BIOGEN IDEC INC.
Form 10-Q
April 25, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the quarterly period ended March 31, 2013
OR

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

Commission File Number 0-19311
BIOGEN IDEC INC.
(Exact name of registrant as specified in its charter)

Delaware	33-0112644
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

133 Boston Post Road, Weston, MA 02493
(781) 464-2000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes þ No ¨

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

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

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The number of shares of the issuer's Common Stock, $0.0005 par value, outstanding as of April 18, 2013, was 237,374,815 shares.

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For the Quarterly Period Ended March 31, 2013
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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on our current beliefs and expectations. The following cautionary statements are being made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995 (the "Act") with the intention of obtaining the benefits of the "Safe Harbor" provisions of the Act. These forward-looking statements may be accompanied by such words as "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "potential," "project," "target," "will" and other words and terms of similar meaning. Refe made in particular to forward-looking statements regarding:

- the anticipated amount, timing and accounting of revenues, contingency payments, milestone, royalty and other payments under licensing, collaboration or acquisition agreements, tax positions and contingencies, doubtful accounts, cost of sales, research and development costs, compensation and other expenses, amortization of intangible assets, and foreign currency forward contracts;
- the anticipated benefits and impact resulting from our acquisition of TYSABRI rights from Elan Pharma International Ltd.;
- the commercial launch of TECFIDERA;
- our plans to develop further risk stratification protocols for TYSABRI and the impact of such protocols;
- the potential launch of our long-lasting recombinant Factors VIII and IX;
- anticipated timing of regulatory filings for PLEGRIDY (Peginterferon beta-1a);
- the timing, outcome and impact of proceedings related to: patents and other intellectual property rights; tax audits, assessments and settlements; product liability and other legal or regulatory proceedings;
- the impact of increased product competition in the multiple sclerosis (MS) market, including competition from and growth of our own products;
- the costs to be incurred in connection with Genentech's arbitration with Hoechst;
- the deferral of TYSABRI revenue in Italy;
- the costs, timing and therapeutic scope of the development and commercialization of our pipeline products;
- our intent to exercise our put option requiring Knopp Neurosciences, Inc. (Knopp) to purchase our Class B common share ownership in Knopp;
- the impact of budget cuts in the U.S. and other measures worldwide designed to reduce healthcare costs to constrain the overall level of government expenditures, including the impact of pricing actions in Europe;
- the impact of the continued uncertainty and deterioration of the credit and economic conditions in certain countries in Europe and our collection of accounts receivable in such countries;
- patent terms, patent term extensions, patent office actions and data and market exclusivity rights;
- our ability to finance our operations and business initiatives and obtain funding for such activities;
- the impact of new laws and accounting standards;
- the timing and expected financial impact of relocating our corporate headquarters in Weston, Massachusetts to Cambridge, Massachusetts;
- the expected timing of the licensure of our manufacturing facility in Hillerød, Denmark; and
- the drivers for growing our business, including our plans to pursue business development and research opportunities, and competitive conditions.

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These forward-looking statements involve risks and uncertainties, including those that are described in the "Risk Factors" section of this report and elsewhere within this report that could cause actual results to differ materially from those reflected in such statements. You should not place undue reliance on these statements. Forward-looking statements speak only as of the date of this report. We do not undertake any obligation to publicly update any forward-looking statements.

NOTE REGARDING COMPANY AND PRODUCT REFERENCES

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

NOTE REGARDING TRADEMARKS

AVONEX®, AVONEX PEN®, RITUXAN®, and TYSABRI® are registered trademarks of Biogen Idec. FUMADERM™, PLEGRIDY™ and TECFIDERA™ are trademarks of Biogen Idec. The following are trademarks of the respective companies listed: ANGIOMAX® and ANGIOX® — The Medicines Company; ARZERRA® — Glaxo Group Limited; BENLYSTA® — Human Genome Sciences, Inc.; BETASERON® — Bayer Schering Pharma AG; EXTAVIA® — Novartis AG; FAMPYRA® — Acorda Therapeutics, Inc.; and REBIF® — Ares Trading S.A.

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PART I FINANCIAL INFORMATION

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

	For the Three Months Ended March 31,	
	2013	2012
Revenues:		
Product, net	$1,095,779	$975,488
Unconsolidated joint business	264,606	284,552
Other	54,711	31,974
Total revenues	1,415,096	1,292,014
Cost and expenses:		
Cost of sales, excluding amortization of acquired intangible assets	133,749	133,197
Research and development	284,340	355,962
Selling, general and administrative	352,598	300,089
Collaboration profit sharing	85,357	85,894
Amortization of acquired intangible assets	51,301	45,961
Fair value adjustment of contingent consideration	2,277	1,258
Restructuring charge	—	283
Total cost and expenses	909,622	922,644
Gain on sale of rights	5,051	—
Income from operations	510,525	369,370
Other income (expense), net	(14,457)	15,144
Income before income tax expense and equity in loss of investee, net of tax	496,068	384,514
Income tax expense	65,508	82,148
Equity in loss of investee, net of tax	3,811	—
Net income	426,749	302,366
Net loss attributable to noncontrolling interests, net of tax	—	(295)
Net income attributable to Biogen Idec Inc.	$426,749	$302,661
Net income per share:		
Basic earnings per share attributable to Biogen Idec Inc.	$1.80	$1.26
Diluted earnings per share attributable to Biogen Idec Inc.	$1.79	$1.25
Weighted-average shares used in calculating:		
Basic earnings per share attributable to Biogen Idec Inc.	236,837	239,754
Diluted earnings per share attributable to Biogen Idec Inc.	238,304	241,828

See accompanying notes to these unaudited condensed consolidated financial statements.

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BIOGEN IDEC INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands)

	For the Three Months Ended March 31,	
	2013	2012
Net income	$426,749	$302,366
Other comprehensive income:		
Unrealized gains (losses) on securities available for sale, net of tax of $654 and $1,122	(1,117)	1,911
Unrealized gains (losses) on foreign currency forward contracts, net of tax of $1,421 and $2,143	11,603	(18,363)
Unrealized gains on pension benefit obligation	1,263	189
Currency translation adjustment	(24,419)	25,154
Total other comprehensive income (loss), net of tax	(12,670)	8,891
Comprehensive income	414,079	311,257
Comprehensive loss attributable to noncontrolling interests, net of tax	—	(230)
Comprehensive income attributable to Biogen Idec Inc.	$414,079	$311,487

See accompanying notes to these unaudited condensed consolidated financial statements.

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

	As of March 31, 2013	As of December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$663,302	$570,721
Reverse repurchase agreements	2,968,000	—
Marketable securities	—	1,134,989
Accounts receivable, net	753,611	686,848
Due from unconsolidated joint business	267,429	268,395
Inventory	506,557	447,373
Other current assets	169,939	136,011
Total current assets	5,328,838	3,244,337
Marketable securities	—	2,036,658
Property, plant and equipment, net	1,736,811	1,742,226
Intangible assets, net	1,581,511	1,631,547
Goodwill	1,210,718	1,201,296
Investments and other assets	306,839	274,054
Total assets	$10,164,717	$10,130,118
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of notes payable and line of credit	$203,317	$453,379
Taxes payable	28,045	20,066
Accounts payable	165,207	203,999
Accrued expenses and other	885,093	979,945
Total current liabilities	1,281,662	1,657,389
Notes payable and other financing arrangements	711,831	687,396
Long-term deferred tax liability	156,667	217,272
Other long-term liabilities	674,951	604,266
Total liabilities	2,825,111	3,166,323
Commitments and contingencies		
Equity:		
Biogen Idec Inc. shareholders' equity		
Preferred stock, par value $0.001 per share	—	—
Common stock, par value $0.0005 per share	128	127
Additional paid-in capital	3,858,955	3,854,525
Accumulated other comprehensive loss	(67,975)	(55,305)
Retained earnings	4,913,543	4,486,794
Treasury stock, at cost	(1,365,641)	(1,324,618)
Total Biogen Idec Inc. shareholders' equity	7,339,010	6,961,523
Noncontrolling interests	596	2,272
Total equity	7,339,606	6,963,795
Total liabilities and equity	$10,164,717	$10,130,118

See accompanying notes to these unaudited condensed consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities:		
Net income	$426,749	$302,366
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	97,453	83,945
Share-based compensation	36,757	32,396
Deferred income taxes	(66,525)	(3,876)
Other	(33,442)	(29,073)
Changes in operating assets and liabilities, net:		
Accounts receivable	(75,546)	(89,066)
Inventory	(60,809)	(19,027)
Accrued expenses and other current liabilities	(180,910)	(82,031)
Other changes in operating assets and liabilities, net	35,212	(1,009)
Net cash flows provided by operating activities	178,939	194,625
Cash flows from investing activities:		
Proceeds from sales and maturities of marketable securities	4,329,506	824,434
Purchases of marketable securities	(1,160,680)	(677,092)
Purchases of reverse repurchase agreements	(2,968,000)	—
Acquisitions of business, net of cash acquired	—	(72,401)
Purchases of property, plant and equipment	(33,289)	(54,551)
Other	(11,596)	(19,772)
Net cash flows provided by investing activities	155,941	618
Cash flows from financing activities:		
Purchase of treasury stock	(41,023)	(463,171)
Proceeds from issuance of stock for share-based compensation arrangements	21,817	24,080
Repayment of borrowings under senior notes	(450,000)	—
Proceeds from borrowings under line of credit facility	200,000	—
Other	30,782	22,827
Net cash flows used in financing activities	(238,424)	(416,264)
Net increase (decrease) in cash and cash equivalents	96,456	(221,021)
Effect of exchange rate changes on cash and cash equivalents	(3,875)	4,618
Cash and cash equivalents, beginning of the period	570,721	514,542
Cash and cash equivalents, end of the period	$663,302	$298,139

See accompanying notes to these unaudited condensed consolidated financial statements.

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

1. Business

Overview

Biogen Idec is a global biotechnology company focused on discovering, developing, manufacturing and marketing therapies for the treatment of multiple sclerosis and other autoimmune disorders, neurodegenerative diseases and hemophilia. We also collaborate on the development and commercialization of RITUXAN and anti-CD20 product candidates for the treatment of non-Hodgkin's lymphoma and other conditions.

Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of our financial statements for interim periods in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The information included in this quarterly report on Form 10-Q should be read in conjunction with our consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2012 (2012 Form 10-K). Our accounting policies are described in the “Notes to Consolidated Financial Statements” in our 2012 Form 10-K and updated, as necessary, in this Form 10-Q. The year-end condensed consolidated balance sheet data presented for comparative purposes was derived from our audited financial statements, but does not include all disclosures required by U.S. GAAP. The results of operations for the three months ended March 31, 2013 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

Consolidation

Our condensed consolidated financial statements reflect our financial statements, those of our wholly-owned subsidiaries and those of certain variable interest entities where we are the primary beneficiary. For consolidated entities where we own or are exposed to less than 100% of the economics, we record net income (loss) attributable to noncontrolling interests in our condensed consolidated statements of income equal to the percentage of the economic or ownership interest retained in such entities by the respective noncontrolling parties. Intercompany balances and transactions are eliminated in consolidation.

In determining whether we are the primary beneficiary of an entity and therefore required to consolidate, we apply a qualitative approach that determines whether we have both (1) the power to direct the economically significant activities of the entity and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to that entity. These considerations impact the way we account for our existing collaborative relationships and other arrangements. We continuously assess whether we are the primary beneficiary of a variable interest entity as changes to existing relationships or future transactions may result in us consolidating or deconsolidating our partner(s) to collaborations and other arrangements.

Use of Estimates

The preparation of our condensed consolidated financial statements requires us to make estimates, judgments, and assumptions that may affect the reported amounts of assets, liabilities, equity, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments and methodologies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

2. Subsequent Events

TYSABRI

On April 2, 2013, we acquired full ownership and strategic, commercial and decision-making rights to TYSABRI from Elan Pharma International, Ltd (Elan), an affiliate of Elan Corporation, plc. Upon the closing of the transaction, the previous collaboration agreement between Elan and us, whereby worldwide TYSABRI profits were split 50/50, was terminated. For additional information related to this collaboration, please read Note 21, Collaborative and Other

Relationships to our consolidated financial statements included within our 2012 Form 10-K.

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

Upon the closing of the transaction, we made an upfront payment of $3.25 billion to Elan. The transaction was funded from our existing cash and reverse repurchase agreements and will be accounted for as an asset acquisition. The upfront payment will be capitalized in the second quarter of 2013 as an intangible asset within our condensed consolidated balance sheets as TYSABRI has reached technological feasibility and will be amortized over the asset estimated useful life using an economic consumption method.

Following the closing of the transaction, we will reflect 100% of the revenues, cost of sales and operating expenses related to TYSABRI within our condensed consolidated statements of income. We will continue to share TYSABRI profits with Elan equally until April 30, 2013. Commencing May 1, 2013 and for the first twelve months thereafter, we will make future contingent payments to Elan of 12% of worldwide net sales of TYSABRI, and thereafter, 18% on annual worldwide net sales up to $2.0 billion and 25% on annual worldwide net sales that exceed $2.0 billion. In 2014, the $2.0 billion threshold will be pro-rated for the portion of 2014 remaining after the first 12 months expires. Our payments to Elan will be recognized as cost of sales within our condensed consolidated statements of income.

3. Accounts Receivable

Our accounts receivable primarily arise from product sales in the U.S. and Europe and mainly represent amounts due from our wholesale distributors, public hospitals and other government entities. Concentrations of credit risk with respect to our accounts receivable, which are typically unsecured, are limited due to the wide variety of customers and markets using our products, as well as their dispersion across many different geographic areas. The majority of our accounts receivable have standard payment terms which generally require payment within 30 to 90 days. We monitor the financial performance and credit worthiness of our large customers so that we can properly assess and respond to changes in their credit profile. We provide reserves against trade receivables for estimated losses that may result from a customer’s inability to pay. Amounts determined to be uncollectible are charged or written-off against the reserve. To date, our historical write-offs of accounts receivable have not been significant.

The credit and economic conditions within Italy, Spain and Portugal, among other members of the European Union, remain uncertain. Uncertain credit and economic conditions have generally led to a lengthening of time to collect our accounts receivable in some of these countries. In some regions in these countries where our collections have slowed and a significant portion of these receivables are routinely being collected over periods in excess of one year, we have discounted our receivables and reduced related revenues based on the period of time that we estimate those amounts will be paid, to the extent such period exceeds one year, using the country’s market-based borrowing rate for such period. The related receivables are classified at the time of sale as long-term assets. We accrete interest income on these receivables, which is recognized as a component of other income (expense), net within our condensed consolidated statements of income.

Our net accounts receivable balances from product sales in selected European countries are summarized as follows:

	As of March 31, 2013		
(In millions)	Current Balance Included within Accounts Receivable, net	Non-Current Balance Included within Investments and Other Assets	Total
Spain	$79.3	$ —	$79.3
Italy	$106.9	$ 6.4	$113.3
Portugal	$15.0	$ 9.2	$24.2

	As of December 31, 2012		
(In millions)	Current Balance Included within Accounts Receivable, net	Non-Current Balance Included within Investments and Other Assets	Total

Spain	$78.9	$ —	$78.9
Italy	$94.4	$ 10.2	$104.6
Portugal	$16.6	$ 7.4	$24.0

Approximately $15.6 million and $11.8 million of the aggregated balances for these countries were overdue more than one year as of March 31, 2013 and December 31, 2012, respectively.

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

Pricing of TYSABRI in Italy - AIFA

In the fourth quarter of 2011, Biogen Idec SRL received a notice from the Italian National Medicines Agency (AIFA) stating that sales of TYSABRI for the period from February 2009 through February 2011 exceeded by EUR30.7 million a reimbursement limit established pursuant to a Price Determination Resolution (Price Resolution) granted by AIFA in February 2007. In December 2011, we filed an appeal against AIFA in administrative court seeking a ruling that the reimbursement limit does not apply and that the position of AIFA is unenforceable. In November 2012, we were notified that the Price Resolution would not automatically renew pending resolution of the dispute. For the period from October 2011 to February 2013, we deferred a significant portion of our revenues on sales of TYSABRI in Italy.

In February 2013, the reimbursement limit established pursuant to the Price Resolution expired. Through court proceedings in 2012, we have secured our rights to ensure that negotiations occur to re-establish final fixed pricing. During the period of negotiation to establish a new reimbursement limit with AIFA, we have continued to defer a significant portion of our revenues on sales of TYSABRI in Italy. Since being notified that AIFA believes a reimbursement limit is in effect, we have deferred an aggregate of $90.4 million, of which $13.9 million was deferred during the three months ended March 31, 2013. At the time of sale, our net accounts receivable balances from product sales in Italy include the amount of deferred revenue discussed above as our customers pay the invoice price of the product. For additional information, please read Note 20, Litigation to these condensed consolidated financial statements.

4. Reserves for Discounts and Allowances

An analysis of the amount of, and change in, reserves is summarized as follows:

(In millions)	Discounts	Contractual Adjustments	Returns	Total
Balance, as of December 31, 2012	$15.5	$194.8	$26.8	$237.1
Current provisions relating to sales in current year	35.6	137.3	3.7	176.6
Adjustments relating to prior years	(0.8)	3.1	0.2	2.5
Payments/returns relating to sales in current year	(19.3)	(44.2)	—	(63.5)
Payments/returns relating to sales in prior years	(13.1)	(83.3)	(3.9)	(100.3)
Balance, as of March 31, 2013	$17.9	$207.7	$26.8	$252.4

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

(In millions)	As of March 31, 2013	As of December 31, 2012
Reduction of accounts receivable	$48.4	$46.1
Component of accrued expenses and other	204.0	191.0
Total reserves	$252.4	$237.1

5. Inventory

The components of inventory are summarized as follows:

(In millions)	As of March 31, 2013	As of December 31, 2012
Raw materials	$109.8	$101.8
Work in process	276.1	230.5
Finished goods	120.7	115.1
Total inventory	$506.6	$447.4

As of March 31, 2013, the carrying value of our inventory includes $54.2 million associated with our Factor VIII, Factor IX, Serum-Free AVONEX and PLEGRIDY programs, which have been capitalized in advance of regulatory

approval.

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

6. Intangible Assets and Goodwill

Intangible Assets

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

		As of March 31, 2013			As of December 31, 2012		
(In millions)	Estimated Life	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Out-licensed patents	13-23 years	$578.0	$ (428.5)	$149.5	$578.0	$ (421.0)	$157.0
Core developed technology	15-23 years	3,005.3	(2,006.9)	998.4	3,005.3	(1,965.7)	1,039.6
In-process research and development	Up to 15 years upon commercialization	330.1	—	330.1	330.1	—	330.1
Trademarks and tradenames	Indefinite	64.0	—	64.0	64.0	—	64.0
Acquired and in-licensed rights and patents	6-16 years	55.1	(15.6)	39.5	53.7	(12.9)	40.8
Total intangible assets		$4,032.5	$ (2,451.0)	$1,581.5	$4,031.1	$ (2,399.6)	$1,631.5

For the three months ended March 31, 2013, amortization of acquired intangible assets totaled $51.3 million, as compared to $46.0 million, in the prior year comparative period.

Core Developed Technology

Core developed technology primarily relates to our AVONEX product which was recorded in connection with the merger of Biogen, Inc. and IDEC Pharmaceuticals Corporation in 2003. Our most recent long range planning cycle was completed in the third quarter of 2012, which reflected a small decrease in the expected lifetime revenue of AVONEX resulting in an increase in amortization expense.

Acquired and In-licensed Rights and Patents

In connection with our acquisition of TYSABRI rights on April 2, 2013, the $3.25 billion upfront payment we made to Elan will be capitalized as an intangible asset commencing in the second quarter of 2013 and will be amortized over the asset estimated useful life using an economic consumption method. For a more detailed description of this transaction, please read Note 2, Subsequent Events to these condensed consolidated financial statements.

In 2011, we licensed rights for the diagnostic and therapeutic application of recombinant virus-like particles, known as VP1 proteins, to detect antibodies of the JC virus (JCV) in serum or blood. As of March 31, 2013 and December 31, 2012, we have recognized an intangible asset totaling $27.1 million and $25.7 million, respectively, reflecting the total amount of upfront payments made and other time-based milestone payments. For additional information related to this arrangement, please read Note 8, Intangible Assets and Goodwill to our consolidated financial statements included within our 2012 Form 10-K.

The estimated future amortization for acquired intangible assets, including the TYSABRI rights we acquired from Elan on April 2, 2013, is expected to be as follows:

(In millions)	As of March 31, 2013
2013 (remaining nine months)	$277.0
2014	367.7
2015	362.8
2016	365.8
2017	355.1
Total	$1,728.4

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

Goodwill

The following table provides a roll-forward of the changes in our goodwill balance:

(In millions)	As of March 31, 2013	As of December 31, 2012
Goodwill, beginning of period	$1,201.3	$1,146.3
Goodwill acquired during the period	13.5	48.2
Other	(4.1)	6.8
Goodwill, end of period	$1,210.7	$1,201.3

The increase in goodwill during the three months ended March 31, 2013 was related to the $15.0 million contingent payment due to former shareholders of Fumapharm AG (net of $1.5 million tax benefit), which became payable upon the approval of TECFIDERA in the U.S. by the U.S. Food and Drug Administration (FDA).

For the three months ended March 31, 2013, we adjusted goodwill to establish a deferred tax asset related to our Stromedix Inc. (Stromedix) transaction. For additional information related to our transaction with Stromedix, please read Note 2, Acquisitions to our consolidated financial statements included within our 2012 Form 10-K.

As of March 31, 2013, we had no accumulated impairment losses related to goodwill.

7. Fair Value Measurements

The tables below present information about our assets and liabilities that are regularly measured and carried at fair value and indicate the level within the fair value hierarchy of the valuation techniques we utilized to determine such fair value:

(In millions)	As of March 31, 2013	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$358.6	$—	$ 358.6	$—
Reverse repurchase agreements	2,968.0	—	2,968.0	—
Marketable debt securities:				
Corporate debt securities	—	—	—	—
Government securities	—	—	—	—
Mortgage and other asset backed securities	—	—	—	—
Marketable equity securities	11.6	11.6	—	—
Venture capital investments	18.0	—	—	18.0
Derivative contracts	7.0	—	7.0	—
Plan assets for deferred compensation	15.1	—	15.1	—
Total	$3,378.3	$11.6	$ 3,348.7	$18.0
Liabilities:				
Derivative contracts	$3.2	$—	$ 3.2	$—
Contingent consideration obligations	293.7	—	—	293.7
Total	$296.9	$—	$ 3.2	$293.7

Our reverse repurchase agreement matured on April 1, 2013. This agreement was entered into in anticipation of our acquisition of TYSABRI rights from Elan and it matured with no difference in fair value. The reverse repurchase agreement was collaterialized by our counterparty setting aside U.S. government and agency securities with a fair value of approximately 102% of the principal amount.

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(In millions)	As of December 31, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$439.4	$—	$439.4	$—
Marketable debt securities:				
Corporate debt securities	1,001.0	—	1,001.0	—
Government securities	1,657.8	—	1,657.8	—
Mortgage and other asset backed securities	512.9	—	512.9	—
Marketable equity securities	9.0	9.0	—	—
Venture capital investments	20.3	—	—	20.3
Derivative contracts	1.8	—	1.8	—
Plan assets for deferred compensation	14.3	—	14.3	—
Total	$3,656.5	$9.0	$3,627.2	$20.3
Liabilities:				
Derivative contracts	$14.4	$—	$14.4	$—
Contingent consideration obligations	293.9	—	—	293.9
Total	$308.3	$—	$14.4	$293.9

There has been no impairment of our assets measured at fair value during the three months ended March 31, 2013. In addition, there were no changes in valuation techniques or inputs utilized or transfers between fair value measurement levels during the three months ended March 31, 2013. The fair value of Level 2 instruments classified as cash equivalents and marketable debt securities were determined through valuation models of third party pricing services. For a description of our validation procedures related to prices provided by third party pricing services, refer to Note 1, Summary of Significant Accounting Policies: Fair Value Measurements, to our consolidated financial statements included within our 2012 Form 10-K.

Marketable Equity Securities and Venture Capital Investments

Our marketable equity securities represent investments in publicly traded equity securities. Our venture capital investments, which are Level 3 measurements, include investments in certain venture capital funds, accounted for at fair value, that primarily invest in small privately-owned, venture-backed biotechnology companies. These venture capital investments represented approximately 0.2% of total assets as of March 31, 2013 and December 31, 2012, respectively.

The following table provides a roll-forward of the fair value of our venture capital investments that are Level 3 assets:

	For the Three Months Ended March 31,	
(In millions)	2013	2012
Fair value, beginning of period	$20.3	$23.5
Unrealized gains included in earnings	0.6	0.4
Unrealized losses included in earnings	(1.4)	(1.8)
Settlements	(1.5)	—
Fair value, end of period	$18.0	$22.1

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Debt Instruments

The fair and carrying values of our debt instruments, which are Level 2 liabilities, are summarized as follows:

(In millions)	As of March 31, 2013		As of December 31, 2012	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Notes payable to Fumedica	$19.3	$17.5	$20.0	$17.9
Credit facility	200.0	200.0	—	—
6.0% Senior Notes due March 1, 2013	—	—	453.7	450.0
6.875% Senior Notes due March 1, 2018	670.1	584.8	681.6	586.4
Total	$889.4	$802.3	$1,155.3	$1,054.3

The fair value of our notes payable to Fumedica was estimated using market observable inputs, including current interest and foreign currency exchange rates. The fair value of our 6.875% Senior Notes was determined through market, observable, and corroborated sources. For additional information related to our debt instruments, please read Note 11, Indebtedness to these condensed consolidated financial statements.

Contingent Consideration Obligations

The following table provides a roll-forward of the fair values of our contingent consideration obligations that are Level 3 measurements:

(In millions)	For the Three Months Ended March 31,	
	2013	2012
Fair value, beginning of period	$293.9	$151.0
Additions	—	117.6
Changes in fair value	2.3	1.3
Payments	(2.5)	—
Fair value, end of period	$293.7	$269.9

As of March 31, 2013 and December 31, 2012, approximately $272.0 million and $271.5 million, respectively, of the fair value of our total contingent consideration obligations were reflected as components of other long-term liabilities within our condensed consolidated balance sheets with the remaining balances reflected as a component of accrued expenses and other.

8. Financial Instruments

Marketable Securities

The following tables summarize our marketable debt and equity securities:

As of March 31, 2013 (In millions)	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
Available-for-sale:				
Corporate debt securities				
Current	$—	$—	$—	$—
Non-current	—	—	—	—
Government securities				
Current	—	—	—	—
Non-current	—	—	—	—
Mortgage and other asset backed securities				
Current	—	—	—	—
Non-current	—	—	—	—
Total marketable debt securities	$—	$—	$—	$—

Marketable equity securities, non-current	$11.6	$4.9	$—	$6.7

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As of December 31, 2012 (In millions)	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
Available-for-sale:				
Corporate debt securities				
Current	$346.9	$0.3	$—	$346.6
Non-current	654.1	2.8	(0.6)	651.9
Government securities				
Current	783.4	0.3	—	783.1
Non-current	874.4	0.8	—	873.6
Mortgage and other asset backed securities				
Current	4.8	—	—	4.8
Non-current	508.1	1.4	(1.3)	508.0
Total marketable debt securities	$3,171.7	$5.6	$(1.9)	$3,168.0
Marketable equity securities, non-current	$9.0	$3.0	$—	$6.0

The following table summarizes our financial assets with maturities of less than 90 days from the date of purchase included within cash and cash equivalents on the accompanying condensed consolidated balance sheet:

(In millions)	As of March 31, 2013	As of December 31, 2012
Commercial paper	$—	$40.7
Overnight repurchase agreements	—	67.4
Short-term debt securities	358.6	331.3
Total	$358.6	$439.4

The carrying values of our commercial paper, including accrued interest, overnight repurchase agreements, and our short-term debt securities approximate fair value.

Summary of Contractual Maturities: Available-for-Sale Securities

The estimated fair value and amortized cost of our marketable debt securities available-for-sale by contractual maturity are summarized as follows:

(In millions)	As of March 31, 2013		As of December 31, 2012	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in one year or less	$—	$—	$1,135.0	$1,134.5
Due after one year through five years	—	—	1,744.3	1,741.2
Due after five years	—	—	292.4	292.3
Total available-for-sale securities	$—	$—	$3,171.7	$3,168.0

The average maturity of our marketable debt securities available-for-sale as of December 31, 2012 was 14 months.

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Proceeds from Marketable Debt Securities
The proceeds from maturities and sales of marketable debt securities and resulting realized gains and losses are summarized as follows:

	For the Three Months Ended March 31,	
(In millions)	2013	2012
Proceeds from maturities and sales	$4,329.5	$824.4
Realized gains	$6.3	$0.7
Realized losses	$(2.0)	$(0.7)

Strategic Investments
As of March 31, 2013 and December 31, 2012, our strategic investment portfolio was comprised of investments totaling $64.4 million and $64.2 million, respectively, which are included in investments and other assets in our accompanying condensed consolidated balance sheets.
Our strategic investment portfolio includes investments in marketable equity securities of certain biotechnology companies and our investments in venture capital funds accounted for at fair value which totaled $29.6 million and $29.3 million as of March 31, 2013 and December 31, 2012, respectively. Our strategic investment portfolio also includes other equity investments in privately-held companies and additional investments in venture capital funds accounted for under the cost method. The carrying value of these investments totaled $34.8 million and $34.9 million as of March 31, 2013 and December 31, 2012, respectively.
Net Gains, Impairments and Changes to Fair Value
During the three months ended March 31, 2013 and 2012, we realized net losses, impairments and changes to fair value recorded through income of $0.3 million and net gains of $11.3 million, respectively, on our strategic investment portfolio. The net gains recognized during the three months ended March 31, 2012 included a gain of $9.0 million recognized upon our acquisition of Stromedix as we previously held an equity interest. For a more detailed description of this transaction, please read Note 2, Acquisitions to our consolidated financial statements included within our 2012 Form 10-K.
Impairments
For the three months ended March 31, 2013 and 2012, we recognized impairment charges on our marketable equity securities of certain biotechnology companies, investments in venture capital funds accounted for under the cost method and investments in privately-held companies totaling $0.3 million and $0.5 million, respectively.
9. Derivative Instruments
Foreign Currency Forward Contracts - Hedging Instruments
Due to the global nature of our operations, portions of our revenues are earned in currencies other than the U.S. dollar. The value of revenues measured in U.S. dollars is therefore subject to changes in foreign currency exchange rates. In order to mitigate these changes we use foreign currency forward contracts to lock in exchange rates associated with a portion of our forecasted international revenues.
Foreign currency forward contracts in effect as of March 31, 2013 and December 31, 2012 had durations of 1 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 accumulated other comprehensive income (loss). Realized gains and losses for the effective portion of such contracts are recognized in revenue when the sale of product in the currency being hedged is recognized. To the extent ineffective, hedge transaction gains and losses are reported in other income (expense), net.

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

	Notional Amount	
Foreign Currency: (in millions)	As of March 31, 2013	As of December 31, 2012
Euro	$456.7	$492.2
Canadian dollar	26.6	31.8
Total foreign currency forward contracts	$483.3	$524.0

The portion of the fair value of these foreign currency forward contracts that was included in accumulated other comprehensive income (loss) within total equity reflected gains of $1.2 million and losses of $11.8 million as of March 31, 2013 and December 31, 2012, respectively. We expect all contracts to be settled over the next 12 months and any amounts in accumulated other comprehensive income (loss) to be reported as an adjustment to revenue. We consider the impact of our and our counterparties' credit risk on the fair value of the contracts as well as the ability of each party to execute its contractual obligations. As of March 31, 2013 and December 31, 2012, respectively, credit risk did not materially change the fair value of our foreign currency forward contracts.

The following table summarizes the effect of derivatives designated as hedging instruments on our condensed consolidated statements of income:

	As of March 31,		For the Three Months Ended March 31,					
	Gains/(Losses) Recognized in AOCI (Effective Portion)		Gains/(Losses) Reclassified from AOCI into Net Income (Effective Portion)			Gains/(Losses) Recognized into Net Income (Ineffective Portion)		
(In millions)	2013	2012	Location	2013	2012	Location	2013	2012
Hedging instruments	$1.2	$16.0	Revenue	$1.1	$5.4	Other income (expense)	$0.2	$1.9

We recognized in product revenue net gains of $1.1 million and $5.4 million for the settlement of certain effective cash flow hedge instruments for the three months ended March 31, 2013 and 2012, respectively. These settlements were recorded in the same period as the related revenues were generated.

In relation to our foreign currency forward contracts, due to hedge ineffectiveness, we recognized in other income (expense) net gains of $0.2 million and $1.9 million for the three months ended March 31, 2013 and 2012, respectively.

Foreign Currency Forward Contracts - Other Derivatives

We also enter into other foreign currency forward contracts, usually with one month durations, to mitigate the foreign currency risk related to certain balance sheet positions. We have not elected hedge accounting for these transactions. The aggregate notional amount of these other outstanding foreign currency contracts was $138.6 million and $243.2 million as of March 31, 2013 and December 31, 2012, respectively. A net gain of $0.9 million related to these contracts was recognized as a component of other income (expense), net, for the three months ended March 31, 2013, respectively, as compared to a net loss of $4.3 million in the prior year comparative period.

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Summary of Derivatives

While certain of our derivatives are subject to netting arrangements with our counterparties, we do not offset derivative assets and liabilities within our condensed consolidated balance sheets.

The following table summarizes the fair value and presentation in our condensed consolidated balance sheets for our outstanding derivatives including those designated as hedging instruments:

(In millions)	Balance Sheet Location	Fair Value As of March 31, 2013
Hedging Instruments:		
Asset derivatives	Other current assets	$5.1
Liability derivatives	Accrued expenses and other	$2.7
Other Derivatives:		
Asset derivatives	Other current assets	$1.9
Liability derivatives	Accrued expenses and other	$0.5

(In millions)	Balance Sheet Location	Fair Value As of December 31, 2012
Hedging Instruments:		
Asset derivatives	Other current assets	$0.6
Liability derivatives	Accrued expenses and other	$11.5
Other Derivatives:		
Asset derivatives	Other current assets	$1.2
Liability derivatives	Accrued expenses and other	$2.9

10. Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost, net of accumulated depreciation. Accumulated depreciation on property, plant and equipment was $983.8 million and $941.1 million as of March 31, 2013 and December 31, 2012, respectively.

For the three months ended March 31, 2013, we capitalized interest costs related to construction in progress totaling approximately $3.2 million as compared to $8.2 million in the prior year comparative period.

Cambridge Leases

In July 2011, we executed leases for two office buildings currently under construction in Cambridge, Massachusetts with a planned occupancy during the second half of 2013. Construction of these facilities began in late 2011. In accordance with accounting guidance applicable to entities involved with the construction of an asset that will be leased when the construction is completed, we are considered the owner of these properties during the construction period. Accordingly, we record an asset along with a corresponding financing obligation on our condensed consolidated balance sheet for the amount of total project costs incurred related to the construction in progress for these buildings. Upon completion of the buildings, we will assess and determine if the assets and corresponding liabilities should be derecognized. As of March 31, 2013 and December 31, 2012, cost incurred by the developer in relation to the construction of these buildings totaled approximately $112.8 million and $86.5 million, respectively.

As a result of our decision to relocate our corporate headquarters in Cambridge, Massachusetts, we expect to vacate part of our Weston, Massachusetts facility in the second half of 2013 and incur a charge between $15.0 million to $30.0 million. This estimate represents our remaining lease obligation for the vacated portion of our Weston facility, net of sublease income expected to be received.

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Hillerød, Denmark Facility

As of September 2012, our large-scale biologics manufacturing facility in Hillerød, Denmark was ready for its intended use as we began the process of manufacturing clinical products for sale to third parties. As a result, we transferred $465.9 million from construction in progress to various fixed asset accounts. We ceased capitalizing a majority of the interest expense and began recording depreciation on the various assets during the third quarter of 2012. The average estimated useful life for the facility and its assets is 20 years. The facility is currently not licensed to produce commercial product, a process we expect to be completed in 2013.

Research Triangle Park (RTP) Lease

In December 2012, we entered into an arrangement with Eisai, Inc. (Eisai) to lease a portion of their facility in RTP to manufacture our and Eisai's oral solid dose products and for Eisai to provide us with vial-filling services for biologic therapies and packaging services for oral solid dose products. The 10 year operating lease agreement, which is cancellable after 5 years, became effective in February 2013 and gives us the option to purchase the facility.

11. Indebtedness

Credit Facility

In March 2013, we entered into a $750.0 million senior unsecured revolving credit facility, which we may choose to use for future working capital and general corporate purposes. The terms of this revolving credit facility include a financial covenant that require us to not exceed a maximum debt to EBITDA ratio. This facility terminates in March 2014. As of March 31, 2013, we had outstanding borrowings of $200.0 million and were in full compliance with all covenants. The weighted average interest rate on outstanding borrowings as of March 31, 2013 was 1.5%.

Senior Notes

On March 1, 2013, we repaid the $450.0 million aggregate principal amount of our 6.0% Senior Notes.

12. Equity

Total equity as of March 31, 2013 increased $375.8 million compared to December 31, 2012. This increase was primarily driven by net income attributable to Biogen Idec Inc. of $426.7 million partially offset by repurchases of our common stock totaling $41.0 million.

Share Repurchases

In February 2011, our Board of Directors authorized the repurchase of up to 20.0 million shares of common stock. This authorization does not have an expiration date. During the three months ended March 31, 2013, approximately 0.3 million shares were repurchased at a cost of $41.0 million.

Approximately 5.9 million shares of our common stock remain available for repurchase under the 2011 authorization.

We repurchased approximately 4.0 million shares at a cost of approximately $463.2 million under the 2011 authorization during the three months ended March 31, 2012.

Noncontrolling Interests

The following table reconciles equity attributable to noncontrolling interests:

	For the Three Months Ended March 31,	
(In millions)	2013	2012
Noncontrolling interests, beginning of period	$2.3	$1.5
Net income (loss) attributable to noncontrolling interests, net of tax	—	(0.3)
Currency translation adjustment	—	0.1
Deconsolidation of noncontrolling interest	(1.7)	—
Distributions to noncontrolling interests	—	1.3
Noncontrolling interests, end of period	$0.6	$2.6

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For additional information related to our deconsolidation of noncontrolling interest, please read Note 18, Investments in Variable Interest Entities to these condensed consolidated financial statements.

13. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in accumulated other comprehensive income (loss), net of tax by component:

(In millions)	Unrealized Gains (Losses) on Securities Available for Sale	Unrealized Gains (Losses) on Foreign Currency Forward Contracts	Unfunded Status of Postretirement Benefit Plans	Translation Adjustments	Total
Balance, as of December 31, 2012	$4.2	$(10.7)	$(21.7)	$(27.1)	$(55.3)
Other comprehensive income (loss) before reclassifications	1.6	12.6	1.2	(24.4)	(9.0)
Amounts reclassified from accumulated other comprehensive income (loss)	(2.7)	(1.0)	—	—	(3.7)
Net current period other comprehensive income (loss)	(1.1)	11.6	1.2	(24.4)	(12.7)
Balance, as of March 31, 2013	$3.1	$0.9	$(20.5)	$(51.5)	$(68.0)

Securities Available for Sale: Balances included within accumulated other comprehensive income (loss) related to unrealized holding gains (losses) are shown net of tax of $1.8 million and $2.5 million as of March 31, 2013 and December 31, 2012, respectively. Other comprehensive income (loss) recognized during the period before reclassifications are shown net of tax of $0.7 million. Amounts reclassified from accumulated other comprehensive income (loss) are shown net of tax of $1.4 million and were recognized in other income (expense) during the three months ended March 31, 2013.

Foreign Currency Forward Contracts: Balances included within accumulated other comprehensive income (loss) related to unrealized gains (losses) are shown net of tax of $0.3 million and $1.1 million as of March 31, 2013 and December 31, 2012, respectively. Other comprehensive income (loss) recognized during the period before reclassifications are shown net of tax of $1.6 million. Amounts reclassified from accumulated other comprehensive income (loss) are shown net of tax of $0.1 million and were recognized in revenues during the three months ended March 31, 2013.

Postretirement Benefit Plans: Tax amounts related to the unfunded status of pension and retirement benefit plans were immaterial for all amounts presented.

14. Earnings per Share

Basic and diluted earnings per share are calculated as follows:

	For the Three Months Ended March 31,	
(In millions)	2013	2012
Numerator:		
Net income attributable to Biogen Idec Inc.	$426.7	$302.7
Denominator:		
Weighted average number of common shares outstanding	236.8	239.8
Effect of dilutive securities:		

Stock options and employee stock purchase plan	0.4	0.6
Time-vested restricted stock units	0.8	1.1
Market stock units	0.3	0.3
Dilutive potential common shares	1.5	2.0
Shares used in calculating diluted earnings per share	238.3	241.8

Amounts excluded from the calculation of net income per diluted share because their effects were anti-dilutive were insignificant.

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15. Share-based Payments

Share-based Compensation Expense

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

	For the Three Months Ended March 31,	
(In millions)	2013	2012
Research and development	$25.2	$19.7
Selling, general and administrative	34.3	28.8
Subtotal	59.5	48.5
Capitalized share-based compensation costs	(2.3)	(1.2)
Share-based compensation expense included in total cost and expenses	57.2	47.3
Income tax effect	(16.6)	(14.4)
Share-based compensation expense included in net income attributable to Biogen Idec Inc.	$40.6	$32.9

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

	For the Three Months Ended March 31,	
(In millions)	2013	2012
Stock options	$0.3	$0.1
Market stock units	8.5	6.0
Time-vested restricted stock units	27.1	25.8
Performance-vested restricted stock units settled in shares	—	0.1