporation Common Stock by selected Employees of the Company and its Affiliates and to provide an additional incentive to those Employees to promote the success of the Company and its Affiliates. The Plan has been adopted and approved by the Board of Directors, conditioned upon the Closing and 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, Phantom Stock, Stock Bonus, 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" shall mean the Board of Directors of the Company.

(f) "Closing" shall mean the closing of the Merger.

(g) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

(h) "Committee" shall mean, at the discretion of the Board of Directors, the full Board of Directors or a committee of the Board of Directors, which shall consist of two or more persons, each of whom, unless otherwise determined by the Board of Directors, is an "outside director" within the meaning of Section 162(m) of the Code and a "nonemployee director" within the meaning of Rule 16b-3.

(i) "Company" shall mean IDEC Pharmaceuticals Corporation, 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;

(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 the Merger, but giving effect to the consummation of the Merger), of directors constituting a majority of the number of directors of the Company then in office, provided, however, that directors whose election or appointment 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 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); or

(iii) the occurrence of any other event which the incumbent Board of Directors in its sole discretion determines should be considered a Corporate Change in Control.

(iv) The consummation of the Merger shall not be considered or deemed to be a Corporate Change in Control for the purposes of the Plan.

(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.

(iii) The consummation of the Merger shall not be considered or deemed to be a Corporate Transaction for the purposes of the Plan.

(m) "Covered Employee" shall have the meaning set forth in Section 162(m) of the Code.

(n) "Designated Employee" shall mean an Employee designated by the Committee, in its sole discretion, as a "Designated Employee" for purposes of the Plan at any time prior to the effective date of a Corporate Transaction.

(o) "Effective Date" shall mean the date that the Merger is consummated.

(p) "Employee" shall mean a person employed by the Company or an Affiliate as a common law employee (determined under the regular personnel policies, practices and classifications of the Company or the Affiliate, as applicable). A person is not considered an Employee for purposes of the Plan if the person is classified as a consultant or contractor under the Company or an Affiliate's regular personnel classifications and practices, or if the person is a party to an agreement to provide services to the Company or an Affiliate without participating in the Plan, notwithstanding that such person may be treated as a common law employee for payroll tax, coverage requirements under Section 410(b) of the Code, nondiscrimination requirements under Section 401(a)(4) of the Code or other legal purposes.

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

(r) "Fair Market Value" of the Common Stock shall be calculated as follows: (i) if the Common Stock is listed on a national securities exchange or traded on the NASDAQ National Market or the NASDAQ SmallCap Market 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 clause (i) or (ii) above, then the Fair Market Value shall be such value as the Committee in good faith determines.

(s) "Incentive Stock Option" shall mean an Option that is an "incentive stock option" within the meaning of Section 422 of the Code, or any successor provision, and that is designated by the Committee as an incentive stock option.

(t) "Merger" shall mean the merger of Bridges Merger Corporation, a wholly owned subsidiary of the Company, with and into Biogen Inc., with Biogen Inc. continuing as the surviving corporation, pursuant to the Agreement and Plan of Merger dated as of June 20, 2003.

(u) "Nonqualified Stock Option" shall mean an Option other than an Incentive Stock Option.

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

(w) "Other Award" shall mean an award granted pursuant to Section 11.

(x) "Participant" shall mean an Employee to whom an Award is granted pursuant to the Plan.

(y) "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.

(z) "Phantom Stock" shall mean the right, granted pursuant to Section 9, to receive in cash, shares or other property an amount, the value of which is related to the Fair Market Value of a share of Common Stock.

(aa) "Restricted Stock" shall mean a share of Common Stock which is granted pursuant to the terms of Section 8 or Section 7(d) and which is subject to restrictions as set forth in Section 8(d).

(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 11.

(dd) "Stock Bonus" shall mean a bonus payable in shares of Common Stock granted pursuant to Section 10.

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

3. *Stock Subject to the Plan.*

(a) *Shares Available for Awards*. The maximum number of shares of Common Stock reserved for issuance under the Plan shall be 17,400,000 shares (subject to adjustment as provided herein). Such shares may be authorized but unissued Common Stock or authorized and issued Common Stock held in the Company's treasury. The Committee may direct that any stock certificate evidencing shares issued pursuant to the Plan shall bear a legend setting forth such restrictions on transferability as may apply to such shares pursuant to the Plan.

(b) *Individual Limitation*. The total number of shares of Common Stock subject to Awards (including Awards which may be payable in cash but denominated as shares of Common Stock), awarded to any Participant shall not exceed 1,500,000 shares in any tax year of the Company (subject to adjustment as provided herein).

(c) *Limitation for Non-Option Awards*. The maximum number of shares of Common Stock subject to Awards other than Options under the Plan shall be 3,100,000.

(d) *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 (other than the 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, (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 respect of outstanding Awards, (3) the exercise price, grant price or purchase price relating to any outstanding Award, and (4) the maximum number of shares subject to Awards which may be awarded to any Participant during any tax year of the Company shall be equitably adjusted as necessary to prevent the dilution or enlargement of the rights of Participants; provided that, with respect to Incentive Stock Options, such adjustment shall be made in accordance with Section 424 of the Code.

(e) *Adjustment for Change or Exchange of Shares for Other Consideration*. In the event the 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 (other than the 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.

(f) *Reuse of Shares*. The following shares of Common Stock shall again become available for Awards: (1) any shares subject to an Award that remain unissued upon the cancellation, surrender, exchange or termination of such award for any reason whatsoever; (2) any shares of Restricted Stock forfeited and (3) any previously owned or withheld shares of Common Stock obtained by the Participant pursuant to an Award and received by the Company in exchange for Option shares upon a Participant's exercise of an Option, as permitted under Section 7(c)(ii).

4. *Administration of the Plan.*

The Plan shall be administered by the Committee. The Committee shall have the authority in its sole 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, the authority to grant Awards; to determine the persons to whom and the time or times at which Awards shall be granted; 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, restrictions and performance criteria relating to any Award; to determine whether, to what extent, and under what circumstances an Award may be settled, cancelled, forfeited, exchanged, or surrendered; to make adjustments in any applicable performance goals in recognition of unusual or nonrecurring events affecting the Company or the financial statements of the Company, or in response to changes in applicable laws, regulations, or accounting principles; to construe and interpret the Plan and any Award; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of Agreements; and 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 employment or service to the Company or an Affiliate 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 anything in the Plan to the contrary, 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 Corporate Transaction or other change in the Company's capitalization) without the approval of the Company's stockholders.

5. *Eligibility.*

The persons who shall be eligible to receive Awards pursuant to the Plan shall be such Employees (including officers of the Company, whether or not they are members of the Board of Directors) as the Committee shall select from time to time.

6. *Awards Under the Plan; Agreement.*

The Committee may grant Options, shares of Restricted Stock, shares of Phantom Stock, Stock Bonuses, Stock Appreciation Rights and Other Awards in such amounts and with such terms and conditions as the Committee shall determine, subject to the provisions of the Plan. 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.

7. *Options.*

(a) *Identification of Options*. Each Option shall be clearly identified in the applicable Agreement as either an Incentive Stock Option or a Nonqualified Stock Option. Each Option 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. Subject to Section 7(e) (if applicable), the option exercise price per share shall be determined by the Committee at the time of grant; provided, however, that in no event shall the option exercise price per share be less than the Fair Market Value of the Common Stock on the date of grant. Unless otherwise determined by the Committee, the per share option exercise price shall equal 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 or upon the achievement of the performance objectives determined by the Committee, in each case as set forth in the applicable Agreement. Subject to Section 7(e) (if applicable), the expiration date of each Option shall be ten (10) years from the date of the grant thereof, or at such earlier or later 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 (A) in United States dollars in cash or by check, (B) if permitted by the Committee, in shares of the Common Stock held by the Participant (or a permitted transferee of such person) for at least six months having a Fair Market Value as of the date of exercise equal to the option exercise price of the Option, (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.

(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.

(d) *Repurchase Rights*. Upon the exercise of an Option, and to the extent the applicable Agreement so provides, unvested shares of Restricted Stock may be issued under the Plan which are subject to Sections 8(b), (d), (e), (f) and (g) of the Plan and to repurchase by the Company in accordance with the following provisions:

(i) Upon a Participant's termination of employment with the Company or an Affiliate while holding unvested shares of Restricted Stock issued upon the exercise of an Option, the Company shall have the right to repurchase any or all of those unvested shares at the option exercise price paid per share. The terms and conditions upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Committee and set forth in the applicable Agreement.

(ii) The Board of Directors, in its discretion, may determine at the time that the unvested shares of Restricted Stock are issued or at any time thereafter that any or all of the Company's outstanding repurchase rights shall terminate, and that any or all shares subject to such terminated rights shall become vested in full, upon the occurrence of any Corporate Change in Control.

(iii) The Committee shall have the discretionary authority, exercisable either before or after the Participant's termination of employment, to cancel the Company's outstanding repurchase rights with respect to any or all unvested shares of Restricted Stock purchased or purchasable by the Participant under the Plan and thereby accelerate the vesting of those shares in whole or in part at any time.

(e) *Limitations on Incentive Stock Options*. To the extent that the aggregate Fair Market Value of shares of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under the Plan and any other stock option plan of the Company or an Affiliate shall exceed $100,000, such Options shall be treated as Nonqualified Stock Options. Such Fair Market Value shall be determined as of the date on which each such Incentive Stock Option is granted.

(f) No Incentive Stock Option may be granted to a person if, at the time of the proposed grant, such person owns (or is deemed to own under the Code) stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company unless (A) the exercise price of such Incentive Stock Option is at least 110% of the Fair Market Value of a share of Common Stock at the time such Incentive Stock Option is granted and (B) such Incentive Stock Option is not exercisable after the expiration of five years from the date such Incentive Stock Option is granted.

8. *Restricted Stock.*

(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*. At the time of the grant of shares of Restricted Stock, the Committee shall establish a Vesting Date or Vesting Dates with respect to such shares. Except as otherwise provided herein (including the provisions of Section 12, 13 and 14 hereof), and except for shares of Restricted Stock issued upon the exercise of Options pursuant to Section 7(d), no shares of Restricted Stock shall have a Vesting Date that is earlier than the third anniversary of the date of grant of such Award. The Committee may divide such shares into classes and

assign a different Vesting Date for each class. Provided that all conditions to the vesting of a share of Restricted Stock imposed pursuant to Section 8(c) are satisfied, and except as provided in Section 8(h), upon the occurrence of the Vesting Date with respect to a share of Restricted Stock, such share shall vest and the restrictions of Section 8(d) shall lapse.

(c) *Conditions to Vesting*. At the time of the grant of shares of Restricted Stock, the Committee may impose such restrictions or conditions to the vesting of such shares as it, in its absolute discretion, deems appropriate.

(d) *Restrictions on Transfer Prior to Vesting*. Prior to the vesting of a share of Restricted Stock, no transfer of a Participant's rights with respect to such share, whether voluntary or involuntary, by operation of law or otherwise, shall be permitted. Immediately upon any attempt to transfer such rights, such share, and all of the rights related thereto, shall be forfeited by the Participant.

(e) *Dividends on Restricted Stock*. The Committee in its discretion may require that any dividends paid on shares of Restricted Stock be held in escrow until all restrictions or conditions to the vesting of such shares have lapsed.

(f) *Issuance of Certificates*. (1) Following the date of grant with respect to shares of Restricted Stock, the Company shall cause to be issued a stock certificate, registered in the name of or for the account of the Participant to whom such shares were granted, evidencing such shares. Each such stock certificate shall bear the following 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 IDEC Pharmaceuticals Corporation 2003 Omnibus 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(f), together with the stock powers relating to the shares of Restricted Stock evidenced by such certificate, shall be held by the Company unless the Committee determines otherwise.

(g) *Consequences of Vesting*. Upon the vesting of a share of Restricted Stock pursuant to the terms hereof, the restrictions of Section 8(d) 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(f).

(h) *Effect of Termination of Employment*. Except as set forth in Section 12(c), (d) or (e) or as the Committee in its sole and absolute discretion may otherwise provide in the applicable Agreement, and subject to the Committee's authority under Section 4, upon the termination of a Participant's employment for any reason other than For Cause, any and all shares to which restrictions on transferability apply shall be immediately forfeited by the Participant and transferred to, and reacquired by, the Company together with any dividends paid on such shares; provided that if the Committee, in its sole and absolute discretion, shall within thirty (30) days after such termination of employment notify the Participant in writing of its decision not to terminate the Participant's rights in such shares, then the Participant shall continue to be the owner of such shares subject to such continuing restrictions as the Committee may prescribe in such notice. In the event of a forfeiture of shares pursuant to this section, the Company shall repay to the Participant any amount paid by the Participant for such shares. In the event that the Company requires a return of shares, it shall also have the right to require

the return of all dividends paid on such shares, whether by termination of any escrow arrangement under which such dividends are held or otherwise.

(i) In the event of the termination of a Participant's employment For Cause, any and all shares to which restrictions on transferability apply shall be immediately forfeited by the Participant and transferred to, and reacquired by, the Company, together with any dividends paid on such shares, in return for which the Company shall repay to the Participant any amount paid by the Participant for such shares.

(j) *Special Provisions Regarding Awards*. Notwithstanding anything to the contrary contained herein, Restricted Stock granted pursuant to this Section 8 to Covered Employees may be based on the attainment of performance goals pre-established by the Committee. To the extent permitted under Section 162(m) of the Code (including, without limitation, compliance with any requirements for stockholder approval), the Committee may designate additional business criteria on which the performance goals may be based or adjust, modify or amend the aforementioned business criteria. Such shares of Restricted Stock shall be released from restrictions only after the attainment of such performance measures has been certified by the Committee.

9. *Phantom Stock.*

(a) *General*. Units of Phantom Stock may be granted by the Committee in its discretion, provided that any such Award shall be granted only in lieu of salary or cash bonuses payable to the Participant and shall (except as otherwise provided in Section 12, 13 or 14 hereof) have a Vesting Date not earlier than the first anniversary of the date of grant of the Award.

(b) *Vesting Date*. At the time of the grant of units of Phantom Stock, the Committee shall establish a Vesting Date or Vesting Dates with respect to such units (subject to the provisions of Section 9(a) hereof). The Committee may divide such units into classes and assign a different Vesting Date for each class. Provided that all conditions to the vesting of a unit of Phantom Stock imposed pursuant to Section 9(d) are satisfied, and except as provided in Section 9(e), upon the occurrence of the Vesting Date with respect to a unit of Phantom Stock, such unit shall vest.

(c) *Benefit Upon Vesting*. Upon the vesting of a unit of Phantom Stock, the Participant (or a permitted transferee of such person) shall be paid, within 30 days of the date on which such unit vests, an amount, in cash and/or shares of Common Stock, as determined by the Committee, equal to the sum of (1) the Fair Market Value of a share of Common Stock on the date on which such unit of Phantom Stock vests and (2) the aggregate amount of cash dividends paid with respect to a share of Common Stock during the period commencing on the date on which the unit of Phantom Stock was granted and terminating on the date on which such unit vests.

(d) *Conditions to Vesting*. At the time of the grant of units of Phantom Stock, the Committee may impose such restrictions or conditions to the vesting of such units as it, in its absolute discretion, deems appropriate, to be contained in the Agreement.

(e) *Effect of Termination of Employment*. Except as set forth in Section 12(c), (d) or (e) or as the Committee in its sole and absolute discretion may otherwise provide in the applicable Agreement, and subject to the Committee's authority pursuant to Section 4, units of Phantom Stock that have not vested, together with any dividends credited on such units, shall be forfeited upon the Participant's termination of employment for any reason.

(f) *Special Provisions Regarding Awards*. Notwithstanding anything to the contrary contained herein, the vesting of Phantom Stock granted pursuant to this Section 9 to Covered

Employees may be based on the attainment of performance criteria as described in Section 8(j), in each case, to the extent applicable, as determined in accordance with generally accepted accounting principles. No payment in respect of any such Phantom Stock award shall be paid to a Covered Employee (or a permitted transferee of such person) until the attainment of such performance measures have been certified by the Committee.

10. *Stock Bonuses.*

Stock Bonus Awards may be granted by the Committee in its discretion, provided that any such Award shall be granted only in lieu of salary or cash bonuses payable to the Participant and shall (except as otherwise provided in Section 12, 13 or 14 hereof) have a Vesting Date not earlier than the first anniversary of the date of grant of the Award. In the event that the Committee grants a Stock Bonus, a certificate for the shares of Common Stock constituting such Stock Bonus shall be issued in the name of the Participant to whom such grant was made and delivered to such Participant as soon as practicable after the date on which such Stock Bonus is payable.

11. *Other Awards; Stock Appreciation Rights.*

(a) Other forms of Awards (including any Stock Appreciation Rights, hereinafter "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. Other Awards may be granted by the Committee in its discretion, provided that any such Other Award shall be granted only in lieu of salary or cash bonuses payable to the Participant and shall (except as otherwise provided in Section 12, 13 or 14 hereof or with respect to Stock Appreciation Rights granted in connection with an Option) have a Vesting Date not earlier than the first anniversary of the date of grant of the Award. Subject to the provisions of the Plan (including those set forth in the preceding sentence), the Committee shall have sole and complete authority to determine the persons to whom and the time or times at which such Other Awards shall be granted, the number of shares of Common Stock to be granted pursuant to such Other Awards and all other conditions of such Other Awards.

(b) A Stock Appreciation Right may be granted in connection with an Option, either at the time of grant of the Option or at any time thereafter during the term of the Option, or may be granted unrelated to an Option.

(c) 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 11(f). Such Option will, to the extent surrendered, then cease to be exercisable.

(d) In the case of Stock Appreciation Rights granted in relation to Options, if the Appreciation Right covers as many shares as the related Option, the exercise of a related Option shall cause the number of shares covered by the Stock Appreciation Right to be reduced by the number of shares with respect to which the related Option is exercised. If the Stock Appreciation Right covers fewer shares than the related Option, when a portion of the related Option is exercised, the number of shares subject to the unexercised Stock Appreciation Right shall be reduced only to the extent necessary so that the number of remaining shares subject to the Stock Appreciation Right is not more than the remaining shares subject to the Option.

(e) Subject to Section 11(k) 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.

(f) Upon the exercise of a Stock Appreciation Right related to an Option, the holder will be entitled to receive payment of an amount determined by multiplying:

(i) The difference obtained by subtracting the option exercise price per share specified in the related Option from the Fair Market Value of a share of Common Stock on the date of exercise of such Stock Appreciation Right, by

(ii) The number of shares as to which such Stock Appreciation Rights will have been exercised.

(g) A Stock Appreciation Right granted without relationship to an Option will be exercisable as determined by the Committee but in no event after ten years from the date of grant.

(h) A Stock Appreciation Right granted without relationship to an Option will entitle the holder, upon exercise of the Stock Appreciation Right, to receive payment of an amount determined by multiplying:

(i) The difference obtained by subtracting the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Right is granted from the Fair Market Value of a share of Common Stock on the date of exercise of such Stock Appreciation Right, by

(ii) The number of shares as to which such Stock Appreciation Rights will have been exercised.

(i) Notwithstanding Sections 11(f) and 11(h) 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 Agreements.

(j) Payment of the amount determined under Sections 11(f) and 11(h) 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 full payment will be made in shares of Common Stock, and the amount payable results in a fractional share, payment for the fractional share will be made in cash.

(k) The Committee may impose such additional conditions or limitations on the exercise of a Stock Appreciation Right as it may deem necessary or desirable to secure for holders of Stock Appreciation Rights the benefits of Rule 16b-3, or any successor provision in effect at the time of grant or exercise of a Stock Appreciation Right or as it may otherwise deem advisable.

12. *Termination of Employment.*

(a) A Participant who ceases (for any reason other than death, total and permanent disability, Retirement or termination of employment For Cause) to be an Employee of the Company or of an Affiliate may exercise any Option, Stock Appreciation Right or Other Award to the extent that such Award has vested on the date of such cessation. Except as set forth in the next sentence or as otherwise set forth in the Plan, such Option, Stock Appreciation Right or Other Award shall be exercisable only within three (3) months after such date of cessation, or, if earlier, within the originally prescribed term of the Award, unless the Committee shall set forth a different period in the applicable Agreement. For purposes of the Plan, employment shall not be deemed terminated by reason of a transfer to another employer which is the Company or an Affiliate. If any Option, Stock Appreciation Right or Other Award is not exercised following the Participant's termination within the time specified, the Award shall terminate and the shares covered by such Option, Stock Appreciation Right or Other Award shall revert to the Plan.

(b) A Participant whose employment with the Company or an Affiliate is terminated For Cause shall forthwith immediately upon notice of such termination cease to have any right to exercise any Option, Stock Appreciation Right or Other Award, and the Option, Stock Appreciation Right or Other Award shall terminate and the shares covered by such Option, Stock Appreciation Right or Other Award shall revert to the Plan. For purposes of the Plan, termination "For Cause" shall be deemed to include (and is not limited to) dishonesty with respect to the Company or any Affiliate, insubordination, substantial malfeasance or non-feasance of duty, unauthorized disclosure of confidential information, breach by a Participant of any provision of any employment, nondisclosure, non-competition or similar agreement between the Participant and the Company or any Affiliate, and conduct substantially prejudicial to the business of the Company or an Affiliate. The determination of the Committee as to the existence of circumstances warranting a termination For Cause shall be conclusive. Any definition in an agreement between a Participant and the Company or an Affiliate, which contains a conflicting definition of For Cause and which is in effect at the time of such termination, shall supersede the definition in the Plan with respect to the Participant.

(c) If a Participant ceases to be an Employee of the Company or of an Affiliate by reason of total and permanent disability, as determined by the Committee in accordance with the provisions of this Section 12(c), any Award held by such person (or a permitted transferee of such person) on the date of disability shall be fully exercisable as of the date of such cessation. A disabled Participant (or a permitted transferee of such person) may exercise such Award only within a period of one (1) year after the date of such cessation or within such different period as may be determined by the Committee and set forth in the applicable Agreement, or, if earlier, within the originally prescribed term of the Award. If any Award is not exercised following the Participant's total and permanent disability within the time specified, the Award shall terminate and the shares covered by such Award shall revert to the Plan. For purposes of the Plan, a Participant shall be deemed to have a total and permanent disability if such 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.

(d) If a Participant dies while the Participant is an Employee of the Company or of an Affiliate, any Award held by such person (or a permitted transferee of such person) at the date of death shall be fully exercisable as of the date of the Participant's death. A deceased Participant's legal representatives or one who acquires the Award by will or by the laws of descent and distribution (or a permitted transferee of such person) may exercise such Award only within a period of one (1) year after the date of death or within such different period as may be determined by the Committee and set forth in the applicable Agreement, or, if earlier, within the originally prescribed term of the award. If any Award is not exercised following the Participant's death within the time specified, the Award shall terminate and the shares covered by such Award shall revert to the Plan.

(e) Unless otherwise set forth in the applicable Agreement, immediately upon a Participant's Retirement, such person's then unvested Awards, including those held by a permitted transferee of such person, shall automatically accelerate and become fully vested for fifty percent (50%) of the number of shares covered by such unvested Awards and for an additional ten percent (10%) of the number of shares covered by such unvested Awards for every year of employment by the Company or any of its Affiliates beyond ten (10) years, up to the remaining amount of the unvested Award. Upon Retirement, a retired Participant (or permitted transferee of such person) may exercise any then outstanding Awards to the extent

vested only within a period of three (3) years after the date of Retirement or within such different period as may be determined by the Committee and set forth in the applicable Agreement or, if earlier, within the originally prescribed term of the Award. If any Award is not exercised following the Participant's Retirement within the time specified, the Award shall terminate and the shares covered by such Award shall revert to the Plan. For purposes of the Plan, the term "Retirement" as to any Employee of the Company or any of its Affiliates shall mean such person's leaving the employment of the Company and its Affiliates after reaching age 55 with ten (10) years of service with the Company or its Affiliates, but not including pursuant to any termination For Cause or pursuant to any termination for insufficient performance, as determined by the Company.

(f) *Leave of Absence*. A Participant to whom an Award has been granted under the Plan who is absent from work with the Company or with an Affiliate because of temporary disability, or who is on a permitted leave of absence for any purpose, shall not, during the period of any such absence, be deemed by virtue of such absence alone, to have terminated his employment with the Company or with an Affiliate except as the Committee may otherwise expressly provide in the applicable Agreement.

13. *Effect of Corporate Transaction.*

(a) *Options*. In the event of a Corporate Transaction, the Committee shall, prior to the effective date of the Corporate Transaction, as to each outstanding Option under the Plan either (i) make appropriate provisions for the Options to be assumed by the successor corporation or its parent or be replaced with a comparable options to purchase shares of the capital stock of the successor corporation or its parent; or (ii) upon written notice to the Participants provide that all Options must be exercised and the Plan will terminate (all Options having been made fully exercisable as set forth below in this Section 13; or (iii) terminate all Options in exchange for a cash payment equal to the excess of the then aggregate Fair Market Value of the shares subject to such Options (all Options having been made fully exercisable as set forth below in this Section 13) over the aggregate option exercise price thereof. Each outstanding Option 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 immediately prior to such Corporate Transaction. Appropriate adjustments shall also be made to the option exercise price payable per share, provided the aggregate option exercise price payable for such securities shall remain the same.

(b) *Other Awards*. 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) 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 exercisable, as applicable, prior to such Corporate Transaction and, to the extent that such Awards (other than awards of Restricted Stock) are not exercised prior to such Corporate Transaction, shall terminate upon the consummation of the 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 exercisable as set forth below in this Section 13), less any applicable exercise price.

(c) *Involuntary Employment Action*. If at any time within two (2) years of the effective date of a Corporate Transaction there is an Involuntary Employment Action with respect to any Designated Employee, each then outstanding Award assumed or replaced under this Section 13 and held by such Designated Employee (or a permitted transferee of such person) shall, upon the occurrence of such Involuntary Employment Action, automatically accelerate so that each such Award shall immediately become fully vested or exercisable, as applicable. Upon the occurrence of an Involuntary Employment Action with respect to a Designated Employee, any outstanding Options or Stock Appreciation Right held by such Designated Employee (and a permitted transferee of such person) shall be exercisable within one (1) year of the Involuntary Employment Action or, if earlier, within the originally prescribed term of the Option or Stock Appreciation Right. An "Involuntary Employment Action" as to a Designated Employee shall mean the involuntary termination of the Designated Employee's employment with the Company or an Affiliate other than For Cause, or the termination by the Designated Employee of his employment with the Company and its Affiliates upon the occurrence, without the Participant's express written consent, of any of the following circumstances unless such circumstances are corrected (provided such circumstances are capable of correction): (i) any adverse and material alteration and diminution in the Participant's position, title or responsibilities (other than a mere change in title or reporting relationship) as they existed immediately prior to the Corporate Transaction or as the same may be increased from time to time thereafter, (ii) a reduction of the Participant's annual base salary or targeted bonus opportunity, in each case as in effect on the date prior to the Corporate Transaction or as the same may be increased from time to time thereafter, or (iii) relocation of the offices at which the Participant is employed which increases the Participant's daily commute by more than 100 miles on a round trip basis.

(d) *Determination of Comparability*. The determination of comparability under this Section 13 shall be made by the Committee and its determination shall be final, binding and conclusive.

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

(f) *Termination of the Plan*. In the event the Company terminates the Plan or elects to cash out Options or Stock Appreciation Rights in accordance with clauses (ii) and (iii) of paragraph (a) or (b) of this Section 13, then the exercisability 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 sentence.

14. *Acceleration Upon Corporate Change in Control.*

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 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 sentence. However, an outstanding Award under the Plan shall not be accelerated under this Section 14 if and to the extent one or more limitations imposed by the Committee at the time of grant preclude such acceleration upon a Corporate Change in Control.

15. *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 stock certificate with respect to such shares. Except as otherwise expressly provided in Section 3(c), no adjustment to any Award shall be made for dividends or other rights for which the record date occurs prior to the date such stock certificate is issued.

16. *No Employment Rights; 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 employment by the Company or an Affiliate or interfere in any way with the right of the Company or an Affiliate, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the compensation of the Participant. 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.

17. *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.

18. *Withholding Taxes.*

Whenever cash is to be paid pursuant to an Award, the Company or Affiliate by which the Participant is employed shall have the right to deduct therefrom an amount sufficient to satisfy any federal, state and local withholding tax requirements related thereto. Whenever shares of Common Stock are to be delivered pursuant to an Award, the Company shall have the right to require the Participant to remit to the Company or Affiliate by which the Participant is employed in cash an amount sufficient to satisfy any

federal, state and local withholding tax requirements related thereto. With the approval of the Committee, a Participant may satisfy the foregoing requirement by electing to have the Company withhold from delivery shares of Common Stock having a value equal to the minimum amount of tax required to be withheld. Such shares shall be valued at their Fair Market

Value on the date of which the amount of tax to be withheld is determined. Fractional share amounts shall be settled in cash. Such a withholding election may be made with respect to all or any portion of the shares to be delivered pursuant to an Award.

19. *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.

20. *Notification Upon Disqualifying Disposition Under Section 421(b) of the Code.*

Each Agreement with respect to an Incentive Stock Option shall require the Participant to notify the Company of any disposition of shares of Common Stock issued pursuant to the exercise of such Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), within 10 days of such disposition.

21. *Amendment or Termination of the Plan.*

No amendment to the Plan which (i) increases the number of shares of Common Stock issuable under the Plan (ii) materially changes the class of persons eligible to participate in the Plan, (iii) would have the effect of materially increasing the benefits accruing under the Plan to Participants or (iv) materially alters the provisions of the second paragraph of Section 4 shall be effective without approval by the stockholders of the Company. Except as set forth in the preceding sentence, 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 also be required for any such amendment if and to the extent the Board of Directors determines that such approval is appropriate for purposes of satisfying Sections 162(m) or 422 of the Code or Rule 16b-3 or other 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 4, which discretion may be exercised without amendment to the Plan. No action hereunder may, without the consent of a Participant, reduce the Participant's rights under any outstanding Award.

22. *Transferability.*

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, or (ii) with respect to Awards other than Incentive Stock Options, 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. The designation of a beneficiary of an Award by a Participant shall not be deemed a transfer prohibited by this Section. Except as provided in the preceding sentence, 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 22, 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 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 22, shall be effective to bind the Company unless the Committee shall have been furnished with (a) written notice thereof and with a copy of the will and/or 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.

23. *Dissolution or Liquidation of the Company.*

Upon the dissolution or liquidation of the Company other than in connection with transactions to which Section 13 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 by Section 22, have not otherwise terminated and expired, the Participant or such person shall have the right immediately prior to such dissolution or liquidation to exercise any Award granted hereunder to the extent that the right to exercise such Award has accrued as of the date immediately prior to such dissolution or liquidation. Awards of Restricted Stock that have not vested as of the date of such dissolution or liquidation shall be forfeited as of the date of such dissolution or liquidation.

24. *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. No extension of the Plan shall operate to permit the grant of Incentive Stock options following 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.

25. *Applicable Law.*

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

26. *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.

27. *Unfunded Status of Awards.*

The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. 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 creditor of the Company.

28. *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.

29. *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.

30. *Interpretation.*

The Plan is designed and intended to comply, to the extent applicable, with Section 162(m) of the Code, and all provisions hereof shall be construed in a manner to so comply.

31. *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.

Exhibit 10.74

IDEC PHARMACEUTICALS CORPORATION
PERFORMANCE BASED MANAGEMENT INCENTIVE PLAN

I. *Purpose*

This Performance Based Management Incentive Plan (the "Plan") is maintained by IDEC Pharmaceuticals Corporation (the "Company") to:

A. Attract and retain persons of outstanding competence.

B. Stimulate outstanding effort to bring about exceptional operating performance and reward the contributors to this performance by providing them with a share of the resulting benefits.

The Plan is intended to supplement a person's base salary and result in total cash compensation for above average performance that exceeds the average compensation levels of comparable companies. Incentive awards paid under the Plan are intended to satisfy the "qualified performance-based compensation" requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

II. *Basic Concepts*

Since the purpose of the Plan is to stimulate and reward outstanding performance in the accomplishment of specific objectives, the Plan should generally be formally integrated with the objectives of the total management system. The Plan should thus support a continuing and meaningful emphasis on the effective use of goal setting and management by objectives and generally should be aligned with the goals reflected in the approved annual plan of the Company.

Annual incentive award programs under the Plan shall be developed under the following basic concepts:

A. The advance identification of the participants in the Plan and the establishment of target incentive awards, specific performance goals and the extent to which each such objective shall determine the actual award.

B. The establishment of a range in the actual incentive awards available under the Plan to reflect the achievements of the respective participants as well as the achievement of the Company-wide performance goals.

III. *Eligibility*

A. Participation in the Plan shall be limited to executive officers of the Company and its subsidiaries and affiliates and certain other key employees of the Company and its subsidiaries nominated by the Chief Executive Officer (the "CEO") and approved by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee"), or selected by the Compensation Committee (each employee participating in the Plan a "Participant").

B. Unless otherwise specifically authorized by the Compensation Committee, persons approved for participation in the Plan (each employee participating in the Plan a "Participant") shall be excluded from participation in any other cash bonus or incentive program of the Company or its subsidiaries and affiliates.

IV. *Basis of Participation*

A. Participants may receive incentive awards under the Plan on the basis of percentages established in advance as recommended by the CEO and approved by the Compensation Committee as part of the annual compensation plan, or as established by the Compensation Committee.

B. The target incentive award for a Participant shall be developed in accordance with the following:

1. In connection with the planning of their performance goals for the plan year, the CEO shall recommend (for approval by the Compensation Committee), or the Compensation Committee shall establish, the individual Participants and the target incentive award for each Participant (expressed as a percentage of the annual base pay of the Participant).

2. The target incentive award for each Participant (expressed as a percentage of annual base pay of the Participant) shall be established in accordance with guidelines established by the Compensation Committee.

(a) Because of the many variables in establishing base salary structures, the Plan does not contemplate achieving any degree of uniformity in the relationship of incentive awards to annual base pay. Therefore, the range of target incentive awards will be rather broad. Individual target incentive awards should be based upon consideration of:

(i) relative significance of the individual's function in directly influencing the performance of the Company;

(ii) the target incentive awards for individuals in similar roles at competing companies; and

(iii) the relative competitive total compensation for the respective positions.

C. Each plan year, the Compensation Committee shall establish a formula for determining the amount of incentive award a Participant may receive and such formula shall specify the Participants or class of Participants to which such formula applies. Generally, a formula established by the Compensation Committee shall reflect both (1) Company-wide goals ("Corporate Goals") which generally should be based on key elements of the Company's annual plan and (2) specific goals relating to the performance of the respective Participant ("Individual Goals"). Corporate Goals and Individual Goals shall be objective and the formula shall be objective and state the method for computing the amount that may be paid to a Participant if the performance goal or goals are attained. A formula established by the Compensation Committee may provide that if certain specified goals are not met, no incentive awards will be awarded under the Plan for the plan year to which such formula applies.

D. Subject to Sections VII.C, VIII.B, VIII.C and VIII.D, the actual incentive award to a Participant under the Plan shall be computed according to the formula determined pursuant to Section IV.C; provided, however, that the Compensation Committee shall have the discretion to decrease the amount of the incentive award payable. A

Participant may receive an incentive award that is less than, equal to or greater than his or her target incentive award provided, however, that the calculation shall not be discretionary but rather shall be pursuant to an objective formula for computing the amount of compensation payable to the Participant if the applicable performance goals are attained.

E. Individual Goals shall be established as follows:

1. Individual Goals shall be based on one or more of the business criteria set forth in Section V.B and shall relate to significant and measurable areas that require special attention during the plan year. The purpose is to add special emphasis to those particular activities and reward for their accomplishments. From year-to-year, it is expected that the emphasis will change both in relation to the selected Individual Goals as well as to the importance of such goals in determining the actual incentive award.

2. Individual Goals shall be precise in establishing the targets and the basis for measurement of accomplishment, and if there can be variations in the degree of accomplishment of an individual

goal, the extent to which such goal will be considered satisfied upon attainment of the levels of accomplishment shall be clearly stated.

3. Where Individual Goals relate to dollar objectives, they should be identified with or reconciled to amounts reflected in the Company's approved annual operating plan.

V. *Code Section 162(m) Requirements*

A. Notwithstanding any provision of the Plan to the contrary, incentive awards shall be paid solely on account of the attainment of one or more objective performance goals which (1) are pre-established by the Compensation Committee, (2) are based on one or more of the business criteria listed below in Section V.B, and (3) state, in terms of an objective formula or standard, the method for computing the amount of compensation payable to a Participant if the goal is attained; provided, however, that incentive awards may also be paid in accordance with Section VIII.B.

B. Notwithstanding any provision of the Plan to the contrary, performance goals shall be based on one or more of the following business criteria: revenue growth; earnings per share; return on capital employed; profits after taxes; total return to stockholder and earnings before any one or more of the following items: interest, taxes, depreciation or amortization; operating income; cash flow; return on equity; return on invested capital; return on assets; cost reductions or savings; funds from operations; appreciation in the market value of Company common stock; progress on the Company's product pipeline; research productivity; movement of programs from research to development; product development; product market share; in-licensing and/or out-licensing; mergers and/or acquisitions; sales of assets and/or subsidiaries; litigation; information services related projects; employee turnover and/or other human resources activities; manufacturing quality; production measures; inventory levels; supply chain management; support services; site, plant, building and/or facility development; government relations; management and board of directors composition; leadership development and/or talent management.

C. Notwithstanding any provision of the Plan to the contrary, the calculation of an incentive award (including any increase above the target incentive award but excluding any decrease in the award payable) shall not be discretionary but rather shall be pursuant to an objective formula for computing the amount of incentive award payable to a Participant if the applicable goals are attained.

D. Notwithstanding any provision of the Plan to the contrary, to the extent necessary to comply with the qualified performance-based compensation requirements of Code Section 162(m), award formulas shall be adopted in each performance period by the Compensation Committee no later than the latest time permitted by Code Section 162(m) (generally, for performance periods of one year or more, no later than 90 days after the commencement of the performance period). No incentive awards shall be paid to Participants unless and until the Compensation Committee makes a certification in writing with respect to the attainment of the performance goals with respect to such incentive award as required by Code Section 162(m). Although the Compensation Committee may in its sole discretion reduce an incentive award payable to a Participant pursuant to the applicable formula, subject to Section VIII.B the Compensation Committee shall have no discretion to increase the amount of a Participant's incentive award as determined under the applicable formula.

VI. *Administration*

A. The overall administration of the Plan shall be under the direction of the Compensation Committee. The Compensation Committee shall consist solely of two or more members of the Company's Board of Directors who qualify as "outside directors" for purposes of Code Section 162(m).

B. Responsibility for the operating administration of the Plan shall be under the direction of the Company's senior human resources officer.

VII. *Determination of Incentive Awards*

A. Promptly following the close of a plan year, the respective managers shall evaluate the performance of the Participants, determine the extent to which Individual Goals were achieved (in terms of percentage achievement, subject to a maximum percentage established annually by the Compensation Committee, which in no event shall be more than 225%) and, with assistance from the Company's chief human resources officer, forward a report on such evaluations and determinations to the Compensation Committee for review and approval. In all cases, the extent to which Individual Goals were achieved shall be determined only after a self-assessment has been completed.

B. The final determination of the extent to which Corporate Goals were achieved (in terms of percentage achievement, subject to a maximum percentage established annually by the Compensation Committee, which in no event shall be more than 225%) will be made by the Compensation Committee, promptly following the availability of year-end financial and technical results.

C. Subject to the limitation that the maximum amount payable under the Plan to any employee during any calendar year may not exceed $3,500,000 and subject to Sections IV.D, VIII.B, VIII.C and VIII.D, incentive awards to Participants shall be computed according to the formula established under Section IV.C, using, to the extent applicable to such formula, the percent achievement determined in accordance with Section VII.A and the percent achievement determined in accordance with Section VII.B.

VIII. *Payments, Termination of Employment and General Conditions*

A. Subject to Section VIII.C and VIII.D, payments to Participants who have been determined to be entitled to incentive awards shall be made in cash generally not later than the fifteenth day of the third calendar month following the close of the Company's fiscal year.

B. A Participant must be employed by the Company on the last day of a plan year to be eligible for an incentive award. A Participant whose employment with the company is terminated prior to the end of a plan year due to death, disability or a change of ownership or control of the Company may receive an incentive award at the discretion of the Compensation Committee. A Participant whose employment with the Company is terminated for any reason other than death, disability or a change of ownership or control of the Company may receive an incentive award at the discretion of the Compensation Committee only if the applicable performance goals were attained prior to such termination.

C. While it is the intent of the Company to continue the Plan during any year for which it is established and to make incentive awards to Participants in accordance with these policies and guidelines, the Company reserves the right to amend, modify or terminate the Plan, any annual incentive program under the Plan or any Participant's participation in the Plan at any time or on such conditions as the Compensation Committee shall deem appropriate; provided, however, that once the Compensation Committee has established the performance goals underlying an incentive award the Compensation Committee may not change either such performance goals or the formula for computing whether such goals were met and the Compensation Committee may not increase the amount of the target incentive award (the Compensation Committee may, however, decrease the amount of a Participant's actual incentive award). No Participant shall have any right to any incentive award under the Plan until such award and the amount thereof has been finally approved by the Compensation Committee and communicated to such Participant after the end of the plan year for which the award is being made.

D. No incentive awards shall be paid under the Plan unless and until the material terms of the performance goals under which incentive awards may be paid have been approved by the Company's stockholders as required by Section 162(m) of the Code. So long as the Plan shall not have been previously terminated by the Company, the material terms of the performance goals under which incentive awards may be paid shall be resubmitted for approval by the Company's stockholders in the fifth year after the material terms of the performance goals under which incentive awards may be paid shall have first been approved by the Company's stockholders and every fifth year thereafter. In addition, the material terms of the performance goals under which incentive awards may be paid shall be resubmitted to the Company's stockholders for approval if the Plan is amended in any way which changes the persons eligible under the Plan, the business criteria listed in Section V.B, the maximum amount of compensation which may be paid to any Participant under the Plan in any calendar year, or the material terms of the performance goals.

E. A Participant may designate a beneficiary or beneficiaries who, in the event of the Participant's death, shall receive payment of any incentive award that may be determined under Section VIII.B. Such designation shall be made by the Participant on a form prescribed by the Compensation Committee. The Participant may, at any time, change or revoke such designation. A beneficiary designation, or revocation of a prior beneficiary designation, will be effective only if it is made in writing on a form provided by the Compensation Committee, signed by the Participant and received by the Company. If a Participant does not designate a beneficiary or the beneficiary dies prior to receiving any payment of an incentive award, awards payable under the Plan otherwise to a beneficiary shall be paid to the Participant's estate. Submission of a beneficiary designation form and its receipt by the Company does not in any way alter or diminish the discretionary authority granted to the Compensation Committee under Section VIII.B.

F. The Plan is not a contract between the Company and any Participant. Neither the establishment of the Plan, nor any action taken hereunder, shall be construed as giving any Participant any right to be retained in the employ of the Company. The Company is under no obligation to continue the Plan.

G. A Participant's right and interest under the Plan may not be assigned or transferred, except as provided in Section VIII.E, and any attempted assignment or transfer shall be null and void and shall extinguish, in the Company's sole discretion, the Company's obligation under the Plan to pay incentive awards with respect to the Participant.

H. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund, or to make any other segregation of assets, to assure payment of awards.

I. The Company shall have the right to deduct from incentive awards paid any taxes or other amounts required by law to be withheld.

J. It is the intent of the Company that the Plan and incentive awards under the Plan comply with the applicable provisions of Section 162(m) of the Code. To the extent that any legal requirement of Section 162(m) of the Code as set forth in the Plan ceases to be required under Section 162(m) of the Code, that Plan provisions shall cease to apply.

K. The validity, construction, interpretation and effect of the Plan shall exclusively be governed by and determined in accordance with the laws of the State of Delaware, without giving effect to its conflict of laws provisions.

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Biogen Idec Inc. (formerly known as IDEC Pharmaceuticals Corporation) Registration Statement on Form S-3 (No. 333-89792), Biogen Idec Inc. Registration Statement on Form S-4 (No. 333-107098) and Biogen Idec Inc. Registration Statements on Form S-8 (Nos. 333-106794, 333-97211, 333-65494, 333-47904 and 333-81625) of our report dated February 14, 2003 relating to the financial statements of Biogen, Inc., which is included in the Biogen Idec Inc. Current Report on Form 8-K dated November 12, 2003.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
November 12, 2003

QuickLinks

CONSENT OF INDEPENDENT ACCOUNTANTS

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Exhibit 99.1

BIOGEN AND IDEC PHARMACEUTICALS COMPLETE MERGER TO CREATE NEW BIOTECHNOLOGY INDUSTRY LEADER

CAMBRIDGE, MA, and SAN DIEGO, CA, NOVEMBER 12, 2003—IDEC Pharmaceuticals Corporation and Biogen, Inc. announced today that they have completed their merger transaction, creating a new global biotechnology industry leader, with top products and capabilities in oncology and immunology.

Stockholders of both companies approved the merger and merger-related proposals at special meetings held today, and all regulatory approvals and closing conditions have been satisfied. The combined company, Biogen Idec Inc., will commence trading on NASDAQ tomorrow under the stock symbol "BIIB."

"We are excited to begin our new life as Biogen Idec and to capitalize on the momentum we have generated as individual companies and in our work planning for a unified organization," said William H. Rastetter, Ph.D., the company's Executive Chairman. "Based on our existing collaboration in oncology, we knew that this combination would be an excellent fit, both operationally and culturally. Yet it still has been gratifying to witness the realization of this vision over the past five months during our integration planning process."

Biogen Idec begins operations with several impressive features, including:

- Strong franchises in oncology and immunology, supported by centers of excellence in San Diego and Cambridge;
- A diverse product portfolio and revenue base, with two blockbuster drugs, AVONEX® (Interferon beta-1a) and RITUXAN® (rituximab), and 10 products in clinical development;
- An aggressive drug development program, with initiatives focused on making Biogen Idec a strategic partner for companies seeking to develop promising new therapies;
- A strong commitment to pioneering new standards of care through an expected annual R&D budget of more than $550 million and 1,000 dedicated R&D employees, including approximately 400 in discovery research; and
- Global reach, including operations in 16 European countries, as well as Japan, Canada, Australia, and New Zealand. A vast network of distributors sells Biogen Idec products in over 50 countries.

"Since the announcement of our proposed merger in June, our lead products AVONEX and RITUXAN have performed exceptionally well, and we have continued to mark progress in our combined late-stage pipeline," said James C. Mullen, Biogen Idec's Chief Executive Officer. "In addition, Biogen Idec will leverage strategic assets—including $1.5 billion in net cash and manufacturing expertise and capacity—to achieve our goal of in-licensing approximately 50 percent of our pipeline by 2010."

Biogen Idec's pipeline of products in development includes ANTEGREN® (natalizumab), which, in partnership with Elan Corporation plc, is in Phase III clinical studies for the treatment of multiple sclerosis and Crohn's disease; RITUXAN which is in Phase III trials for rheumatoid arthritis and other cancer indications; the second-generation oral fumarate, which is in Phase III clinical trials in Europe; and an anti-CD23 antibody, which will soon enter Phase II trials for chronic lymphocytic leukemia (CLL).

The company will begin with a balance sheet of more than $1.5 billion in net cash, and a commitment toward delivering on each of the financial goals it has articulated since the merger was announced. The company expects to achieve 15 percent compound annual revenue growth and approximately 20 percent compound annual cash earnings per share growth through 2007, and to generate cumulative operating expense synergies of over $300 million and cumulative capital expenditure synergies of over $175 million through 2007.

The Board of Directors of Biogen Idec will consist of 12 directors, six from each company, including Mr. Mullen and Dr. Rastetter. Dr. Rastetter will serve as Executive Chairman of the Board of Directors. The 10 non-employee Board members are Alan Belzer, Lawrence C. Best, Alan B. Glassberg, M.D., Mary L. Good, Ph.D., Thomas F. Keller, Robert W. Pangia, Bruce R. Ross, the Honorable Lynn Schenk, Phillip A. Sharp, Ph.D. and William D. Young.

In addition to Dr. Rastetter and Mr. Mullen, Biogen Idec's executive officers are:

- Burt A. Adelman, M.D., Executive Vice President, Development;
- Thomas J. Bucknum, Executive Vice President, General Counsel, and Secretary;
- John M. Dunn, Executive Vice President, New Ventures;
- Nabil Hanna, Ph.D., Executive Vice President, Research;
- Peter N. Kellogg, Executive Vice President, Chief Financial Officer;
- Connie Matsui, Executive Vice President, Corporate Strategy and Communication;
- William R. Rohn, Chief Operating Officer; and
- Craig E. Schneier, Ph.D., Executive Vice President, Human Resources

As a result of the merger, each share of Biogen common stock was converted into the right to receive 1.15 shares of Biogen Idec common stock.

About Biogen Idec

Biogen Idec creates new standards of care in oncology and immunology. As a global leader in the development, manufacturing, and commercialization of novel therapies, Biogen Idec transforms scientific discoveries into advances in human healthcare. For product labeling, press releases and additional information about the company, please visit www.biogenidec.com.

Safe Harbor

This press release contains "forward-looking" statements including statements regarding anticipated future financial and operating performance and results, including estimates for growth expected synergies, and expectations for our products and plans for development and expansion of our pipeline. These statements are based on the company's current expectations. There are a number of risks and uncertainties that could cause actual results to differ materially. For example, problems may arise in successfully integrating the two companies. We may be unable to achieve cost-cutting synergies. The market for our products may change or be impacted by competition, new data, supply issues or marketplace trends. Technical, regulatory or manufacturing issues, new data or intellectual property disputes may affect our programs or we may encounter other difficulties in developing our pipeline or in gaining approval of new products.

For more detailed information on the risks and uncertainties associated with the company's business activities see Biogen's and IDEC Pharmaceuticals' reports filed with the SEC. The company does not undertake any obligation to publicly update its forward-looking statements, whether as a result of new information, future events, or otherwise.

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Key Highlights of Biogen Idec Inc.

Financial:	- Pro forma 2002 revenues: $1.55 billion - - $1.5 billion net cash - - Goal of achieving operating expense synergies of over $300 million and cumulative capital expenditure synergies of over $175 million through 2007.
Employees:	Approximately 4,000 people worldwide.
Therapeutic focus:	Leadership in core therapeutic areas of oncology, neurology, and dermatology.
Blockbuster products:	AVONEX is the #1 product for relapsing multiple sclerosis, with over $1.1 billion in worldwide sales in 2002. RITUXAN has had the most successful and fastest launch of any cancer therapy, with $1.48 billion in worldwide sales in 2002. RITUXAN, a treatment for certain B-cell non-Hodgkin's lymphomas, is marketed in the U.S. under a copromotion arrangement with Genentech, Inc., and outside the U.S. by Roche and Zenyaku Kogyo. IDEC receives a share of co-promotion profits from sales of RITUXAN in the U.S., which was $324.5 million in 2002, and a royalty of sales outside the U.S., which was $45.43 million in 2002.
Recent product launches:	ZEVALIN® (ibritumomab tiuxetan) — radioimmunotherapy for the treatment of certain B-cell non-Hodgkin's lymphomas, launched in the U.S. in April 2002. AMEVIVE® (alefacept) — a biologic launched in the U.S. in February 2003 for the treatment of adult patients with moderate-to-severe chronic plaque psoriasis who are candidates for systemic therapy or phototherapy.
Pipeline products:	Strong pipeline in oncology and immunology, including RITUXAN in Phase III clinical trials for rheumatoid arthritis and other cancer indications; ANTEGREN in Phase III trials for MS and Crohn's disease; and the second-generation oral fumarate, which is in Phase III clinical trials for psoriasis in Europe. In addition, the company has four products in Phase II trials.
R&D capabilities:	Pioneer in leading-edge oncology, immunology, and neurobiology research. Centers of excellence in research in Cambridge, MA and San Diego, CA.
Manufacturing:	3 biological bulk-manufacturing facilities including a 250,000 square-foot, large-scale manufacturing facility in Research Triangle Park, NC to manufacture bulk protein — one of the largest cell culture facilities in the world. Currently constructing world-class facility for manufacture of biologics in Oceanside, CA. Recently finished construction of 70,000 sq. ft. facility for the manufacture of biologics for clinical trials.
Global infrastructure:	Operations in 16 European countries, as well as Japan, Canada, Australia, and New Zealand. A vast network of distributors sells Biogen Idec products in over 50 countries.

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QuickLinks

BIOGEN AND IDEC PHARMACEUTICALS COMPLETE MERGER TO CREATE NEW BIOTECHNOLOGY INDUSTRY LEADER

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Exhibit 99.2

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Shareholders of Biogen, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of shareholders' equity present fairly, in all material respects, the financial position of Biogen, Inc. and its subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
February 14, 2003

Consolidated Statements of Income
Biogen, Inc. and Subsidiaries

(in thousands, except per share amounts)

For the years ended December 31,	2002	2001	2000
Revenues:			
Product	$ 1,034,357	$ 970,546	$ 760,292
Royalties	114,007	71,766	165,373
Total revenues	1,148,364	1,042,312	925,665
Costs and expenses:			
Cost of product revenues	151,440	131,870	112,928
Cost of royalty revenues	8,719	4,640	12,270
Research and development	367,567	314,556	302,840
Selling, general & administrative	324,001	231,048	169,271
Total costs and expenses	851,727	682,114	597,309
Income from operations	296,637	360,198	328,356
Other income (expense), net	(20,042)	29,299	158,749
Income before income taxes	276,595	389,497	487,105
Income taxes	77,447	116,814	153,528
Net Income	$ 199,148	$ 272,683	$ 333,577
Basic earnings per share	$ 1.33	$ 1.84	$ 2.24
Diluted earnings per share	$ 1.31	$ 1.78	$ 2.16
Shares used in calculating:			
Basic earnings per share	149,337	148,355	148,743
Diluted earnings per share	151,930	152,916	154,602

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets
Biogen, Inc. and Subsidiaries

(in thousands, except share amounts)

As of December 31,	2002	2001
Assets		
Current assets		
Cash and cash equivalents	$ 45,113	$ 54,042
Marketable securities	821,996	744,065
Accounts receivable, less allowance for doubtful accounts of $1,920 and $2,082, respectively	171,067	177,582
Deferred tax assets	38,592	44,108
Inventory	95,378	51,919
Other current assets	43,878	26,011
Total current assets	1,216,024	1,097,727
Property and equipment, net	738,059	555,998
Patents, net	15,994	16,562
Marketable securities	3,757	12,183
Other assets	33,154	38,576
	$ 2,006,988	$ 1,721,046
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 64,876	$ 50,944
Current portion of long-term debt	4,888	4,888
Current taxes payable	73,824	90,131
Accrued expenses and other	182,745	148,979
Total current liabilities	326,333	294,942
Long-term debt, less current portion	37,410	42,297
Long-term deferred tax liability	33,678	16,789
Other long-term liabilities	14,146	18,186
Commitments and contingencies	—	—
Shareholders' equity		
Common stock, par value $0.01 per share (375,000,000 shares authorized; 151,705,636 shares issued in 2002 and 2001)	1,517	1,517
Additional paid-in capital	829,993	808,076
Treasury stock, at cost, 1,618,195 and 3,233,351 shares in 2002 and 2001, respectively	(90,844)	(176,123)
Retained earnings	838,756	705,893
Accumulated other comprehensive income	15,999	9,469
Total shareholders' equity	1,595,421	1,348,832
	$ 2,006,988	$ 1,721,046

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Biogen, Inc. and Subsidiaries

(in thousands)

For the years ended December 31,	2002	2001	2000
Cash Flows from Operating Activities			
Net Income	$ 199,148	$ 272,683	$ 333,577
Adjustments to reconcile net income to net cash provided from operating activities			
Depreciation and amortization	45,100	37,023	39,035
Equity in net loss (income) of unconsolidated affiliate	3,392	(610)	—
Stock based compensation	2,356	829	(249)
Deferred income taxes	22,642	(18,100)	25,203
Realized loss (gain) on sale of non-current marketable securities	301	(32,143)	(101,129)
Tax benefit of stock options	19,561	35,075	81,023
Impairment of non-current marketable securities	10,095	27,942	—
Loan loss reserve	10,500	—	—
Write down of inventory to net realizable value	6,831	—	—
Changes in:			
Accounts receivable	11,788	(35,442)	(7,357)
Inventory	(50,290)	(12,391)	502
Other current and other assets	(26,883)	(29,285)	(35,332)
Accounts payable, accrued expenses and other current and long-term liabilities	12,536	71,227	31,114
Net cash flows from operating activities	267,077	316,808	366,387

Cash Flows from Investing Activities			
Purchases of current marketable securities	(467,256)	(827,807)	(627,168)
Proceeds from sales and maturities of current marketable securities	404,808	734,599	606,087
Proceeds from sales of non-current marketable securities	493	35,827	120,199
Investment in collaborators	(6,000)	—	(5,000)
Acquisitions of property and equipment, net	(220,341)	(191,019)	(194,892)
Additions to patents	(1,214)	(4,781)	(4,713)
Net cash flows from investing activities	(289,510)	(253,181)	(105,487)
Cash Flows from Financing Activities			
Repayments on long-term debt	(4,887)	(4,888)	(4,888)
Purchases of treasury stock	(8,384)	(88,284)	(300,192)
Issuance of common stock and option exercises	27,379	35,034	35,955
Other	153	(17)	(13)
Net cash flows from financing activities	14,261	(58,155)	(269,138)
Effect of exchange rate changes on cash	(757)	(167)	55
Net increase (decrease) in cash and cash equivalents	(8,929)	5,305	(8,183)
Cash and cash equivalents, beginning of the year	54,042	48,737	56,920
Cash and cash equivalents, end of the year	$ 45,113	$ 54,042	$ 48,737
Supplemental Cash Flow Data			
Cash paid during the year for:			
Interest	$ 3,491	$ 3,954	$ 4,314
Income taxes	$ 51,548	$ 79,002	$ 42,683

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity
Biogen, Inc. and Subsidiaries
(in thousands)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 1999	$ 1,507	$ 676,673	$ (96,284)	$ 352,016	$ 45,618	$ 979,530
Net income				333,577		333,577
Unrealized gains/losses on marketable securities, net of tax of $6,791					(16,152)	(16,152)
Unrealized gains/losses on foreign currency forward contracts, net of tax of $1,686					(5,311)	(5,311)
Unrealized gains/losses on interest rate swaps, net of tax of $789					(1,458)	(1,458)
Translation adjustment					(321)	(321)
Total comprehensive income						310,335
Exercise of options and related tax benefits	10	95,748	162,900	(141,680)		116,978
Treasury stock purchased			(300,192)			(300,192)
Compensation expense related to stock options		(249)				(249)
Balance, December 31, 2000	$ 1,517	$ 772,172	$ (233,576)	$ 543,913	$ 22,376	$ 1,106,402
Net income				272,683		272,683
Unrealized gains/losses on marketable securities, net of tax of $4,750					(11,352)	(11,352)
Unrealized gains/losses on foreign currency forward contracts, net of tax of $52					(87)	(87)
Unrealized gains/losses on interest rate swaps, net of tax of $587					(981)	(981)
Translation adjustment					(487)	(487)
Total comprehensive income						259,776
Exercise of options and related tax benefits		35,075	145,737	(110,703)		70,109
Treasury stock purchased			(88,284)			(88,284)
Compensation expense related to stock options		829				829

Balance, December 31, 2001	$ 1,517	$ 808,076	$ (176,123)	$ 705,893	$ 9,469	$ 1,348,832
Net income				199,148		199,148
Unrealized gains/losses on marketable securities, net of tax of $3,427					6,820	6,820
Unrealized gains/losses on foreign currency forward contracts, net of tax of $3,064					(5,369)	(5,369)
Unrealized gains/losses on interest rate swaps, net of tax of $601					(1,198)	(1,198)
Translation adjustment					6,277	6,277
Total comprehensive income						205,678
Exercise of options and related tax benefits		19,561	93,663	(66,285)		46,939
Treasury stock purchased			(8,384)			(8,384)
Compensation expense related to stock options		2,356				2,356
Balance, December 31, 2002	$ 1,517	$ 829,993	$ (90,844)	$ 838,756	$ 15,999	$ 1,595,421

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Biogen, Inc. and Subsidiaries

1. Summary of Significant Accounting Policies

Business

Biogen, Inc. ("Biogen" or the "Company") is a global biopharmaceutical company that develops, manufactures and markets novel human therapeutic products. Biogen's primary focus is developing pharmaceutical products that meet unmet medical needs particularly in its core therapeutic areas of neurology, dermatology and rheumatology. Biogen currently sells AVONEX® (Interferon beta-1a) for the treatment of relapsing multiple sclerosis ("MS") and, commencing in 2003, AMEVIVE® (alefacept) for the treatment of adult patients with moderate-to-severe chronic plaque psoriasis who are candidates for systemic therapy or phototherapy. Biogen also receives revenues from royalties on sales by our licensees of a number of products covered under patents that Biogen controls. In addition, Biogen has a pipeline of development stage products and a number of research programs in our core therapeutic areas and in other areas of interest. Certain items in prior years' financial statements have been reclassified to conform to the current year's presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Additionally, the Company maintains a 50% equity interest in two joint ventures outside the U.S. The primary purpose of these entities is the distribution of AVONEX in Switzerland and AMEVIVE in Italy. All material intercompany balances and transactions have been eliminated. The Company records its share of the earnings or losses of these entities to other income (expense).

Use of Estimates

The preparation of consolidated financial statements requires the Company to make estimates and judgements 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, the Company evaluates its estimates, including those related to revenue recognition and bad debts, marketable securities, derivatives and hedging activities, inventories, patents, income taxes, research and development, loans, pensions, contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Translation of Foreign Currencies

The functional currency for most of the Company's foreign subsidiaries is the local currency. Assets and liabilities are translated at current rates of exchange. Income and expense items are translated at the average exchange rates for the year. Adjustments resulting from the translation of the financial statements of the Company's foreign operations into U.S. dollars are excluded from the determination of net income and are accumulated in a separate component of shareholders' equity. The U.S. dollar is the functional currency for certain foreign subsidiaries. The Company's subsidiaries which have the U.S. dollar as the functional currency are remeasured into U.S. dollars using current rates of exchange for monetary assets and liabilities and historical rates of exchange for nonmonetary assets. Foreign exchange transaction gains and losses are included in the results of operations in other income, net. The Company had foreign exchange gains totaling $2.2 million in 2002, and foreign exchange losses of $1.2 million and $2.8 million in 2001 and 2000, respectively.

Cash and Cash Equivalents

The Company considers only those investments, which are highly liquid, readily convertible to cash and which mature within three months from date of purchase to be cash equivalents.

Fair Value of Financial Instruments

The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, accounts receivable, other current assets, accounts payable, and accrued expenses and other, approximate fair value due to their short-term maturities. Marketable securities are carried at fair value based on quoted market prices, consistent with the requirements of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities". The fair values of trading securities,

interest rate swaps and foreign currency forward contracts are based on quoted market prices or pricing models using current market rates. The Company's long-term debt approximates fair value.

Inventories

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 expensed as research and development costs when consumed. The components of inventories for the periods ending December 31, are as follows:

(in thousands)	2002	2001
Raw materials	$ 27,027	$ 14,754
Work in process	25,892	17,004
Finished goods	42,459	20,161
	$ 95,378	$ 51,919

Biogen capitalizes inventory costs associated with certain products prior to regulatory approval, based on management's judgment of probable future commercialization. Biogen would be required to expense previously capitalized costs related to pre-approval inventory upon a change in such judgment, due to, among other potential factors, a denial or delay of approval by necessary regulatory bodies. At December 31, 2002, capitalized inventory related to AMEVIVE, which received regulatory approval in the U.S. in January 2003, was $25 million. At December 31, 2002, capitalized inventory related to pre-filled syringe formulation of AVONEX, which has not yet received regulatory approval, was $3.7 million.

Biogen writes down obsolete or otherwise unmarketable inventory to its estimated net realizable value. If the actual realizable value is less than that estimated by Biogen, additional inventory write-downs may be required. The Company wrote down $6.8 million of unmarketable inventory during 2002, of which $4.2 million was charged to research and development expense for product not yet commercialized, and the remainder was charged to cost of product revenues. The Company did not have any material writedowns of inventory for the years ended December 31, 2001 or 2000.

Marketable Securities

The Company invests its excess cash balances in short-term marketable securities, principally corporate notes and government securities. At December 31, 2002, substantially all of the Company's securities were classified as "available-for-sale". All available-for-sale securities are recorded at fair market value and unrealized gains and losses are included in accumulated other comprehensive income in shareholders' equity, net of related tax effects. Realized gains and losses and declines in value, if

any, judged to be other than temporary on available-for-sale securities are reported in other income or expense.

As part of its strategic product development efforts, the Company invests in equity securities of certain biotechnology companies with which it has collaborative agreements. As a matter of policy, Biogen determines on a quarterly basis whether any decline in the fair value of a marketable security is temporary or other than temporary. Unrealized gains and losses on marketable securities are included in other comprehensive income in shareholders' equity, net of related tax effects. If a decline in the fair value of a marketable security below the Company's cost basis is determined to be other than temporary, such marketable security is written down to its estimated fair value with a charge to current earnings. The factors that the Company considers in its assessments include the fair market value of the common stock, the duration of the stock's decline, prospects for favorable clinical trial results, new product initiatives and new collaborative agreements.

The Company also invests in equity securities of certain companies whose securities are not publicly traded and fair value is not readily available. These investments are recorded using the cost method of accounting and, as a matter of policy, the Company monitors these investments in private securities on a quarterly basis and determines whether any impairment in their value would require a charge to current earnings.

Property and Equipment

Property and equipment is carried at cost, subject to review of impairment for significant assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful life or the term of the respective lease. Maintenance costs are expensed as incurred. Buildings and equipment are depreciated over estimated useful lives ranging from 15 to 40 and 3 to 20 years, respectively. The Company capitalizes certain incremental costs associated with the validation effort required for licensing by the FDA of manufacturing equipment for the production of a commercially approved drug. These costs include primarily direct labor and material and are incurred in preparing the equipment for its intended use. The validation costs are amortized over the life of the related equipment.

Patents

The costs associated with successful patent defenses and patent applications are capitalized and amortized on a straight-line basis over estimated useful lives up to 15 years. Accumulated amortization of patent costs was $11.3 million and $15.7 million as of December 31, 2002 and 2001, respectively. The carrying value of patents is regularly reviewed by the Company and impairments are recognized when the expected future operating cash flows derived from the patent is less than their carrying value. For the year ending December 31, 2002, 2001, and 2000 the Company wrote off certain of its patents, which resulted in a charge of $2 million in 2002.

Loans

In connection with certain of its research collaborations, the Company has extended loans or made loan commitments to collaborators. On a quarterly basis, the loans are monitored for potential impairment, based on the probability of the collection of the full amount due under the loan according to each loan's terms. Should it be determined that it is not probable that the Company will be able to collect all interest and principal due, the Company recognizes a corresponding impairment charge to current earnings.

Derivatives and Hedging Activities

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", ("SFAS 133") requires that all derivatives be recognized on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company assesses, both at its inception and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in cash flows of hedged items. The Company assesses hedge ineffectiveness on a quarterly basis and records the gain or loss related to the ineffective portion to current earnings to the extent significant. If the Company determines that a forecasted transaction is no longer probable of occurring, the Company discontinues hedge accounting for the affected portion of the hedge instrument, and any related unrealized gain or loss on the contract is recognized in current earnings.

Comprehensive Income

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", ("SFAS 130"), requires the display of comprehensive income and its components as part of the Company's full set of financial statements. Comprehensive income is comprised of net income and other comprehensive income. Other comprehensive income includes certain changes in equity that are excluded from net income, such as translation adjustments and unrealized holding gains and losses on available-for-sale marketable securities and certain derivative instruments, net of tax. The Consolidated Statements of Shareholders' Equity reflect comprehensive income for years ended December 31, 2002, 2001 and 2000 of $205.7 million, $259.8 million and $310.3 million, respectively.

In accordance with SFAS 133, the Company records an adjustment to other comprehensive income to recognize at fair value all derivatives designated as cash flow hedging instruments, which comprised unrealized gains or losses related to the Company's interest rate swaps. During 2000, the Company recorded $1.5 million of unrealized losses, net of tax to other comprehensive income reflecting the decrease in the fair value of the interest rate swaps and at December 31, 2000 had a cumulative unrealized loss, net of tax, of $1.1 million. During 2001, the Company recorded $1 million of unrealized losses, net of tax to other comprehensive income reflecting the decrease in the fair value of the interest rate swaps and at December 31, 2001 had a cumulative unrealized loss, net of tax, of $2.1 million. During 2002, the Company recorded $1.2 million of unrealized losses, net of tax to other comprehensive income reflecting the decrease in the fair value of the interest rate swaps and at December 31, 2002 had a cumulative unrealized loss, net of tax, of $3.3 million.

The Company has foreign currency forward contracts to hedge specific transactions denominated in foreign currencies. During 2000, the fair value of the Company's foreign currency forward contracts decreased by $5.3 million. At December 31, 2000, the Company had cumulative unrealized gains, net of tax, of $1.4 million on its foreign currency forward contracts. During 2001, the fair value of the Company's foreign currency forward contracts decreased by approximately $0.1 million, net of tax. At December 31, 2001, the Company had cumulative unrealized gains, net of tax, of $1.3 million on its foreign currency forward contracts. During 2002, the fair value of the Company's foreign currency forward contracts decreased by approximately $5.4 million, net of tax. At December 31, 2002, the Company had cumulative unrealized losses, net of tax, of $4.1 million on its foreign currency forward contracts.

Segment Information

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information", ("SFAS 131") establishes standards for reporting information on operating segments in interim and annual financial statements. The Company's chief operating

decision-makers review the profit and loss of the Company on an aggregate basis and manage the operations of the Company as a single operating segment. Accordingly, the Company operates in one segment, which is the business of developing, manufacturing and marketing drugs for human health care.

Revenue Recognition and Accounts Receivable

SEC Staff Accounting Bulletin No. 101 ("SAB 101") provides guidance on the recognition, presentation, and disclosure of revenue in financial statements. SAB 101 establishes the SEC's view that it is not appropriate to recognize revenue until 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 collectibility is reasonably assured. Further, SAB 101 requires that both title and the risks and rewards of ownership be transferred to the buyer before revenue can be recognized. The Company believes that its revenue recognition policies are in compliance with SAB 101.

Revenues from product sales are recognized when product is shipped and title and risk of loss has passed to the customer. Revenues are recorded net of applicable allowances for returns, rebates and other applicable discounts and allowances. The Company prepares its estimates for sales returns and allowances, discounts and rebates quarterly based primarily on historical experience updated for changes in facts and circumstances, as appropriate.

In February 2002, the FASB Emerging Issues Task Force ("EITF") released EITF Issue No. 01-09 ("EITF 01-09"), "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)". EITF 01-09 states that cash consideration (including a sales incentive) given by a vendor to a customer is presumed to be a reduction of the selling prices of the vendor's products or services and, therefore, should be characterized as a reduction of revenue when recognized in the vendor's income statement, rather than a sales and marketing expense. The Company has various contracts with distributors that provide for discounts and rebates. These contracts are classified as a reduction of revenue. The Company also maintains select customer service contracts with distributors and other customers in the distribution channel. In accordance with EITF 01-09, the Company has established the fair value of these contracts and, as provided by EITF 01-09, classified these customer service contracts as sales and marketing expense. If the Company had concluded that sufficient evidence of the fair value did not exist for these contracts, the Company would have been required to classify these costs as a reduction of revenue. The adoption of EITF 01-09 did not have a significant impact on the Company's financial statements.

The Company receives royalty revenues under license agreements with a number of third parties that sell products based on technology developed by the Company or to which the Company has rights. The license agreements provide for the payment of royalties to the Company based on sales of the licensed product. The Company records 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 paid to the Company (adjusted for any changes in facts and circumstances, as appropriate). The Company maintains regular communication with its licensees in order to gauge the reasonableness of its estimates. Differences between actual royalty revenues and estimated royalty revenues are reconciled and adjusted for in the period which they become known, typically the following quarter. Historically, adjustments have not been material based on actual amounts paid by licensees. There are no future performance obligations on the part of the Company under these license agreements.

Revenue is not recognized in any circumstances unless collectibility is reasonably assured.

Biogen maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of Biogen's customers were to

deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required, which could affect future earnings.

Research and Development Expenses

Research and development expenses are comprised of costs incurred in performing research and development activities including salaries and benefits, facilities costs, overhead costs, clinical trial and related clinical manufacturing costs, contract services and other outside costs. Research and development costs, including upfront fees and milestones paid to collaborators, are expensed as incurred. The Company has entered into certain research agreements in which it shares costs with its collaborator. The Company records these costs as research and development expenses. Certain of these costs are reimbursed by the Company's collaborator and are recorded as a reduction of research and development expense.

Earnings per Share

The Company calculates earnings per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). SFAS 128 requires the presentation of "basic" earnings per share and "diluted" earnings per share. Basic earnings per share is computed by dividing the net income available to common shareholders by the weighted average number of shares of common stock outstanding. For purposes of calculating diluted earnings per share the denominator includes both the weighted average number of shares of common stock outstanding and the number of dilutive common stock equivalents such as stock options and warrants, as determined using the treasury stock method.

Shares used in calculating basic and diluted earnings per share for the periods ending December 31, are as follows:

(in thousands)	2002	2001	2000
Weighted average number of shares of common stock outstanding	149,337	148,355	148,743
Dilutive stock options and warrants	2,593	4,561	5,859
Shares used in calculating diluted earnings per share	151,930	152,916	154,602

Dilutive securities include options outstanding under the Company's stock option plans. Options to purchase 11.2 million shares, 3.8 million shares and 2.7 million shares were outstanding at December 31, 2002, 2001, and 2000, respectively, but not included in the computations of diluted earnings per share because the options' exercise prices were greater than the average market price during the periods.

Accounting for Stock Based Compensation

The Company has several stock-based compensation plans which are described more fully in Note 10. The Company applies APB Opinion No. 25 "Accounting for Stock Issued to Employees" in accounting for its plans and applies Statement of Financial Accounting Standards No. 123 "Accounting for Stock Issued to Employees" ("SFAS 123") for disclosure purposes only. The SFAS 123 disclosures include pro forma net income and earnings per share as if the fair value-based method of accounting had been used. Stock issued to non-employees is accounted for in accordance with SFAS 123 and related interpretations.

If compensation cost for the Company's 2002, 2001 and 2000 grants under the stock-based compensation plans, including costs related to prior years grants had been determined based on SFAS 123, the Company's pro forma net income, and pro forma earnings per share for the years ending December 31, would have been as follows:

(in thousands, except per share data)	2002	2001	2000
Reported net income	$ 199,148	$ 272,683	$ 333,577
Pro forma stock compensation expense, net of tax	49,387	48,259	39,165
Pro forma net income	$ 149,761	$ 224,424	$ 294,412
Reported basic earnings per share	$ 1.33	$ 1.84	$ 2.24
Pro forma basic earnings per share	$ 1.00	$ 1.51	$ 1.98
Reported diluted earnings per share	$ 1.31	$ 1.78	$ 2.16
Pro forma diluted earnings per share	$ 0.99	$ 1.47	$ 1.90

The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2002	2001	2000
Expected dividend yield	0%	0%	0%
Expected stock price volatility	45%	44%	45%
Risk-free interest rate	5.75%	5.5%	6.9%
Expected option term in years	7.4	7.5	5.5

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts. SFAS 123 did not apply to awards prior to 1995, and additional awards in future years are anticipated.

2. Financial Instruments

Financial instruments that potentially subject the Company to concentrations of credit risk are accounts receivable and marketable securities. Wholesale distributors and large pharmaceutical companies account for the majority of the accounts receivable and collateral is generally not required. To mitigate the risk, the Company monitors the financial performance and credit worthiness of its customers. The Company invests its excess cash balances in marketable debt securities, primarily U.S. government securities and corporate bonds and notes, with strong credit ratings. The Company limits the amount of investment exposure as to institution, maturity and investment type.

The average maturity of the Company's marketable securities as of December 31, 2002 and 2001 was 28 months and 29 months, respectively. Proceeds from maturities and other sales of marketable securities, which were primarily reinvested, for the years ended December 31, 2002, 2001 and 2000 were approximately $405 million, $735 million

and $606 million, respectively. The cost of securities sold is determined based on the specific identification method. Realized gains and (losses) on these sales for

the years ended December 31, 2002, 2001 and 2000 were $2.7 million, $6.1 million and $(1.8) million, respectively.

The following is a summary of marketable securities:

(in thousands)	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
December 31, 2002:				
U.S. Government securities	$ 296,419	$ 12,568	$ 122	$ 283,973
Corporate debt securities	525,577	18,569	468	507,476
	$ 821,996	$ 31,137	$ 590	$ 791,449
Marketable securities, noncurrent	$ 3,757	$ —	$ 1,537	$ 5,294
December 31, 2001:				
U.S. Government securities	$ 252,838	$ 6,760	$ 346	$ 246,424
Corporate debt securities	491,227	12,794	445	478,878
	$ 744,065	$ 19,554	$ 791	$ 725,302
Marketable securities, noncurrent	$ 12,183	$ —	$ —	$ 12,183

The Company uses interest rate swap agreements to mitigate the risk associated with its floating rate debt. The fair value of the interest rate swap agreements at December 31, 2002, representing the cash requirements of the Company to settle the agreements, approximated $5.1 million and was included in accrued expenses and other. The fair value of the interest rate swap agreements at December 31, 2001, representing the cash requirements of the Company to settle the agreements, was approximately $3.3 million and was included in accrued expenses and other. The Company has designated the interest rate swaps as cash flow hedges. There were no amounts of hedge ineffectiveness related to the Company's interest rate swaps during 2002 and 2001, and no gains or losses were excluded from the assessment of hedge effectiveness. The Company records the differential to be paid or received on the interest rate swaps as incremental interest expense. The Company expects approximately $2.7 million in losses related to its interest rate swaps to affect earnings in 2003.

The Company has foreign currency forward contracts to hedge specific forecasted transactions denominated in foreign currencies. All foreign currency forward contracts have durations of ninety days to 12 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 other comprehensive income. Realized gains and losses for the effective portion are recognized with the underlying hedge transaction. The Company assesses hedge ineffectiveness on a quarterly basis and records the gain or loss related to the ineffective portion to current earnings to the extent significant. If the Company determines that a forecasted transaction is no longer probable of occurring, the Company discontinues hedge accounting for the affected portion of the hedge instrument and any related unrealized gain or loss on the contract is recognized in current earnings. The notional settlement amount of the foreign currency forward contracts outstanding at December 31, 2002 was approximately $91.9 million. These contracts had a fair value of $6.4 million, representing an unrealized loss, and were included in other current liabilities at December 31, 2002. The notional settlement amount of the foreign currency forward contracts outstanding at December 31, 2001 was approximately $113.4 million. These contracts had a fair value of $2.0 million, representing an unrealized gain, and were included in other current assets at December 31, 2001.

In 2002, approximately $1.3 million of losses were recognized in earnings due to hedge ineffectiveness. Additionally, in 2002, approximately $1.1 million of losses were recognized in earnings as a result of the discontinuance of cash flow hedges upon determining that it was no longer probable

that the original forecasted transaction would occur. The Company recognized $6.4 million of losses in product revenue and $2.1 million of losses in royalty revenue for the settlement of certain effective cash flow hedge instruments during the year ended December 31, 2002. These settlements were recorded in the same period as the related forecasted transactions affecting earnings. The Company expects approximately $6.4 million of unrealized losses at December 31, 2002 to affect earnings in 2003 related to its foreign currency forward contracts.

In 2001, there were no significant amounts recognized in earnings due to hedge ineffectiveness or as a result of the discontinuance of cash flow hedges upon determining that it was no longer probable that the original forecasted transaction would occur. The Company recognized $6.9 million of gains in product revenue and $2 million of gains in royalty revenue for the settlement of certain effective cash flow hedge instruments during the year ended December 31, 2001. These settlements were recorded in the same period as the related forecasted transactions affecting earnings.

In 2000, there were no significant amounts recognized in earnings due to hedge ineffectiveness. During 2000, the Company recognized $977,000 in other income as a result of the discontinuance of cash flow hedges upon determining that it was no longer probable that the original forecasted transaction would occur. The Company recognized $12.7 million of gains in product revenue and $3.7 million of gains in royalty revenue for the settlement of certain effective cash flow hedge instruments during the year ended December 31, 2000. These settlements were recorded in the same period as the related forecasted transactions affecting earnings.

3. Borrowings

As of December 31, 2002, the Company had $12.5 million outstanding under a floating rate loan with a bank (the "Term Loan"). The Term Loan is collateralized by the Company's laboratory and office building in Cambridge, Massachusetts. The Term Loan provides for annual principal payments of $1.7 million in each of the years 1996 through 2004 with the balance due May 8, 2005. The Company also entered into an interest rate swap agreement, with the same bank, fixing its interest rate at 7.5% during the remaining term of the loan, payable semiannually.

As of December 31, 2002, the Company had $29.8 million outstanding under a floating rate loan agreement with a bank for financing the construction of its biological manufacturing facility in North Carolina (the "Construction Loan"). The Construction Loan is collateralized by the facility. Payments of $805,000 are due quarterly through 2006 with the balance due in 2007. The Company also entered into an interest rate swap agreement, with the same bank, fixing its interest rate at 7.75% during the remaining term of the loan, payable quarterly.

The Term Loan and Construction Loan agreements include various covenants, including financial covenants, which require the Company to maintain minimum net worth, cash flow and various financial ratios. The Company's long-term debt obligations are carried at face value, which approximates fair market value.

Long-term debt at December 31, consists of the following:

(in thousands)	2002	2001
Term Loan due 2005	$ 12,501	$ 14,168
Construction Loan due 2007	29,797	33,017
	42,298	47,185
Current portion	(4,888)	(4,888)
	$ 37,410	$ 42,297

4. Consolidated Balance Sheets Details

Property and equipment:

	December 31,	
(in thousands)	2002	2001
Land	$ 32,687	$ 23,532
Buildings	233,436	170,504
Leasehold improvements	47,504	65,381
Equipment	309,521	249,887
Construction in progress	330,657	218,521
Total cost	953,805	727,825
Less accumulated depreciation	215,746	171,827
	$ 738,059	$ 555,998

Depreciation expense was $45.6 million, $36.9 million and $27.8 million for 2002, 2001 and 2000, respectively.

Accrued expenses and other:

	December 31,	
(in thousands)	2002	2001
Royalties and licensing fees	$ 37,921	$ 34,361
Legal settlement accrual	55,000	20,000
Other	89,824	94,618
	$ 182,745	$ 148,979

5. Pensions

The Company has a defined benefit pension plan which provides benefits to all of its full-time U.S. employees. The Company also has a supplemental retirement benefit plan which covers certain employees. The pension plans are noncontributory with benefit formulas based on employee earnings and credited years of service. The Company's funding policy for its pension plans is to contribute amounts deductible for federal income tax purposes. Funds contributed to the plans are invested in fixed income and equity securities.

The components of net periodic pension cost for each of the three years ended December 31 are summarized below:

(in thousands)	2002	2001	2000
Service cost	$ 5,098	$ 3,644	$ 3,314
Interest cost	2,678	2,039	1,799
Expected return on plan assets	(2,130)	(1,655)	(1,258)
Amortization of prior service cost	14	43	43
Amortization of net actuarial loss	271	16	86
Net pension cost	$ 5,931	$ 4,087	$ 3,984

Reconciliations of projected benefit obligations, fair value of plan assets and the funded status of the plans as of December 31, are presented below:

(in thousands)	2002	2001

Change in projected benefit obligation		
Net projected benefit obligation at the beginning of the year	$ (29,990)	$ (24,434)
Service cost	(5,098)	(3,644)
Interest cost	(2,678)	(2,039)
Actuarial loss	(5,271)	(190)
Gross benefits paid	734	317
Net projected benefit obligation at the end of the year	(42,303)	(29,990)
Change in plan assets		
Fair value of plan assets at the beginning of the year	18,728	15,256
Actual return on plan assets	(3,779)	(1,090)
Employer contributions	10,550	5,000
Gross benefits paid	(596)	(182)
Administrative expenses	(143)	(256)
Fair value of plan assets at the end of the year	24,760	18,728
Funded status at the end of the year		
Funded status at the end of the year	(17,543)	(11,262)
Unrecognized net actuarial loss	15,239	4,295
Unrecognized prior service cost	219	229
Net amount recognized at the end of the year	$ (2,085)	$ (6,738)

Weighted average assumptions at the end of the year	**2002**	**2001**
Discount rate	6.75%	7.25%
Expected return on plan assets	9.00%	9.00%
Rates of compensation increase	5.00%	5.00%

The Company's unfunded supplemental retirement plan, as of December 31, 2002 has the projected benefit and the accumulated benefit obligations of $8.4 million and $5.7 million, respectively. As of December 31, 2001 the projected benefit and the accumulated benefit obligations were $5.9 million and $4.6 million, respectively.

6. Other Income (Expense), Net

Total other income (expense), net consists of the following:

	December 31,		
(in thousands)	**2002**	**2001**	**2000**
Interest income	$ 41,217	$ 44,128	$ 42,965
Interest expense	(3,546)	(3,954)	(4,310)
Other income (expense)	(57,713)	(10,875)	120,094
Total other income (expense), net	$ (20,042)	$ 29,299	$ 158,749

Other income (expense) included the following (in thousands):

December 31,	**2002**	**2001**	**2000**
Impairments of non-current marketable securities	$ (10,095)	$ (27,942)	$ —
Reserve for outstanding loan to a collaborator	(10,500)	—	—
Gain (loss) on sale on non-current marketable securities	(301)	32,143	101,129
Donation for establishment of Biogen Foundation	(15,000)	—	—
Settlement of Schering-Plough dispute	37,240	—	—
Settlement of Berlex dispute	(55,000)	(20,000)	—
Realized gains in third party acquisition of investment	—	—	24,132
Equity in net income (loss) of unconsolidated affiliate	(3,392)	610	—
Gain (loss) on sale of current marketable securities	2,703	6,147	(1,846)
Miscellaneous	(3,368)	(1,833)	(3,321)
Total other income (expense)	$ (57,713)	$ (10,875)	$ 120,094

As part of its quarterly assessments, the Company assessed the unrealized losses on its investments in Curis Inc. and Targeted Genetics Corporation (see "Note 1—Summary of Significant Accounting Policies"), and determined that the positive evidence suggesting that these investments would recover to at least the Company's purchase price was not sufficient to overcome the presumption that the current market price of the investments was the best indicator of value at those dates. Accordingly, the related unrealized losses of approximately $10.1 million and $28 million were reclassified from other comprehensive income to current expense in 2002 and 2001, respectively. Sales of noncurrent marketable securities resulted in losses of $0.3 million in 2002, gains of $32.1 million in 2001, and gains of $101.1 million in 2000.

In connection with the Company's assessment at December 31, 2002, $1.5 million of unrealized losses related to these marketable securities were determined to be temporary.

In connection with the Company's loan policy described in Note 1, during the third quarter of 2002, the Company recorded a $10.5 million charge for the establishment of a reserve related to an outstanding loan to Targeted. Based on a review of the financial condition of the borrower at September 30, 2002, the Company determined that it was no longer probable that the loan would be repaid.

In October 2002, the Company established The Biogen Foundation, a private, U.S. based, non-profit philanthropic organization. In December 2002, the Company made a charitable contribution of $15 million to fund The Biogen Foundation. The Foundation is to operate exclusively for the benefit of charitable, educational and scientific purposes. Certain executive officers and other employees of the Company serve as directors and officers of the Foundation. The Company classifies charitable contributions to other income (expense).

During the fourth quarter of 2002, the Company and Schering-Plough settled their dispute on the issue of whether and to what extent Schering-Plough has an obligation to pay royalties in the U.S. on sales of its alpha interferon products. The Company received a final settlement payment resulting in a net gain of $37.2 million, which was classified to other income (expense).

In the fourth quarter of 2002, the Company recorded a $55 million charge related to the final settlement of a patent infringement dispute with Berlex. The $55 million payment for settlement of litigation was charged to other income (expense) in the fourth quarter of 2002. In 2001, the Company reported an initial charge of $20 million as part of the settlement agreement. See Note 9.

In 2000, the Company realized gains of approximately $24.1 million upon the acquisition by third parties of two companies in which the Company had invested.

7. Income Taxes

The components of income before income taxes and of income tax expense (benefit) for each of the three years ended December 31, are as follows:

(in thousands)	2002	2001	2000
Income before income taxes:			
Domestic	$ 244,515	$ 298,669	$ 379,489
Foreign	32,080	90,828	107,616
	$ 276,595	$ 389,497	$ 487,105
Income tax expense:			
Current			
Federal	$ 45,655	$ 119,930	$ 115,696
State	6,173	12,911	11,969
Foreign	2,975	1,917	1,098
	$ 54,803	$ 134,758	$ 128,763
Deferred			
Federal	$ 22,938	$ (16,257)	$ 25,344
State	(294)	(1,687)	(579)
	22,644	(17,944)	24,765
Total income tax expense	$ 77,447	$ 116,814	$ 153,528

Deferred tax assets (liabilities) are comprised of the following at December 31:

(in thousands)	2002	2001
Tax credits	$ 831	$ 25,440
Inventory and other reserves	37,761	18,288
Other	—	380
Deferred tax asset	38,592	44,108
Depreciation, amortization and other	(27,494)	(10,365)
Unrealized gain on investments	(6,184)	(6,424)
Deferred tax liabilities	(33,678)	(16,789)

A reconciliation of the U.S. federal statutory tax rate to the effective tax rate for the periods ending December 31 is as follows:

	2002	2001	2000
Statutory rate	35.0%	35.0%	35.0%
State taxes	1.8	2.5	3.2
Foreign taxes	(5.6)	(4.2)	(2.6)
Credits and net operating loss utilization	(3.4)	(3.4)	(3.3)
Other	0.2	0.1	(0.8)
Effective tax rate	28.0%	30.0%	31.5%

At December 31, 2002, the Company had tax credits of approximately $831,000, which can be carried forward indefinitely. During 2002, management concluded that the likelihood of the Company realizing state tax benefits relating to research, development and investment credits previously recognized as deferred tax assets is remote. Accordingly, the Company's deferred tax assets relating to tax credits were reduced by $24.6 million in 2002.

As of December 31, 2002, undistributed foreign earnings of non-U.S. subsidiaries included in consolidated retained earnings aggregated $339.4 million, exclusive of earnings that would result in little or no tax under current U.S. tax law. The Company intends to reinvest these earnings indefinitely in operations outside the U.S. It is not practicable to estimate the amount of additional tax that might be payable if such earnings were remitted to the U.S.

8. Research Collaborations

In January 2003, the Company signed a collaboration agreement (the "IDEC Agreement") with IDEC Pharmaceuticals Corporation ("IDEC"), under which Biogen and IDEC will collaborate on the development of three oncology therapeutics from Biogen's pipeline of early-stage product candidates: an anti-lymphotoxin beta receptor (LTBR) monoclonal antibody, an anti-CRIPTO monoclonal antibody, and an interferon beta (INF-b) gene delivery product. Under the terms of the IDEC agreement, IDEC initially will be responsible for the development costs of the product candidates, until that time, if any, when the Company exercises its opt-in rights (which must be done within a certain timeframe) with respect to each specific product candidate. If the Company exercises its opt-in rights for a specific product, IDEC and the Company will share all subsequent costs related to that specific product and the Company will retain fifty percent of any economic benefit related to the product. If the Company chooses not to exercise its opt-in rights, the Company would be entitled to receive royalty payments from future sales of the specific products.

In December 2002, Biogen signed a collaboration agreement (the "Sunesis Agreement") with Sunesis Pharmaceuticals, Inc. ("Sunesis") under which Biogen and Sunesis will collaborate on the discovery and development of oral therapeutics for the treatment of inflammatory and autoimmune diseases. The parties will apply Sunesis' proprietary fragment-based drug discovery technology, known as "tethering," to generate small molecule leads that target select cytokines in the immune system. Under the terms of the Sunesis Agreement, the Company purchased 1.25 million shares of preferred stock of Sunesis for $6 million, the fair value of the shares. In addition, the Company paid a one-time nonrefundable license fee of $3 million which was charged to research and development expense and acquired certain exclusive licenses to develop and commercialize certain compounds resulting from the collaboration. The Company accounts for its investment in Sunesis, which is included in other assets, using the cost method of accounting, subject to periodic review of impairment. The Company will pay Sunesis a quarterly license maintenance fee of $357,500 during the period commencing on April 1, 2004 through July 1, 2005. Additionally, Biogen agreed to enter into a Credit Facility Agreement ("Loan Agreement") with Sunesis under which Biogen is obligated to loan Sunesis up to $4 million. No borrowings from the loan agreement were outstanding as of December 31, 2002. The Company has committed to paying Sunesis additional amounts upon the completion of certain future research milestones and first and second indication development milestones. If all the milestones were to be achieved, the Company would be required to pay up to an additional $60.5 million over the life of the agreement.

In April 2002, the Company signed a development and marketing collaboration agreement (the "Celltech Agreement") with Celltech R&D Limited ("Celltech") under which the Company and Celltech agreed to collaborate on the development and commercialization of a humanized anti-TNF alpha antibody known as "CDP571" with potential value in treating gastrointestinal disorders (including Crohn's disease), psoriasis and other autoimmune disease conditions. Under the terms of the Celltech Agreement, Biogen and Celltech agreed to share costs for on-going development activities. In

April 2002, the Company paid a one-time non-refundable initiation fee of $500,000, which was charged to research and development expense. Biogen incurred development expenses for CDP571 during the second and third quarter of 2002, and in the third quarter of 2002, ceased participation in development expenses associated with CDP571 due to unfavorable Phase III data. Through December 31, 2002, the Company incurred approximately $7 million of research and development expenses associated with CDP571. The Company does not expect to pay any additional amounts in this collaboration.

In July 2001, the Company signed a development and marketing collaboration agreement (the "ICOS Agreement") with ICOS Corporation ("ICOS"), under which the Company and ICOS are collaborating worldwide on the development and commercialization of orally active, small molecule LFA-1 antagonists. Biogen and ICOS are currently developing an oral small molecule LFA-1 antagonist as a potential treatment for psoriasis. Under the terms of the ICOS Agreement, the Company paid ICOS a one-time, non-refundable license fee of $8 million, which was charged to research and development expense in 2001. Additionally, as part of the agreement, Biogen made available to ICOS a line of credit in the amount of $20 million, of which $10 million was available at December 31, 2002. The Company provided $6.8 million and $2.3 million from the line of credit to ICOS that was recorded as a loan receivable and later was charged to research and development expense in 2002 and 2001, respectively, upon the achievement of certain clinical milestones by ICOS. As of December 31, 2002, there was $1.0 million in borrowings outstanding under the credit facility. The Company has committed to providing milestone payments to ICOS upon the achievement of certain future events. If all the future milestones were to be achieved and commercialization were to be successful in excess of specified levels of sales, the Company would be required to pay up to an additional $92.5 million over the remaining life of the agreement.

In September 2000, the Company signed a collaborative research agreement (the "Eos Agreement") with Eos Biotechnology, Inc. ("Eos"), under which the Company and Eos will collaborate in the research and development of novel targets for antibody and protein therapeutics in the area of breast cancer. Under the Eos Agreement, the Company purchased 1.9 million shares of preferred stock of Eos for $5 million. In addition, the Company paid a one-time non-refundable license fee of $6 million, which was charged to research and development expense and acquired certain exclusive, worldwide rights related to breast cancer-specific molecules for the use in the development of new antibody and secreted protein therapeutics. The Company accounts for its investment in Eos, which is included in other assets, using the cost method of accounting subject to periodic review of impairment. The Company provided Eos with research and development funding of $1.5 million in 2002, $1.5 million in 2001 and $250,000 in 2000. The research program under the Eos Agreement was terminated in December 2002, thereby relieving Biogen of any future commitments. In February 2003, Eos and Protein Design Labs, Inc. ("PDLI") announced a definitive merger agreement under which PDLI would acquire 100% of the outstanding stock of Eos in a stock-for-stock transaction valued at $37.5 million. Upon completion of the merger, Biogen's preferred shares of EOS would be converted into common stock of PDLI. The Company expects to record a writedown of approximately $3 million in the first quarter of 2003 related to its investment in Eos.

In August 2000, the Company signed a development and marketing collaboration agreement (the "Antegren Agreement") with Elan Pharma International, Ltd, an affiliate of Elan Corporation, plc ("Elan") under which the Company and Elan are collaborating in the development, manufacture and commercialization of ANTEGREN® (natalizumab), a humanized monoclonal antibody. The Company and Elan are currently developing ANTEGREN as a potential treatment for MS and Crohn's disease. Under the terms of the Antegren Agreement, Biogen and Elan share costs for on-going development activities. The Company paid a one-time non-refundable license fee of $15 million in 2000, which was charged to research and development expense. The Company provided $7 million and $16 million to Elan for certain milestones achieved during the years 2002 and 2001, respectively, which were charged to research and development expense. As of December 31, 2002, Elan owed the Company

$14.8 million, representing development expenses incurred by Biogen to be reimbursed by Elan. The Company has committed to paying Elan additional amounts upon the completion of certain future milestones. If all the future milestones were to be achieved, the Company would be required to pay up to an additional $14 million over the

remaining life of the agreement. Elan is in the process of implementing a recovery plan to re-build its business. The Company does not believe that business issues facing Elan will have a material adverse impact on the Company's rights to develop or commercialize ANTEGREN.

In July 1996, the Company signed a collaborative research and commercialization agreement (the "Ontogeny Agreement") with Ontogeny, Inc. ("Ontogeny"), a private biotechnology company, for the development and commercialization of three specific proteins. In August 2000, Ontogeny merged with two other biotechnology companies to form Curis Inc. ("Curis"). As a shareholder in Ontogeny, Biogen received Curis common stock in exchange for the Company's shares in Ontogeny. The Company provided $1 million of research funding to Ontogeny in 2000. Additionally, the Company provided $1.5 million upon termination of the Ontogeny Agreement, which was charged to research and development expense in 2000. At December 31, 2002 the Company retained approximately 166,000 shares of Curis common stock, and included the investment in long-term marketable securities available-for-sale.

In August 1995, the Company signed a collaborative research agreement (the "Genovo Agreement") for the development of human gene therapy treatments with Genovo, Inc. ("Genovo"), a gene therapy research company. Under the Genovo Agreement, the Company acquired 380,000 shares of Genovo Series A Preferred stock for $4.5 million and acquired certain licensing rights. The Company accounted for this investment, which was included in other assets, using the equity method of accounting. The Company recorded its proportion of Genovo's net losses as research and development expense in the amount of $3.9 million in 2000. In August 2000, Genovo entered into a merger agreement ("Targeted Merger Agreement") with Targeted Genetics Corporation ("Targeted"). As a shareholder in Genovo, Biogen received Targeted common stock in exchange for the Company's shares in Genovo. Also as part of the Targeted Merger Agreement, an existing $500,000 promissory note payable by Genovo to Biogen was converted into a no-interest promissory note from Targeted with a term of five years. Additionally, concurrently with the Targeted Merger Agreement, the Company entered into a development and marketing agreement and a funding agreement (the "Targeted Agreements") for gene therapy research and development. The Targeted Agreements provide for a $10 million credit facility, of which $10 million of borrowings were outstanding as of December 31, 2002. Targeted also had an option to sell to the Company an additional $10 million of Targeted common stock at fair value. In September 2002, Targeted exercised an option to issue $4 million of common stock to Biogen. During the third quarter of 2002, the Company incurred a $10.5 million charge for the establishment of a reserve related to an outstanding loan to Targeted. Based on a review of the financial condition of Targeted at September 30, 2002, the Company determined that it was no longer probable that the loan would be repaid. The Company provided $1 million in 2002, $1 million in 2001 and $250,000 in 2000 for research funding to Targeted. The Company expects to fund research activities of Targeted related to the collaboration of $750,000 in 2003. At December 31, 2002 the Company retained approximately 8,963,402 shares of Targeted common stock, and included the investment in long-term marketable securities available-for-sale.

9. Commitments and Contingencies

The Company rents laboratory and office space and certain equipment under noncancellable operating leases. The rental expense under these leases, which terminate at various dates through 2015, amounted to $22.7 million in 2002, $17.2 million in 2001, $14.9 million in 2000. The lease agreements contain various clauses for renewal at the option of the Company and, in certain cases, escalation clauses linked generally to rates of inflation.

At December 31, 2002, minimum annual rental commitments under noncancellable leases were as follows:

Year	(in thousands)
2003	$ 20,411
2004	17,712
2005	15,438
2006	12,364
2007	12,137
Thereafter	43,976
Total minimum lease payments	$ 122,038

The Company's construction of a large scale manufacturing plant and a laboratory office building in Research Triangle Park, North Carolina was substantially completed in the first quarter of 2002. The Company continued its further expansion of its Research Triangle Park, North Carolina complex in 2002 with ongoing construction of several projects to create additional manufacturing capacity. These additional projects are expected to be completed by the summer of 2003 at a total cost of approximately $93.3 million. As of December 31, 2002, the Company had committed $81.7 million for construction costs related to these additional projects, of which $73.5 million has been spent. The Company is also completing plans to build a manufacturing plant in Denmark. The Company expects that construction will commence in 2003 and be completed early in 2005, at an estimated cost of $250 million. At December 31, 2002, $47 million had been committed for construction costs related to the manufacturing plant in Denmark, of which $36.8 million has been spent.

In January 2002, the Company settled litigation with Berlex Laboratories, Inc. ("Berlex"). Berlex had claimed that the Company's production of AVONEX in the U.S. infringed certain U.S. patents which the Company refers to as the "McCormick" patents. A District Court decision in 2000 rendered final judgment in the Company's favor determining that the manufacture, use and sale of AVONEX in the U.S. did not infringe any of the claims of the asserted McCormick patents, but Berlex appealed the decision to the Court of Appeals for the Federal Circuit. Under the settlement agreement, the Company agreed to pay Berlex $20 million, and to make a second and final payment to Berlex if the Court of Appeals were to reverse the District Court's previous ruling granting summary judgment in the Company's favor. As part of the settlement, both parties agreed not to pursue further litigation about these patents. Biogen recorded a $20 million charge in "Other Income, net" in the fourth quarter of 2001 to account for the first payment to Berlex. Because of the substantive terms of the Berlex settlement arrangement were agreed to in the fourth quarter of 2001, the Company determined that the provisions of SFAS 5, "Accounting for Contingencies," required that the Company account for this settlement in its December 31, 2001 financial statements. The guidance in Financial Accounting Standards Board ("FASB"), Interpretation No. 14, "Reasonable Estimation of the Amount of a Loss, an Interpretation of SFAS 5", requires that when an amount within the range of potential loss appears to be a better estimate that any other amount within the range, that amount should be accrued. It further requires that when no amount within the range is a better estimate than any other amount, the minimum amount in the range should be accrued. In the case of the Berlex settlement, Biogen determined at the time of the settlement that $20 million was both the best estimate of the Company's potential loss, and the minimum amount in the range of potential losses. As a result, the Company recorded a charge of $20 million related to the settlement in its December 31, 2001 financial statements.

On January 31, 2003, the Court of Appeals decided that the District Court had properly construed the claims of the McCormick patents and that the Company did not literally infringe the McCormick patents. The Court of Appeals remanded the case to the District Court to determine if one of the

Berlex patents might be infringed under a redefinition of the "doctrine of equivalents" recently handed down by the U.S. Supreme Court. As a result of the decision, the Company was required to make a final payment to Berlex of $55 million under the settlement agreement which was recorded in December 2002. The previously negotiated

contingent settlement eliminated the need for further litigation and resolved the entire dispute. The settlement agreement provides that Biogen receive a fully paid up, royalty free, non-exclusive license under the McCormick patent and a related patent held by Berlex. The Company negotiated a license in order to avoid future uncertainty surrounding the rights to the Berlex patent for Biogen and its distribution channel partners. The McCormick patents are not utilized by Biogen and, as such, do not hold value and will not provide future economic benefit to the Company. The $55 million payment for settlement of litigation was charged to other income (expense) in the fourth quarter of 2002.

On October 13, 1998, the Company filed an opposition with the Opposition Division of the European Patent Office opposing the grant of a European patent (the "Rentschler II Patent") issued to Dr. Rentschler Biotechnologie GmbH ("Rentschler") claiming compositions of matter of beta interferon having specific glycosylation patterns. On November 6, 2002, a hearing took place with regard to the Company's opposition of the Rentschler II Patent in the European Patent Office. The Opposition Board of the European Patent Office ruled in an appealable decision that the present claims of the Rentschler II Patent should be maintained. Following this decision, Rentschler Biotechnologie GmbH & Co. KG sued our German subsidiary, Biogen GmbH, for infringement of the Rentschler II Patent in Germany. The Company intends to appeal the decision of the Opposition Division to the European Patent Office's Technical Board of Appeals. The Company believes that it has arguments to support the invalidation of the Rentschler II Patent before the Technical Board of Appeals. A decision on the appeal is not likely to be issued until at least two years after the Company files the appeal. Biogen also believes that it has solid arguments to support its defense against Rentschler's infringement claim in the German infringement lawsuit. A hearing in the German proceeding is scheduled to occur in September 2003, with a decision likely to follow within a month or two after the hearing. The non-prevailing party will then have the right to appeal the decision. A ruling on such an appeal would likely take another 12 to 18 months. The Company is closely examining the Opposition Board's recent written ruling and the claims made in the German infringement suit, and exploring various alternatives for handling these matters. If the Company were to be enjoined from selling AVONEX in Germany by the German district court pending our appeal of an adverse judgment, or, if the Company lost on appeal in the German infringement suit, or if, through other legal proceedings Rentschler were to obtain a determination that the Company's sales of AVONEX in other European countries infringes a valid Rentschler II patent, such a result or results could have a material adverse effect on the Company's results of operations and financial condition. As a result, an estimate of any potential loss or range of loss cannot be made at this time.

Along with most other major pharmaceutical and biotechnology companies, the Company has been named as a defendant in a lawsuit filed by the County of Suffolk, New York, in the U.S. District Court in the Eastern District of New York in January 2003. In March 2003, the case was conditionally transferred to the United States District Court for the District of Massachusetts. The complaint alleges that the defendants overstated the Average Wholesale Price ("AWP") for drugs for which Medicaid provides reimbursement ("Covered Drugs"), 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, provided financing incentives to providers to over-prescribe Covered Drugs or prescribe Covered Drugs in place of competing drugs, and overcharged Medicaid for illegally inflated Covered Drugs reimbursements. The complaint further alleges that the defendants failed to accurately report the "best price" on the Covered Drugs to New York's Medicaid program. Under Medicaid, pharmaceutical and biotechnology companies agree to pay Medicaid programs a rebate for each product reimbursed by Medicaid. The amount of the rebate is often the difference between the average manufacturers price and the best price reported by companies

to the Medicaid program. Plaintiff claims that it was harmed because it could have allotted the dollars that it wrongfully spent on Medicaid to other public needs. Plaintiff has brought the action under the Racketeering Influence and Corrupt Organizations Act (RICO), and for breach of contract, unjust enrichment, Medicaid fraud and common law fraud. The Company intends to vigorously defend itself against all of the allegations and claims in this lawsuit. As a result, an estimate of any potential loss or range of loss cannot be made at this time.

10. Shareholders' Equity

Convertible Exchangeable Preferred Stock

The Company has authority to issue 20,000,000 shares of $.01 par value preferred stock.

Shareholder Rights Plan

In 1989, the Company's Board of Directors declared a dividend to holders of the Company's common stock of rights (the "Old Rights") to purchase shares of Series A Junior Participating Preferred Stock (the "Old Preferred Stock"). Each Old Right entitled the registered holder to purchase from the Company one one-hundredth of a share of Old Preferred Stock upon the terms and subject to the conditions set forth in a Rights Agreement, dated as of May 8, 1989, between the Company and The First National Bank of Boston (the "Old Plan"). The Old Plan and the Old Rights expired on May 8, 1999. Consequently, on April 16, 1999, the Board of Directors declared a dividend to holders of the Company's common stock of one new preferred share purchase right (a "New Right") for each outstanding share of common stock. The New Rights were granted on May 8, 1999 pursuant to a new Rights Agreement, dated May 8, 1999, between the Company and State Street Bank and Trust Company, as Rights Agent (the "New Plan"). Each New Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A-1 Junior Participating Preferred Stock, par value $.01 per share ("New Preferred Stock"), at a price of $850 per one one-thousandth of a share of New Preferred Stock, subject to adjustment. Each one one-thousandth of a share of New Preferred Stock has rights, privileges and preferences which make its value approximately equal to the value of one share of the Company's common stock. The New Rights are exercisable only if a person or group acquires 20% or more of the outstanding common stock of the Company or commences a tender or exchange offer, the consummation of which would result in the ownership of 20% or more of the outstanding common stock of the Company. Once the New Rights become exercisable, and in some circumstances if additional conditions are met, each New Right will entitle the Company's shareholders (other than the acquirer) to, among other things, purchase common stock at a substantial discount. Unless earlier redeemed or exchanged by the Company, the New Rights expire on May 8, 2009. The Company is entitled to redeem the New Rights at a price of $.001 per New Right.

The Old Preferred Stock has been eliminated and replaced with the New Preferred Stock. At December 31, 2002, the Company had 250,000 shares of New Preferred Stock authorized for use in connection with the New Plan.

Share Option and Purchase Plans

The Company has several stock-based compensation plans. The Company applies APB Opinion No. 25 "Accounting for Stock Issued to Employees" in accounting for its plans and applies Statement of Financial Accounting Standards No. 123 "Accounting for Stock Issued to Employees" ("SFAS 123") for disclosure purposes only. The SFAS 123 disclosures include pro forma net income and earnings per share as if the fair value-based method of accounting had been used. Stock issued to non-employees is accounted for in accordance with SFAS 123 and related interpretations. Included in compensation expense for the periods ending December 31, 2002, 2001 and 2000 were approximately $2.4 million,

$829,000, and $(249,000), respectively, related to stock based compensation plans for employees and non-employees.

The Company has several plans and arrangements under which it may grant options to employees, Directors and Scientific Board members to purchase common stock. Under the terms of the Company's stock-based compensation plans, approximately 54 million options may be granted. Option grants are typically made under the 1985 Non-Qualified Stock Option Plan and the 1987 Scientific Board Stock Option Plan (the "Plans"). Options under the Plans are granted at no less than 100% of the fair market value on the date of grant. Options generally become exercisable over various periods, typically 4 to 7 years for employees and 3 years for Directors and Scientific Board members, and have a maximum term of 10 years.

Activity under these plans for the periods ending December 31, is as follows:

(shares are in thousands)	2002		2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, Jan. 1	17,757	$ 38.81	16,917	$ 31.70	17,938	$ 24.53
Granted	3,956	43.41	3,840	57.13	2,731	55.34
Exercised	(1,797)	13.05	(2,079)	15.48	(3,250)	11.61
Canceled	(706)	52.40	(921)	37.24	(502)	34.17
Outstanding, Dec. 31	19,210	$ 41.67	17,757	$ 38.81	16,917	$ 31.70
Options exercisable	10,351		9,466		9,093	
Available for grant	6,035		9,081		1,578	
Weighted average fair value of options granted		$ 24.65		$ 31.77		$ 24.34

The table below summarizes options outstanding and exercisable at December 31, 2002:

(shares are in thousands)	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.00-$10.00	914	1.54	$ 8.74	914	$ 8.74
$10.01-$20.00	3,973	3.41	16.08	3,884	16.03
$20.01-$30.00	613	5.63	23.79	456	23.17
$30.01-$40.00	446	8.10	33.05	168	33.11
$40.01-$50.00	5,327	8.37	42.49	1,769	41.39
$50.01-$60.00	5,925	8.23	55.68	1,954	55.37
$60.01-$70.00	595	7.90	64.33	236	64.32
$70.01-$80.00	1,264	6.90	72.41	862	72.30
Over $80.00	153	6.81	86.11	108	86.40
Total	19,210		$ 41.67	10,351	$ 34.27

The Company also has two employee stock purchase plans covering substantially all of its employees. The plans allow employees to purchase common stock at 85% of the lower of the fair market value at either the date of the beginning of the plan period or the purchase date. Purchases under the plans are subject to certain limitations and may not exceed an aggregate of 1,000,000 shares; no shares may be issued after December 31, 2007. Through December 31, 2002, 556,557 shares have been issued under the stock purchase plans.

Stock Repurchase Program

On December 18, 2000, the Company announced that its Board of Directors had authorized the repurchase of up to 4 million shares of the Company's common stock. The repurchased stock provides the Company with treasury shares for general corporate purposes, such as stock to be issued under employee stock option and stock purchase plans. During 2002, the Company repurchased approximately 145,000 shares of its common stock at a cost of $8.4 million. During 2001, the Company repurchased approximately 1.5 million shares of its common stock at a cost of $88.3 million. Approximately 2.4 million shares remain authorized for repurchase under this program at December 31, 2002. In the first quarter of 2003, the Company began open market repurchases for additional shares of its common stock under the program.

On February 22, 1999, the Company announced that its Board of Directors had authorized the repurchase of up to 8 million shares of the Company's common stock. The repurchased stock provided the Company with treasury shares for general corporate purposes, such as stock to be issued under employee stock option and stock purchase plans. During 1999, the Company repurchased approximately 3.4 million shares of its common stock at a cost of $197.7 million. During 2000, the Company repurchased approximately 4.6 million shares of its common stock at a cost of $300.2 million, completing this program.

11. Segment Information

The Company operates in one segment, which is the business of developing, manufacturing and marketing drugs for human health care. The chief operating decision-makers review the profit and loss of the Company on an aggregate basis and manage the operations of the Company as a single operating segment. The Company currently derives product revenues from sales of its AVONEX product for the treatment of relapsing forms of multiple sclerosis. The Company also derives revenue from royalties on worldwide sales by the Company's licensees of a number of products covered under patents controlled by the Company, including alpha interferon and hepatitis B vaccines and diagnostic products. Revenues are primarily attributed from external customers to individual countries where earned based on location of the customer or licensee. At December 31, 2002, 2001, and 2000, product and royalty revenues from external customers in The Netherlands were approximately 11%, 11%, and 10% of total revenues, respectively.

The Company's geographic information is as follows:

(in thousands)	US	Europe	Asia	Other	Total
December 31, 2002:					
Product revenue from external customers	$ 743,419	$ 275,657	$ —	$ 15,281	$ 1,034,357
Royalty revenue from external customers	65,518	42,493	5,827	169	114,007
Long-lived assets	734,215	55,129	1,163	457	790,964
December 31, 2001:	US	Europe	Asia	Other	Total
Product revenue from external customers	$ 710,095	$ 246,581	$ —	$ 13,870	$ 970,546
Royalty revenue from external customers	45,164	21,911	4,468	223	71,766
Long-lived assets	614,026	9,214	—	79	623,319
December 31, 2000:	US	Europe	Asia	Other	Total
Product revenue from external customers	$ 551,804	$ 199,714	$ —	$ 8,774	$ 760,292
Royalty revenue from external customers	120,578	26,414	16,479	1,902	165,373
Long-lived assets	497,347	6,125	—	113	503,585

The Company received revenue from three wholesale distributors and a specialty distributor in 2002 accounting for a total of 20%, 19%, 17%, and 16% of total product and royalty revenue. The Company received revenue from three wholesale distributors and a specialty distributor in 2001 accounting for a total of 21%, 16%, 14%, and 14% of total product and royalty revenue. The Company received revenue from five unrelated parties in 2000 accounting for a total of 18%, 13%, 12%, 11% and 10% of total product and royalty revenue.

12. Quarterly Financial Data (Unaudited)

(in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
2002					
Total revenues	$ 288,343	$ 269,263	$ 288,328	$ 302,430	$ 1,148,364
Product revenue	265,985	250,542	261,563	256,267	1,034,357
Royalties revenue	22,358	18,721	26,765	46,163	114,007
Total expenses and taxes	223,230	233,992	235,661	236,291	929,174
Other income (expense), net	7,028	8,104	(10,459)	(24,715)	(20,042)
Net income	72,141	43,375	42,208	41,424	199,148
Basic earnings per share	0.49	0.29	0.28	0.28	1.33
Diluted earnings per share	0.47	0.29	0.28	0.27	1.31
2001					
Total revenues	$ 237,047	$ 260,585	$ 264,097	$ 280,583	$ 1,042,312
Product revenue	219,997	243,140	248,107	259,302	970,546
Royalties revenue	17,050	17,445	15,990	21,281	71,766
Total expenses and taxes	181,387	200,266	204,421	212,854	798,928
Other income (expense), net	16,463	11,533	10,147	(8,844)	29,299
Net income	72,123	71,852	69,823	58,885	272,683
Basic earnings per share	0.49	0.48	0.47	0.40	1.84
Diluted earnings per share	0.47	0.47	0.46	0.39	1.78

13. New Accounting Pronouncements

In July 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at its fair market value when the liability is incurred, rather than at the date of an entity's commitment to an exit plan. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 is not expected to have a material effect on the Company's financial statements.

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34." FIN 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of certain guarantees. The initial recognition and initial measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 are effective for financial statement periods ending after December 15, 2002.

Under its charter, the Company has agreed to indemnify any person who is made a party to any action or threatened with any action as a result of such person's serving or having served as an officer or director of the Company or having served, at the Company's request, as an officer or director of another company. The indemnification does not apply if the person is adjudicated not to have acted in good faith in the reasonable belief that his or her actions were in the best interests of the Company. The indemnification obligation survives termination of the indemnified party's involvement with the Company but only as to those claims arising from such person's role as an officer or director. The Company has separate indemnification agreements with certain of its officers and directors that mirror the charter provisions. The maximum potential amount of future

payments that the Company could be required to make under the charter provision and the corresponding indemnification agreements is unlimited; however, the Company has Director and Officer insurance policies that, in most cases, would limit its exposure and enable it to recover a portion of any future amounts paid. As a result of the insurance policy coverage, the estimated fair value of these indemnification provisions is minimal. All of these indemnification provisions were grandfathered under the provisions of FIN 45 as they were in effect prior to December 31, 2002. Accordingly, we have no liabilities recorded for these provisions as of December 31, 2002.

The Company enters into indemnification provisions under its agreements with other companies in its ordinary course of business, typically with business partners, contractors, clinical sites and customers. Under these provisions the Company generally indemnifies and hold harmless the indemnified party for losses suffered or incurred by the indemnified party as a result of the Company's activities. These indemnification provisions generally survive termination of the underlying agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is unlimited. The Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the estimated fair value of these agreements is minimal. Accordingly, the Company has no liabilities recorded for these agreements as of December 31, 2002.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation-Transition and Disclosure—An Amendment of FAS No. 123." SFAS 148 amends SFAS 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for those companies who voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS 123

to require prominent disclosures in both the annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition and annual disclosure provision of SFAS 148 are effective for fiscal years ending after December 15, 2002. The Company has not adopted the fair value method of accounting for stock-based compensation, and will continue to apply APB 25 for its stock-based compensation plans. The Company has incorporated the disclosure requirements of SFAS 148 at December 31, 2002, which require a tabular pro forma presentation of net income had SFAS 123 been adopted by the Company in the "Summary of Significant Accounting Policies" footnote of the financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." FIN 46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. Variable interest entities that effectively disperse risk will not be consolidated unless a single party holds an interest or combination of interests that effectively recombines risks that were previously dispersed. FIN 46 also requires enhanced disclosure requirements related to variable interest entities. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003 to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of FIN 46 is not expected to have a material effect on the Company's financial statements.

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Exhibit 99.3

BIOGEN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(in thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
REVENUES:				
Product	$ 310,109	$ 261,563	$ 881,435	$ 778,090
Royalties	28,556	26,765	100,439	67,844
Contract	3,117	—	6,253	—
Total revenues	341,782	288,328	988,127	845,934
COSTS AND EXPENSES:				
Cost of product revenues	52,325	40,304	139,612	113,240
Cost of royalty revenues	1,939	1,746	6,564	4,337
Research and development	124,434	104,551	325,623	276,366
Selling, general and administrative	89,379	72,646	276,949	237,603
Merger related expenses	2,839	—	6,643	—
Total costs and expenses	270,916	219,247	755,391	631,546
Income from operations	70,866	69,081	232,736	214,388
Other income (expense), net	5,809	(10,459)	12,556	4,673
INCOME BEFORE INCOME TAXES	76,675	58,622	245,292	219,061
Income taxes	21,469	16,414	68,682	61,337
NET INCOME	$ 55,206	$ 42,208	$ 176,610	$ 157,724
BASIC EARNINGS PER SHARE	$ 0.37	$ 0.28	$ 1.18	$ 1.06
DILUTED EARNINGS PER SHARE	$ 0.36	$ 0.28	$ 1.17	$ 1.04
SHARES USED IN COMPUTING:				
Basic earnings per share	150,134	149,521	149,746	149,137
Diluted earnings per share	151,823	151,397	151,586	151,878

See Notes to Condensed Consolidated Financial Statements.

BIOGEN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2003	December 31, 2002
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 114,360	$ 45,113
Marketable securities	811,185	821,996
Accounts receivable, net	211,747	171,067
Deferred tax assets	28,315	38,592
Inventory	93,983	95,378
Other current assets	37,169	43,878
Total current assets	1,296,759	1,216,024
Property, plant and equipment		
Cost	1,039,355	953,805
Less accumulated depreciation	259,976	215,746
Property, plant and equipment, net	779,379	738,059
Patents, net	17,245	15,994
Other assets	56,864	36,911

	$ 2,150,247	$ 2,006,988
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 34,345	$ 64,876
Current portion of long-term debt	4,888	4,888
Current taxes payable	89,208	73,824
Accrued expenses and other	155,188	182,745
Total current liabilities	283,629	326,333
Long-term debt, less current portion	34,161	37,410
Long-term deferred tax liabilities	33,696	33,678
Other long-term liabilities	21,835	14,146
Commitments and contingencies	—	—
Shareholders' equity		
Common stock	1,517	1,517
Additional paid-in capital	842,427	829,993
Treasury stock, at cost	(58,695)	(90,844)
Retained earnings	957,484	838,756
Accumulated other comprehensive income	34,193	15,999
Total shareholders' equity	1,776,926	1,595,421
	$ 2,150,247	$ 2,006,988

See Notes to Condensed Consolidated Financial Statements.

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

	Nine months ended September 30,	
	2003	**2002**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 176,610	$ 157,724
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	44,894	31,357
Tax benefit of stock options	11,910	16,283
Equity in net loss of unconsolidated affiliate	—	3,740
Stock based compensation	524	1,552
Realized (gain) loss on sale of non-current marketable securities	(2,172)	301
Impairment of non-current investments or marketable securities	4,870	10,095
Writedown of inventory to net realizable value	17,443	—
Loan loss reserve	—	10,500
Changes in:		
Accounts receivable	(37,006)	22,729
Inventory	(16,048)	(38,333)
Other current and other assets	(12,799)	(8,309)
Accounts payable, accrued expenses, current taxes payable and other current and long-term liabilities	(36,136)	(40,041)
Net cash flows from operating activities	152,090	167,598
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of current marketable securities	(400,745)	(319,965)
Proceeds from sales and maturities of current marketable securities	416,156	300,649
Proceeds from sales of non-current marketable securities	3,715	493
Proceeds from withdrawal from an equity fund	7,217	—
Acquisitions of property and equipment, net	(77,990)	(162,268)
Additions to patents	(2,527)	(406)
Net cash flows from investing activities	(54,174)	(181,497)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on long-term debt	(3,249)	(3,249)
Purchases of treasury stock	(45,785)	(8,384)
Issuance of treasury stock related to stock option exercises	20,055	21,876

Other	351	69
Net cash flows from financing activities	(28,628)	10,312
Effect of exchange rate changes on cash	(41)	52
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	69,247	(3,535)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	45,113	54,042
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 114,360	$ 50,507

See Notes to Condensed Consolidated Financial Statements.

BIOGEN, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Biogen, Inc. ("Biogen" or the "Company") is a global biopharmaceutical company that develops, manufactures and markets novel human therapeutic products. Biogen's primary focus is developing pharmaceutical products that meet unmet medical needs particularly in its core therapeutic areas of neurology, dermatology and rheumatology. Biogen currently sells AVONEX® (Interferon beta-1a) for the treatment of relapsing multiple sclerosis ("MS") and AMEVIVE® (alefacept) for the treatment of adult patients with moderate-to-severe chronic plaque psoriasis who are candidates for systemic therapy or phototherapy. Biogen also receives revenues from royalties on sales by its licensees of a number of products covered under patents that Biogen controls and from contract revenues related to a collaborative agreement with IDEC Pharmaceuticals Corporation ("IDEC").

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of only normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows of Biogen and its subsidiaries. The Company's accounting policies are described in the Notes to the Consolidated Financial Statements in the Company's 2002 Annual Report on Form 10-K and updated, as necessary, in this Form 10-Q. Interim results are not necessarily indicative of the operating results for the full year.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On June 20, 2003, Biogen entered into an Agreement and Plan of Merger with IDEC and Bridges Merger Corporation, a wholly owned subsidiary of IDEC. Under the merger agreement, if all of the applicable conditions are met, Biogen will merge with and into Bridges Merger Corporation and become a wholly owned subsidiary of IDEC and IDEC will change its name to Biogen Idec, Inc. If the merger is completed, Biogen stockholders will receive 1.15 shares of IDEC common stock for each share of Biogen common stock, plus cash in lieu of fractional shares. The shares of the combined company are expected to be traded on the NASDAQ National Market under a new trading symbol. IDEC will account for the merger under the purchase method of accounting for business combinations under accounting principles generally accepted in the United States, which means that the assets and liabilities of Biogen will be recorded, as of the completion of the merger, at their fair values and added to those of IDEC. The merger has been unanimously approved by the board of directors of both IDEC and Biogen. The transaction is subject to approval by the stockholders of both companies and satisfaction of other customary closing conditions. The transaction is expected to be completed in the fourth quarter of 2003. The merger agreement provides for the payment of a termination fee of up to $230 million under certain termination scenarios. In connection with the proposed merger with IDEC, the Company has agreed to pay certain advisors up to $15 million upon completion of the merger, in addition to amounts previously paid, and a lesser amount should the merger terminate, contingent upon certain conditions.

INVENTORIES

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 expensed as research and development costs when consumed. The components of inventories are as follows:

(in thousands)	September 30, 2003	December 31, 2002
Raw materials	$ 34,010	$ 27,027
Work in process	38,545	25,892
Finished goods	21,428	42,459
	$ 93,983	$ 95,378

Biogen writes down obsolete or otherwise unmarketable inventory to its estimated net realizable value. If the actual realizable value is less than that estimated by Biogen, additional inventory write-downs may be required. The Company wrote down $7.9 million and $17.4 million of unmarketable inventory for the three and nine months ended September 30, 2003, respectively, which was charged to cost of product revenues. For the nine months ended September 30, 2003, Biogen wrote off $2.9 million of inventory to research and development since it did not meet commercial specifications but will be utilized in research and development activities.

REVENUE RECOGNITION AND ACCOUNTS RECEIVABLE

SEC Staff Accounting Bulletin No. 101 ("SAB 101") provides guidance on the recognition, presentation, and disclosure of revenue in financial statements. SAB 101 establishes the SEC's view that it is not appropriate to recognize revenue until 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 collectibility is reasonably assured. Further, SAB 101 requires that both title and the risks and rewards of ownership be transferred to the buyer before revenue can be recognized. The Company believes that its revenue recognition policies are in compliance with SAB 101.

Revenues from product sales are recognized when product is shipped and title and risk of loss has passed to the customer. When customers have inspection and approval rights for products, Biogen defers revenue until lapse of that right. Revenues are recorded net of applicable allowances for returns, rebates and other applicable discounts and allowances. The Company prepares its estimates for sales returns and allowances, discounts and rebates quarterly based primarily on historical experience updated for changes in facts and circumstances, as appropriate.

In January 2003, Biogen received regulatory approval to market AMEVIVE in the U.S. In connection with the introduction of AMEVIVE, Biogen implemented a limited launch period initiative undertaken in cooperation with one of Biogen's distributors which provides a refund on purchases of AMEVIVE made after a private payor has initially verified that it will cover the product but later denies the claim after appeal and where the other requirements of the initiative are met. Under this initiative, Biogen's exposure is contractually limited to 10% of the price of all AMEVIVE purchased by the distributor. As a result, Biogen will defer recognition of revenue of 10% of AMEVIVE purchased by the distributor while this initiative was in effect until such time as sufficient history of insurance claims reimbursement becomes available. In connection with the launch initiative, the Company has recorded $1.3 million of deferred revenue in accrued expenses and other at September 30, 2003. This launch initiative is applicable to purchases of AMEVIVE made on or before July 31, 2003 and was replaced with a new initiative undertaken in cooperation with the same distributor. Under this new initiative, the distributor will provide a purchaser with a discount on future purchases of AMEVIVE if a payor has initially verified that it will cover the purchase of AMEVIVE by the purchaser but later denies the claim after appeal and where the other requirements of the initiative are met. Biogen will in turn provide the distributor with a discount on its future purchases of AMEVIVE equal to the amount

of the discount provided by the distributor under the initiative, up to a maximum discount of 5% on any purchase order submitted to Biogen by the distributor. This initiative is applicable to purchases of AMEVIVE made on or after August 1, 2003 through July 31, 2004. As a result, effective as of August 1, 2003, Biogen will defer recognition of revenue of 5% of AMEVIVE purchased by the distributor until such time as sufficient history of insurance claims reimbursement becomes available. In connection with this new initiative, the Company has recorded $0.4 million of deferred revenue in accrued expenses and other at September 30, 2003.

In February 2002, the FASB Emerging Issues Task Force ("EITF") released EITF Issue No. 01-09 ("EITF 01-09"), "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)". EITF 01-09 states that cash consideration (including a sales incentive) given by a vendor to a customer is presumed to be a reduction of the selling prices of the vendor's products or services and, therefore, should be characterized as a reduction of revenue when recognized in the vendor's income statement, rather than a sales and marketing expense. The Company has various contracts with distributors that provide for discounts and rebates. These contracts are classified as a reduction of revenue. The Company also maintains select customer service contracts with distributors and other customers in the distribution channel. In accordance with EITF 01-09, the Company has established the fair value of these contracts and, as provided by EITF 01-09, classified these customer service contracts as sales and marketing expense. If the Company should not be able to sustain the fair value of these contracts, the Company would be required to classify these costs as a reduction of revenue. The adoption of EITF 01-09 did not have a significant impact on the Company's financial statements.

The Company receives royalty revenues under license agreements with a number of third parties that sell products based on technology developed by the Company or to which the Company has rights. There are no future performance obligations on the part of the Company under these license agreements. The license agreements provide for the payment of royalties to the Company based on sales of the licensed product. The Company records these revenues based on estimates of the sales that occurred during the relevant period. Differences between actual royalty revenues and estimated royalty revenues are reconciled and adjusted for in the period which they become known, typically the following quarter. Historically, adjustments have not been material based on actual amounts paid by licensees.

Revenue is not recognized in any circumstances unless collectibility is reasonably assured.

Biogen maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of Biogen's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required, which could affect future earnings.

In January 2003, the Company signed a collaboration agreement (the "IDEC Agreement") with IDEC, under which Biogen and IDEC are collaborating on the development of three oncology therapeutics from Biogen's pipeline of early-stage product candidates. Under the terms of the IDEC Agreement, IDEC initially will be responsible for the development costs of the product candidates, until that time, if any, when the Company exercises its opt-in rights (which must be done within a certain timeframe) with respect to each specific product candidate. Prior to exercising its opt-in rights, to the extent that the Company incurs any development costs in relation to the programs contained in the IDEC Agreement, they will be recorded as research and development expense. The reimbursement by IDEC of these costs will be recorded as contract revenue. For the three and nine months ended September 30, 2003, the Company recorded $3.1 million and $6.3 million, respectively, for contract revenue. Upon completion of the proposed merger, contract revenue related to this collaboration agreement will be eliminated.

ACCOUNTING FOR STOCK BASED COMPENSATION

The Company has several stock-based compensation plans. The Company applies APB Opinion No. 25 "Accounting for Stock Issued to Employees" in accounting for qualifying options granted to its employees under its plans and applies Statement of Financial Accounting Standards No. 123 "Accounting for Stock Issued to Employees" ("SFAS 123") for disclosure purposes only. The SFAS 123 disclosures include pro forma net income and earnings per share as if the fair value method of accounting had been used. Stock issued to non-employees is accounted for in accordance with SFAS 123 and related interpretations.

If compensation for employee options had been determined based on SFAS 123, the Company's pro forma net income, and pro forma earnings per share for the three and nine months ending September 30, would have been as follows:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands, except per share data)	2003	2002	2003	2002
Reported net income	$ 55,206	$ 42,208	$ 176,610	$ 157,724
Pro forma stock compensation expense, net of tax	10,456	10,546	31,213	32,253
Pro forma net income	$ 44,750	$ 31,662	$ 145,397	$ 125,471

	Three months ended	Nine months ended

	September 30		September 30	
	2003	2002	2003	2002
Reported basic earnings per share	$ 0.37	$ 0.28	$ 1.18	$ 1.06
Pro forma basic earnings per share	$ 0.30	$ 0.21	$ 0.97	$ 0.84
Reported diluted earnings per share	$ 0.36	$ 0.28	$ 1.17	$ 1.04
Pro forma diluted earnings per share	$ 0.29	$ 0.21	$ 0.96	$ 0.83

The fair value of options granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Expected dividend yield	0%	0%	0%	0%
Expected stock price volatility	45.44%	43.88%	45.44%	43.88%
Risk-free interest rate	3.50%	4.25%	3.50%	4.25%
Expected option term in years	7.4	7.4	7.4	7.4

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts. SFAS 123 did not apply to awards prior to 1995. Additional awards in future years are anticipated.

2. FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", ("SFAS 133") requires that all derivatives be recognized on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company assesses, both at its inception and

on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in cash flows of hedged items. The Company assesses hedge ineffectiveness on a quarterly basis and records the gain or loss related to the ineffective portion to current earnings to the extent significant. If the Company determines that a hedged forecasted transaction is no longer probable of occurring, the Company discontinues hedge accounting for the affected portion of the hedge instrument, and any unrealized gain or loss on the contract is recognized in current earnings within other income (expense).

As of September 30, 2003, the Company had $11.7 million outstanding under a floating rate loan collateralized by one of the Company's laboratory and office buildings in Cambridge, Massachusetts and $27.4 million outstanding under a floating rate loan agreement for financing the construction of its biological manufacturing facility in North Carolina. The Company uses interest rate swap agreements to mitigate the risk associated with its floating rate debt. The fair value of the interest rate swap agreements, representing the cash requirements of the Company to settle the agreements, was approximately $4.4 million and $5.1 million at September 30, 2003 and December 31, 2002, respectively, and was included in accrued expenses and other. The Company has designated the interest rate swaps as cash flow hedges. There were no amounts of hedge ineffectiveness related to the Company's interest rate swaps during the three and nine months ended September 30, 2003 or in the comparable periods of 2002, and no gains or losses were excluded from the assessment of hedge effectiveness. The Company records the differential to be paid or received on the interest rate swaps as incremental interest expense.

The Company has foreign currency forward contracts to hedge specific forecasted transactions denominated in foreign currencies. All foreign currency forward contracts have durations of ninety days to nine 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 other comprehensive income. Realized gains and losses for the effective portion are recognized with the underlying hedge transaction. The notional settlement amount of the foreign currency forward contracts outstanding at September 30, 2003 was approximately $47.5 million. These contracts had a fair value of approximately $5.3 million, representing an unrealized loss, and were included in accrued expenses and other at September 30, 2003.

For the three and nine months ended September 30, 2003, there were no significant amounts recognized in earnings due to hedge ineffectiveness. For the three months ended September 30, 2002, there were no significant amounts recognized in earnings due to hedge ineffectiveness. For the nine months ended September 30, 2002, approximately $0.6 million was recognized as expense due to hedge ineffectiveness. For the three and nine months ended September 30, 2003 and 2002, there were no significant amounts recognized as a result of the discontinuance of cash flow hedge accounting because it was no longer probable that the hedge forecasted transaction would occur. The Company recognized approximately $2.7 million and $7.8 million of losses in product revenue for the settlement of certain effective cash flow hedge instruments for the three and nine months ended September 30, 2003, respectively. The Company recognized approximately $1.4 million and $4.0 million of losses in royalty revenue for the settlement of certain effective cash flow hedge instruments for the three and nine months ended September 30, 2003, respectively. The Company recognized approximately $2.3 million and $2.7 million of losses in product revenue for the settlement of certain effective cash flow hedge instruments for the three and nine months ended September 30, 2002, respectively. The Company recognized approximately $0.6 million and $0.9 million of losses in royalty revenue for the settlement of certain effective cash flow hedge instruments for the three and nine months ended September 30, 2002, respectively. These settlements were recorded in the same period as the related forecasted transactions affected earnings.

3. COMPREHENSIVE INCOME

Comprehensive income comprises net income and other comprehensive income. Other comprehensive income includes certain changes in equity that are excluded from net income, such as translation adjustments and unrealized holding gains and losses on available-for-sale marketable securities, net of tax and derivative instruments, net of tax. Comprehensive income for the three months ended September 30, 2003 and 2002 was $60.9 million and $54.3 million, respectively. Comprehensive income for the nine months ended September 30, 2003 and 2002 was $194.8 million and $163 million, respectively.

4. EARNINGS PER SHARE

The Company calculates earnings per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). SFAS 128 requires the presentation of "basic" earnings per share and "diluted" earnings per share. Basic earnings per share is computed by dividing the net income available to common shareholders by the weighted average number of shares of common stock outstanding. For purposes of calculating diluted earnings per share, the denominator includes both the weighted average number of shares of common stock outstanding and the number of dilutive common stock equivalents such as stock options and warrants, as determined using the treasury stock method.

Shares used in calculating basic and diluted earnings per share for the three and nine month periods ending September 30, are as follows:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2003	2002	2003	2002
Weighted average number of shares of common stock outstanding	150,134	149,521	149,746	149,137
Dilutive stock options and warrants	1,689	1,876	1,840	2,741
Shares used in calculating diluted earnings per share	151,823	151,397	151,586	151,878

Options to purchase approximately 13.2 million and 10.7 million shares were outstanding at September 30, 2003 and 2002, respectively, but not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price during the period.

5. SHARE REPURCHASE PROGRAM

On December 18, 2000, the Company announced that its Board of Directors had authorized the repurchase of up to 4 million shares of the Company's common stock. The repurchased stock provides the Company with treasury shares for general corporate purposes, such as stock to be issued under employee stock option and stock purchase plans. During the first nine months of 2003, the Company repurchased approximately 1.2 million shares of its common stock under this program at a cost of $45.8 million. The Company purchased 145,000 shares during the first nine months of 2002 at a cost of $8.4 million. During 2001, the Company repurchased approximately 1.5 million shares of its common stock at a cost of $88.3 million. Approximately 1.2 million shares remain authorized for repurchase under this program at September 30, 2003.

6. OTHER INCOME, NET

Other income, net consists of the following (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Interest income	$ 8,833	$ 10,255	$ 26,830	$ 31,320
Interest expense	(952)	(733)	(2,586)	(2,655)
Other expense	(2,072)	(19,981)	(11,688)	(23,992)
Total other income (expense), net	$ 5,809	$ (10,459)	$ 12,556	$ 4,673

Other expense for the three months ended September 30, 2003 consists primarily of $0.7 million of realized gains from the sale of noncurrent marketable securities, a charge of $1.8 million related to the impairment of certain noncurrent investments, and $0.5 million of foreign exchange remeasurement losses. Other expense for the three months ended September 30, 2002 consisted primarily of $0.9 million of losses attributable to a fund in which Biogen had invested, a charge of $7.9 million related to the writedown of certain investments, and a $10.5 million charge for the establishment of a reserve related to an outstanding loan to a collaborator.

Other expense for the nine months ended September 30, 2003 consists primarily of a $12.9 million charge related to the settlement of a patent infringement dispute, a $3.1 million writedown of Biogen's investment in Eos Biotechnology Inc. ("Eos") due to Protein Design Lab, Inc's acquisition of Eos in the first quarter of 2003, $1.7 million of foreign exchange remeasurement gains, $2.2 million of realized

gains from the sale of noncurrent marketable securities, $1.8 million related to the impairment of certain noncurrent investments, and $1.5 million of gains on sales of current marketable securities. Other expense for the nine months ended September 30, 2002 consisted primarily of $3.7 million of losses attributable to a fund in which Biogen had invested, a charge of $10.1 million related to the writedown of certain investments, and a $10.5 million charge for the establishment of a reserve related to an outstanding loan to a collaborator.

7. INCOME TAX EXPENSE

Income tax expense as a percentage of pre-tax income was 28% for the three and nine months ended September 30, 2003 and 2002. The effective tax rate varied from the U.S. statutory rates for the first nine months of 2003 and 2002 primarily due to higher sales in European jurisdictions with lower tax rates and to the utilization of research and development credits.

8. LITIGATION

On October 13, 1998, the Company filed an opposition with the Opposition Division of the European Patent Office opposing the grant of a European patent (the "Rentschler II Patent") issued to Dr. Rentschler Biotechnologie GmbH ("Rentschler") claiming compositions of matter of beta interferon having specific glycosylation patterns. On November 6, 2002, a hearing took place with regard to the Company's opposition of the Rentschler II Patent in the European Patent Office. The Opposition Board of the European Patent Office ruled that the present claims of the Rentschler II Patent should be maintained. Following this decision, Rentschler Biotechnologie GmbH & Co. KG

sued the Company's German subsidiary, Biogen GmbH, for infringement of the Rentschler II Patent in Germany. In April 2003, the Company and Rentschler settled their litigation which brought to a close all pending legal proceedings in the German district court and the European Patent Office. Under the Settlement and License Agreement, the Company agreed to pay Rentschler $12.9 million as a one-time payment in settlement of litigation and has agreed to an ongoing royalty on sales of AVONEX in the relevant European countries in which the Rentschler II patent is in effect. As part of the settlement, both parties agreed not to pursue further litigation on these patents, including any appeal of the decision in the European Patent Office.

Because the substantive terms of the Rentschler settlement arrangement were agreed to in the first quarter of 2003, the Company determined that the provisions of SFAS 5, "Accounting for Contingencies," required that the Company account for this settlement in the first quarter of 2003. As a result, the Company recorded a charge of $12.9 million related to the settlement in other income (expense), net in its March 31, 2003 financial statements.

Along with most other major pharmaceutical and biotechnology companies, the Company has been named as a defendant in a lawsuit filed by each of the County of Suffolk, New York, the County of Westchester, New York, and the County of Rockland, New York. The Suffolk County case is pending in the U.S. District Court for the District of Massachusetts. The Westchester County case and the Rockland County case were brought in the third quarter of 2003 in the U.S. District Court for the Southern District of New York; it is anticipated that these cases will be transferred to the U.S. District Court for the District of Massachusetts. The complaints allege that the defendants overstated the Average Wholesale Price ("AWP") for drugs for which Medicaid provides reimbursement ("Covered Drugs"), 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, provided financing incentives to providers to over-prescribe Covered Drugs or to prescribe Covered Drugs in place of competing drugs, and overcharged Medicaid for illegally inflated Covered Drugs reimbursements. The complaint further alleges that the defendants failed to accurately report the "best price" on the Covered Drugs to New York's Medicaid program. Under Medicaid, pharmaceutical and biotechnology companies agree to pay Medicaid programs a

rebate for each product reimbursed by Medicaid. The amount of the rebate is often the difference between the average manufacturers price and the best price reported by companies to the Medicaid program. Plaintiffs claim that they were harmed because they could have allotted the dollars that they wrongfully spent on Medicaid to other public needs. Plaintiffs have brought the action under the Racketeering Influence and Corrupt Organizations Act (RICO), and for breach of contract, unjust enrichment, unfair trade practices, Medicaid fraud, common law fraud, and violation of each of the federal Medicaid Statute, the New York Social Services Law and the New York Department of Health Regulations. In September 2003, the Company joined other named defendants in filing with the U.S. District Court for the District of Massachusetts a Motion to Dismiss the Amended Suffolk County Complaint. The Company intends to vigorously defend itself against all of the allegations and claims in these lawsuits. As a result, an estimate of any potential loss or range of loss cannot be made at this time.

On June 25, 2003, a suit was filed in the Superior Court of California, County of San Diego, on behalf of a purported class of Biogen stockholders against Biogen, IDEC and certain members of Biogen's board of directors alleging, among other things, that the members of Biogen's board of directors breached their fiduciary duties of candor, loyalty, due care, independence, good faith and fair dealing by tailoring the structural terms of the merger to meet the specific needs of IDEC rather than attempting to obtain the highest price reasonably available for Biogen. An agreement in principal to resolve the suit has been reached based upon the disclosure of certain additional information in the joint proxy statement/prospectus in the registration statement on Form S-4 filed by IDEC in connection with the proposed merger between the Company and IDEC and the payment of attorneys' fees in an amount to be determined by the court. The settlement and related attorney fees are not expected to be material.

On July 15, 2003, Biogen filed suit against Trustees of Columbia University in the City of New York ("Columbia") in the United States District Court for the District of Massachusetts, contending that Biogen no longer has any obligation to pay royalties to Columbia on sales of AVONEX in the U.S. under a 1993 License Agreement between Biogen and Columbia related to U.S. Patent Nos. 4,399,216; 4,634,665; and 5,179,017 (the "Original Patents") or under a newly issued patent, U.S. Patent No. 6,455,275 (the "275 Patent"). In its suit, Biogen is seeking a declaratory judgment that it has no obligation to pay any further royalties under the license agreement because the Original Patents have expired and the "275 Patent is invalid and unenforceable; and that Columbia should be permanently enjoined from demanding any further royalties based on the "275 Patent or on any pending continuations, continuations-in-part, or divisional applications of the Original Patents. Columbia has taken the position that Biogen still owes it royalties under the license agreement on the basis of the "275 Patent which was issued on September 24, 2002, over two years after the expiration of the Original Patents. Genzyme Corporation and Abbott Bioresearch Center, Inc. have joined Biogen in its suit against Columbia. In the event that Biogen is unsuccessful in the present litigation, Biogen may be liable for damages suffered by Columbia with respect to withheld royalties and such other relief as Columbia may seek and be granted by the Court. In the second quarter 2003, as a result of the Company's assessment of the invalidity of the "275 Patent, the Company determined that it was probable that no additional amounts would be paid to Columbia. As a result, the Company eliminated a related accrual of $8 million in cost of product revenues and no longer provides for any royalties related to the "275 Patent.

9. SEGMENT INFORMATION

The Company operates in one segment, which is the business of developing, manufacturing and marketing drugs for human health care. The chief operating decision-makers review the profit and loss of the Company on an aggregate basis and manage the operations of the Company as a single operating segment. The Company currently derives product revenues primarily from sales of its

AVONEX product for the treatment of relapsing forms of MS, and to a lesser extent, from sales of its AMEVIVE product, approved by the U.S. Food and Drug Administration in January 2003 for the treatment of adult patients with moderate-to-severe chronic plaque psoriasis who are candidates for systemic therapy or phototherapy. The Company also derives revenue from royalties on sales by the Company's licensees of a number of products covered under patents controlled by the Company and from contract revenues related to a collaborative agreement with IDEC.

10. GUARANTEES

Under its charter, the Company has agreed to indemnify any person who is made a party to any action or threatened with any action as a result of such person's serving or having served as an officer or director of the Company or having served, at the Company's request, as an officer or director of another company. The indemnification does not apply if the person is adjudicated not to have acted in good faith in the reasonable belief that his or her actions were in the best interests of the Company. The indemnification obligation survives termination of the indemnified party's involvement with the Company but only as to those claims arising from such person's role as an officer or director. The Company has separate indemnification agreements with certain of its officers and directors that do not provide any greater coverage than that found in the charter provisions. The maximum potential amount of future payments that the Company could be required to make under the charter provision and the corresponding indemnification agreements is unlimited; however, the Company has Director and Officer insurance policies that, in most cases, would limit its exposure and enable it to recover a portion of any future amounts paid. The estimated fair value of these indemnification provisions is minimal. Accordingly, we have no liabilities recorded for these provisions as of September 30, 2003.

The Company enters into indemnification provisions under its agreements with other companies in its ordinary course of business, typically with business partners, financial advisors, contractors, clinical sites and customers. Under these provisions the Company generally indemnifies and hold harmless the indemnified party for losses

suffered or incurred by the indemnified party as a result of the Company's activities. These indemnification provisions generally survive termination of the underlying agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is unlimited. The Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the estimated fair value of these agreements is minimal. Accordingly, the Company has no liabilities recorded for these agreements as of September 30, 2003.

11. NEW ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." FIN 46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. Variable interest entities that effectively disperse risk will not be consolidated unless a single party holds an interest or combination of interests that effectively recombines risks that were previously dispersed. FIN 46 also requires enhanced disclosure requirements related to variable interest entities. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after December 15, 2003 to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of FIN 46 is not expected to have a material effect on the Company's financial statements.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts

(collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". The adoption of SFAS 149 is not expected to have a material effect on the Company's financial statements.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have a material effect on the Company's financial statements.

QuickLinks

BIOGEN, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited) (in thousands, except per share amounts)
BIOGEN, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (in thousands)
BIOGEN, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (in thousands)
BIOGEN, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)