

BIOGEN IDEC INC.  
Form 10-Q  
July 23, 2014

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

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

For the quarterly period ended June 30, 2014  
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

(State or other jurisdiction of  
incorporation or organization)

225 Binney Street, Cambridge, MA 02142

(617) 679-2000

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

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

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

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting  
company)

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

The number of shares of the issuer's Common Stock, \$0.0005 par value, outstanding as of July 18, 2014, was 236,144,705 shares.



Table of Contents

BIOGEN IDEC INC.  
FORM 10-Q — Quarterly Report  
For the Quarterly Period Ended June 30, 2014  
TABLE OF CONTENTS

	Page
 <b>PART I — <u>FINANCIAL INFORMATION</u></b>	
Item 1. Financial Statements (unaudited)	
<u>Condensed Consolidated Statements of Income — For the Three and Six Months Ended June 30, 2014 and 2013</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income — For the Three and Six Months Ended June 30, 2014 and 2013</u>	<u>2</u>
<u>Condensed Consolidated Balance Sheets — As of June 30, 2014 and December 31, 2013</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows — For the Six Months Ended June 30, 2014 and 2013</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>8</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>51</u>
Item 4. <u>Controls and Procedures</u>	<u>51</u>
 <b>PART II — <u>OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	<u>52</u>
Item 1A. <u>Risk Factors</u>	<u>52</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>63</u>
Item 6. <u>Exhibits</u>	<u>63</u>
<u>Signatures</u>	<u>64</u>

## Table of Contents

### NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that 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 meaning. Reference is made in particular to forward-looking statements regarding:

- the anticipated amount, timing and accounting of revenues, contingent payments, milestone, royalty and other payments under licensing, collaboration or acquisition agreements, tax positions and contingencies, collectability of receivables, pre-approval inventory, cost of sales, research and development costs, compensation and other expenses, amortization of intangible assets, foreign currency forward contracts and impairment assessments;
- the potential impact of increased product competition in the multiple sclerosis (MS) and hemophilia markets, including competition from and growth of our own products and the possibility of future competition from biosimilars, gene therapies, generic versions or related prodrug derivatives;
- the timing, outcome and impact of administrative, regulatory, legal and other proceedings related to patents and other proprietary and intellectual property rights, tax audits, assessments and settlements, sales and promotional practices, product liability and other matters;
- the expected resolution and financial impact of our dispute with the Italian National Medicines Agency relating to sales of TYSABRI for the periods from February 2009 through January 2013;
- the costs, timing, potential approval and therapeutic scope of the development and commercialization of our pipeline products;
- the potential impact of healthcare reform in the U.S., implementation of provisions of the Affordable Care Act, and measures being taken worldwide designed to reduce healthcare costs to constrain the overall level of government expenditures, including the impact of pricing actions in Europe and elsewhere, and reduced reimbursement for our products;
- our ability to finance our operations and business initiatives and obtain funding for such activities;
- the impact of new laws and accounting standards; and
- the drivers for growing our business, including our plans to pursue business development and research opportunities, and competitive conditions.

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®, RITUXAN®, TECFIDERA®, and TYSABRI® are registered trademarks of Biogen Idec. ALPROLIX™, ELOCTATE™, FUMADERM™ and PLEGRIDY™ 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® — GlaxoSmithKline Intellectual Property Limited; BETASERON® — Bayer Schering Pharma AG; EXTAVIA® — Novartis AG; FAMPYRA® — Acorda Therapeutics, Inc.; GAZYVA® — Genentech, Inc.; and REBIF® — Ares Trading S.A.

Table of Contents

## 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 June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues:				
Product, net	\$2,056,292	\$1,385,918	\$3,799,057	\$2,481,697
Unconsolidated joint business	303,296	288,785	600,181	553,391
Other	61,864	48,770	151,965	103,481
Total revenues	2,421,452	1,723,473	4,551,203	3,138,569
Cost and expenses:				
Cost of sales, excluding amortization of acquired intangible assets	291,887	230,728	571,132	364,477
Research and development	447,273	327,463	976,157	611,803
Selling, general and administrative	576,622	431,012	1,088,296	783,610
Amortization of acquired intangible assets	116,826	82,225	260,084	133,526
Collaboration profit sharing	—	—	—	85,357
(Gain) loss on fair value remeasurement of contingent consideration	4,019	(5,163)	) 3,220	(2,886)
Total cost and expenses	1,436,627	1,066,265	2,898,889	1,975,887
Gain on sale of rights	3,900	5,319	7,759	10,370
Income from operations	988,725	662,527	1,660,073	1,173,052
Other income (expense), net	4,861	(10,428)	) (740)	) (24,885)
Income before income tax expense and equity in loss of investee, net of tax	993,586	652,099	1,659,333	1,148,167
Income tax expense	268,521	159,140	446,935	224,648
Equity in loss of investee, net of tax	1,933	2,289	9,538	6,100
Net income	723,132	490,670	1,202,860	917,419
Net income (loss) attributable to noncontrolling interests, net of tax	8,626	—	8,398	—
Net income attributable to Biogen Idec Inc.	\$714,506	\$490,670	\$1,194,462	\$917,419
Net income per share:				
Basic earnings per share attributable to Biogen Idec Inc.	\$3.02	\$2.07	\$5.05	\$3.87
Diluted earnings per share attributable to Biogen Idec Inc.	\$3.01	\$2.06	\$5.03	\$3.85
Weighted-average shares used in calculating:				
Basic earnings per share attributable to Biogen Idec Inc.	236,661	237,484	236,729	237,162
Diluted earnings per share attributable to Biogen Idec Inc.	237,401	238,743	237,634	238,543

See accompanying notes to these unaudited condensed consolidated financial statements.

Table of Contents

## BIOGEN IDEC INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Net income attributable to Biogen Idec Inc.	\$ 714,506	\$ 490,670	\$ 1,194,462	\$ 917,419
Other comprehensive income:				
Unrealized gains (losses) on securities available for sale, net of tax of \$4,029 and \$3,569 for the three months ended June 30, 2014 and 2013, respectively; (6,865 ) 6,077			(5,140 ) 4,960	
and \$3,015 and \$2,915 for the six months ended June 30, 2014 and 2013, respectively				
Unrealized gains (losses) on foreign currency forward contracts, net of tax of \$260 and \$59 for the three months ended June 30, 2014 and 2013, respectively; and \$5 and \$1,480 for the six months ended June 30, 2014 and 2013, respectively	10,760	(2,305 )	16,551	9,298
Unrealized gains (losses) on pension benefit obligation	(170 )	1,011	646	2,274
Currency translation adjustment	(8,047 )	8,056	(10,991 )	(16,363 )
Total other comprehensive income (loss), net of tax	(4,322 )	12,839	1,066	169
Comprehensive income attributable to Biogen Idec Inc.	710,184	503,509	1,195,528	917,588
Comprehensive income attributable to noncontrolling interests, net of tax	8,626	—	8,398	—
Comprehensive income	\$ 718,810	\$ 503,509	\$ 1,203,926	\$ 917,588

See accompanying notes to these unaudited condensed consolidated financial statements.



Table of Contents

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

	As of June 30, 2014	As of December 31, 2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$863,197	\$602,562
Marketable securities	709,869	620,167
Accounts receivable, net	1,002,328	824,406
Due from unconsolidated joint business, net	286,897	252,662
Inventory	715,935	659,003
Other current assets	346,787	226,134
Total current assets	3,925,013	3,184,934
Marketable securities	1,010,837	625,772
Property, plant and equipment, net	1,756,164	1,750,710
Intangible assets, net	4,249,378	4,474,653
Goodwill	1,364,815	1,232,916
Investments and other assets	611,791	594,350
Total assets	\$12,917,998	\$11,863,335
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Current portion of notes payable and line of credit	\$3,386	\$3,494
Taxes payable	192,758	179,685
Accounts payable	224,931	219,913
Accrued expenses and other	1,495,549	1,355,187
Total current liabilities	1,916,624	1,758,279
Notes payable	586,091	592,433
Long-term deferred tax liability	139,092	232,554
Other long-term liabilities	710,965	659,231
Total liabilities	3,352,772	3,242,497
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	128
Additional paid-in capital	4,106,084	4,023,651
Accumulated other comprehensive loss	(26,678)	(27,745)
Retained earnings	7,543,597	6,349,135
Treasury stock, at cost	(2,061,832)	(1,724,927)
Total Biogen Idec Inc. shareholders' equity	9,561,299	8,620,242
Noncontrolling interests	3,927	596
Total equity	9,565,226	8,620,838
Total liabilities and equity	\$12,917,998	\$11,863,335

See accompanying notes to these unaudited condensed consolidated financial statements.



Table of Contents

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

	For the Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net income	\$1,202,860	\$917,419
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	355,102	225,880
Share-based compensation	83,856	67,387
Deferred income taxes	(146,506)	(118,047)
Other	(64,213)	(42,495)
Changes in operating assets and liabilities, net:		
Accounts receivable	(188,961)	(185,688)
Inventory	(72,689)	(129,171)
Accrued expenses and other current liabilities	(30,299)	(15,970)
Other changes in operating assets and liabilities, net	(43,931)	84,836
Net cash flows provided by operating activities	1,095,219	804,151
Cash flows from investing activities:		
Proceeds from sales and maturities of marketable securities	1,317,525	4,404,707
Purchases of marketable securities	(1,787,606)	(1,617,974)
Acquisition of TYSABRI rights	—	(3,262,719)
Purchases of property, plant and equipment	(118,308)	(87,440)
Acquisitions of business, net of cash acquired	(25,000)	—
Other	(10,745)	(6,874)
Net cash flows used in investing activities	(624,134)	(570,300)
Cash flows from financing activities:		
Purchase of treasury stock	(336,905)	(41,023)
Proceeds from issuance of stock for share-based compensation arrangements	33,477	39,002
Repayment of borrowings under senior notes	—	(452,340)
Excess tax benefit from stock options	83,940	53,311
Other	12,003	(8,137)
Net cash flows used in financing activities	(207,485)	(409,187)
Net increase (decrease) in cash and cash equivalents	263,600	(175,336)
Effect of exchange rate changes on cash and cash equivalents	(2,965)	(2,878)
Cash and cash equivalents, beginning of the period	602,562	570,721
Cash and cash equivalents, end of the period	\$863,197	\$392,507

See accompanying notes to these unaudited condensed consolidated financial statements.

7

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Table of Contents

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Summary of Significant Accounting Policies

Business Overview

Biogen Idec is a global biotechnology company focused on discovering, developing, manufacturing and marketing therapies for the treatment of neurodegenerative diseases, hematologic conditions and autoimmune disorders. We also collaborate on the development and commercialization of RITUXAN for the treatment of non-Hodgkin's lymphoma, chronic lymphocytic leukemia and other conditions and share profits and losses for GAZYVA for the treatment of chronic lymphocytic leukemia.

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, 2013 (2013 Form 10-K). Our accounting policies are described in the "Notes to Consolidated Financial Statements" in our 2013 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 and six months ended June 30, 2014 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 one or more of our collaborators or partners.

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.

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 \$1,210.6 million and \$1,118.3 million as of June 30, 2014 and December 31, 2013, respectively.



Table of Contents

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Accounting for Share-Based Compensation

During the six months ended June 30, 2014, under our share-based compensation program we began to grant awards for performance-vested restricted stock units, which can be settled in cash or shares of our common stock (PUs) at the sole discretion of the Compensation and Management Development Committee of the Board of Directors. We have classified these awards as a liability as, historically, similar awards have been settled in cash. We record the estimated fair value of PUs as compensation expense over the requisite service period, which is generally the vesting period. Where awards are made with non-substantive vesting periods (for instance, where a portion of the award vests upon retirement eligibility), we estimate and recognize expense, net of forfeitures, over the period from the grant date to the date on which the employee is retirement eligible.

We apply an accelerated attribution method to recognize share based compensation expense when accounting for our PUs and the fair value of the liability is remeasured at the end of each reporting period through expected settlement. Compensation expense associated with PUs is based upon the share price and the number of units expected to be earned after assessing the probability that certain performance criteria will be met and the associated targeted payout level that is forecasted will be achieved, net of estimated forfeitures. Cumulative adjustments are recorded each quarter to reflect changes in the share price and estimated outcome of the performance-related conditions until the date results are determined and settled.

New Accounting Pronouncements

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

During the quarter ended June 30, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes all existing revenue recognition requirements, including most industry-specific guidance. The new standard requires a company to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. The new standard will be effective for us on January 1, 2017. We are currently evaluating the potential impact that Topic 606 may have on our financial position and results of operations.

Also during the quarter ended June 30, 2014, the FASB issued ASU No. 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosure. The new standard expands secured borrowing accounting for repurchase-to-maturity transactions and repurchase financings and sets forth new disclosure requirements for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions that are accounted for as secured borrowings. The new standard will be effective for us on April 1, 2015. The adoption of this standard is not expected to have an impact on our financial position or results of operations.

2. 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 reserves and write-offs of accounts receivable have not been significant.

Table of Contents

## BIOGEN IDEC INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, continued)

The credit and economic conditions within Italy, Spain and Portugal, among other members of the E.U. continue to 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 Portugal and select regions in Spain and Italy, where our collections have slowed and a significant portion of these receivables are routinely being collected beyond our contractual payment terms and 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 non-current 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:

(In millions)	As of June 30, 2014		
	Current	Non-Current	Total
	Balance Included	Balance Included	
	within Accounts Receivable, net	within Investments and Other Assets	
Spain	\$54.7	\$ 10.0	\$64.7
Italy	\$79.3	\$ 1.3	\$80.6
Portugal	\$10.7	\$ 12.7	\$23.4

(In millions)	As of December 31, 2013		
	Current	Non-Current	Total
	Balance Included	Balance Included	
	within Accounts Receivable, net	within Investments and Other Assets	
Spain	\$113.3	\$ 6.8	\$120.1
Italy	\$76.1	\$ 2.4	\$78.5
Portugal	\$10.4	\$ 8.2	\$18.6

Approximately \$15.5 million and \$45.9 million of the total net accounts receivable balances for these countries were overdue more than one year as of June 30, 2014 and December 31, 2013, respectively. During the first quarter of 2014, we received approximately \$59.6 million in payments from Spain related to receivables aged greater than one year. During the fourth quarter of 2013, Portugal remitted approximately \$10.0 million related to receivables aged greater than two years.

**Pricing of TYSABRI in Italy - AIFA**

In the fourth quarter of 2011, Biogen Idec Italia SRL, our Italian subsidiary, received a notice from the Italian National Medicines Agency (Agenzia Italiana del Farmaco or AIFA) stating that sales of TYSABRI for the period from mid-February 2009 through mid-February 2011 exceeded by EUR30.7 million a reimbursement limit established pursuant to a Price Determination Resolution (Price Resolution) granted by AIFA in December 2006. In December 2011, based on our interpretation that the Price Resolution by its terms only applied to the first 24 months of TYSABRI sales (which began in mid-February 2007), we filed an appeal against AIFA in administrative court seeking a ruling that the reimbursement limit does not apply to the periods beginning in mid-February 2009 and that the position of AIFA is unenforceable. That appeal is pending. Since being notified in the fourth quarter of 2011 that AIFA believed a reimbursement limit was in effect, we deferred revenue on sales of TYSABRI as if the reimbursement limit were in effect for each biannual period beginning in mid-February 2009.

In July 2013, we negotiated an agreement in principle with AIFA's Price and Reimbursement Committee that would have resolved all of AIFA's claims relating to sales of TYSABRI in excess of the reimbursement limit for the periods from February 2009 through January 2013 for an aggregate repayment of EUR33.3 million. The agreement was sent



to the Avvocatura Generale dello Stata (Attorney General) for its opinion. As a result of this agreement in principle, we recorded a liability and reduction to revenue of EUR15.4 million at June 30, 2013. That adjustment approximated 50% of the claim related to the period from February 2009 through January 2011 as the likelihood of making a payment to resolve AIFA's claims for that period was then probable and the amount could be estimated. This agreement in principle was not finalized, and AIFA and Biogen Idec Italia SRL remain in discussions about a resolution relating to the claims at issue in that agreement in principle. We continue to believe that a settlement with AIFA relating to these claims is probable and have retained the EUR15.4 million liability recorded as of June 30, 2013.

Table of Contents

## BIOGEN IDEC INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, continued)

In June 2014, AIFA approved a resolution, effective for a 24 month term, setting the price for TYSABRI in Italy. The resolution also eliminated the reimbursement limit from February 2013 going forward. As a result, we recognized \$53.5 million of TYSABRI revenues related to the periods beginning February 2013 that were previously deferred. An aggregate amount of \$86.9 million remains deferred as of June 30, 2014 related to the periods from mid-February 2011 through January 2013.

## 3. Reserves for Discounts and Allowances

An analysis of the change in reserves for discounts and allowances is summarized as follows:

(In millions)	Discounts	Contractual Adjustments	Returns	Total
Balance, as of December 31, 2013	\$47.0	\$335.6	\$33.7	\$416.3
Current provisions relating to sales in current year	161.2	577.3	14.7	753.2
Adjustments relating to prior years	(0.4)	) 7.6	5.4	12.6
Payments/returns relating to sales in current year	(111.5)	) (330.3)	) (0.1)	) (441.9)
Payments/returns relating to sales in prior years	(44.5)	) (200.8)	) (20.4)	) (265.7)
Balance, as of June 30, 2014	\$51.8	\$389.4	\$33.3	\$474.5

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

(In millions)	As of June 30, 2014	As of December 31, 2013
Reduction of accounts receivable	\$153.4	\$151.4
Component of accrued expenses and other	321.1	264.9
Total reserves	\$474.5	\$416.3

## 4. Inventory

The components of inventory are summarized as follows:

(In millions)	As of June 30, 2014	As of December 31, 2013
Raw materials	\$124.8	\$115.0
Work in process	447.4	435.4
Finished goods	143.7	108.6
Total inventory	\$715.9	\$659.0

As of June 30, 2014 our inventory includes \$45.5 million associated with our PLEGRIDY and Daclizumab High Yield Process programs, which have been capitalized in advance of regulatory approval. As of December 31, 2013, our inventory included \$93.7 million associated with our ALPROLIX, ELOCTATE and PLEGRIDY programs, which were capitalized in advance of regulatory approval.

Table of Contents

## BIOGEN IDEC INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, continued)

## 5. Intangible Assets and Goodwill

## Intangible Assets

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

(In millions)	Estimated Life	As of June 30, 2014			As of December 31, 2013		
		Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Out-licensed patents	13-23 years	\$543.3	\$ (465.9 )	\$77.4	\$578.0	\$ (450.8 )	\$127.2
Developed technology	15-23 years	3,005.3	(2,283.7 )	721.6	3,005.3	(2,165.4 )	839.9
In-process research and development	Indefinite until commercialization	330.9	—	330.9	327.4	—	327.4
Trademarks and tradenames	Indefinite	64.0	—	64.0	64.0	—	64.0
Acquired and in-licensed rights and patents	6-17 years	3,271.5	(216.0 )	3,055.5	3,240.0	(123.8 )	3,116.2
Total intangible assets		\$7,215.0	\$ (2,965.6 )	\$4,249.4	\$7,214.7	\$ (2,740.0 )	\$4,474.7

For the three and six months ended June 30, 2014, amortization of acquired intangible assets totaled \$116.8 million and \$260.1 million, respectively, as compared to \$82.2 million and \$133.5 million, respectively, in the prior year comparative periods. For the three and six months ended June 30, 2014, compared to the same periods in 2013, the change in amortization of acquired intangible assets was primarily driven by our acquisition of the TYSABRI rights from Elan Pharma International Ltd. (Elan) and an increase in the amount of amortization recorded in relation to our AVONEX intangible asset.

## Out-licensed Patents

Out-licensed patents to third-parties primarily relate to patents acquired in connection with the merger of Biogen, Inc. and IDEC Pharmaceuticals Corporation in 2003. During the six months ended June 30, 2014, we recorded a charge of \$34.7 million related to the impairment of one of our out-licensed patents to reflect a change in its estimated fair value, due to a change in the underlying competitive market for that product, which occurred during the first quarter of 2014. The charge is included in amortization of acquired intangibles. The fair value of the intangible asset was based on discounted cash flow calculated using Level 3 fair value measurements and inputs including estimated revenues.

## Developed Technology

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. The net book value of this asset as of June 30, 2014 was \$711.9 million. We amortize this intangible asset using the economic consumption method based on actual and expected revenues generated from the sales of our AVONEX product.

## Acquired and In-licensed Rights and Patents

Acquired and in-licensed rights and patents primarily relate to our acquisition of the TYSABRI rights from Elan. The net intangible asset capitalized related to this acquisition was \$3,178.3 million. In the second quarter of 2013, we began amortizing this intangible asset over the estimated useful life using an economic consumption method based on actual and expected revenues generated from the sales of our TYSABRI product. The net book value of this asset as of June 30, 2014 was \$2,995.1 million. For a more detailed description of this transaction, please read Note 2, Acquisitions to our consolidated financial statements included within our 2013 Form 10-K.

The increase in acquired and in-licensed rights and patents during the six months ended June 30, 2014 was primarily related to the \$20.0 million contingent payment due to the former owners of Syntonix Pharmaceuticals, Inc., which became payable upon the approval of ALPROLIX in the U.S. by the U.S. Food and Drug Administration (FDA) in the first quarter of 2014. We have recorded an additional \$7.8 million of acquired in-licensed rights and patents related to

this consideration, along with a corresponding deferred tax liability of the same amount.

Table of Contents

## BIOGEN IDEC INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, continued)

## Estimated Future Amortization of Intangible Assets

Our amortization expense is based on the economic consumption of the intangible assets. Our most significant intangible assets are related to our AVONEX and TYSABRI products. Annually, during our long-range planning cycle, we perform an analysis of anticipated lifetime revenues of AVONEX and TYSABRI. This analysis is updated whenever events or changes in circumstances would significantly affect the anticipated lifetime revenues of either product.

Our most recent long range planning cycle was updated in the third quarter of 2013, and included the impact of our acquisition of TYSABRI rights from Elan and a decrease in the expected future product revenues of AVONEX, resulting in an increase in amortization expense as compared to prior quarters. The results of our analysis were impacted by changes in the estimated impact of TECFIDERA, as well as other existing and potential oral and alternative MS formulations, including PLEGRIDY, that may compete with AVONEX and TYSABRI. Based upon this recent analysis, the estimated future amortization for acquired intangible assets for the balance of 2014 and the next five years is expected to be as follows:

(In millions)	As of June 30, 2014
2014 (remaining six months)	\$217.2
2015	333.4
2016	318.8
2017	322.0
2018	323.1
2019	302.9
Total	\$1,817.4
Goodwill	

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

(In millions)	As of June 30, 2014	As of December 31, 2013
Goodwill, beginning of period	\$1,232.9	\$1,201.3
Increase to goodwill	131.9	35.7
Other	—	(4.1)
Goodwill, end of period	\$1,364.8	\$1,232.9

The increase in goodwill during the six months ended June 30, 2014 was related to the accrual of a \$150.0 million contingent payment (exclusive of an \$18.1 million tax benefit) to be made to former shareholders of Fumapharm AG and holders of their rights. During the quarter ended June 30, 2014, we reached the \$2.0 billion cumulative sales level related to the Fumapharm Products. For additional information related to future contingent payments, please read Note 19, Commitments and Contingencies to these condensed consolidated financial statements.

As of June 30, 2014, we had no accumulated impairment losses related to goodwill.

Table of Contents

## BIOGEN IDEC INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, continued)

## 6. 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 June 30, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	\$475.2	\$—	\$ 475.2	\$—
Marketable debt securities:				
Corporate debt securities	617.2	—	617.2	—
Government securities	948.0	—	948.0	—
Mortgage and other asset backed securities	155.4	—	155.4	—
Marketable equity securities	0.4	0.4	—	—
Venture capital investments	21.1	—	—	21.1
Derivative contracts	2.1	—	2.1	—
Plan assets for deferred compensation	37.0	—	37.0	—
Total	\$2,256.4	\$0.4	\$ 2,234.9	\$21.1
Liabilities:				
Derivative contracts	\$9.1	\$—	\$ 9.1	\$—
Contingent consideration obligations	279.1	—	—	279.1
Total	\$288.2	\$—	\$ 9.1	\$279.1
(In millions)	As of December 31, 2013	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	\$424.7	\$—	\$424.7	\$—
Marketable debt securities:				
Corporate debt securities	439.8	—	439.8	—
Government securities	674.7	—	674.7	—
Mortgage and other asset backed securities	131.4	—	131.4	—
Marketable equity securities	11.2	11.2	—	—
Venture capital investments	21.9	—	—	21.9
Derivative contracts	3.8	—	3.8	—
Plan assets for deferred compensation	22.7	—	22.7	—
Total	\$1,730.2	\$11.2	\$1,697.1	\$21.9
Liabilities:				
Derivative contracts	\$23.5	\$—	\$23.5	\$—
Contingent consideration obligations	280.9	—	—	280.9
Total	\$304.4	\$—	\$23.5	\$280.9

There have been no impairments of our assets measured and carried at fair value during the three and six months ended June 30, 2014. In addition, there were no changes in valuation techniques or inputs utilized or transfers between fair value measurement levels during the three and six months ended June 30, 2014. The fair value of Level 2

instruments classified as cash equivalents and marketable debt securities were determined through 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 2013 Form 10-K.

Table of Contents

## BIOGEN IDEC INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, continued)

## Marketable Equity Securities and Venture Capital Investments

Our marketable equity securities represent investments in publicly traded equity securities. Our venture capital investments, which are all 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 June 30, 2014 and December 31, 2013, respectively.

The following table provides a roll forward of the fair value of our venture capital investments, which includes Level 3 measurements:

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Fair value, beginning of period	\$23.6	\$18.0	\$21.9	\$20.3
Unrealized gains included in earnings	2.1	6.1	5.0	6.7
Unrealized losses included in earnings	(0.1)	(0.6)	(1.3)	(2.0)
Purchases	—	—	—	—
Settlements	(4.5)	—	(4.5)	(1.5)
Fair value, end of period	\$21.1	\$23.5	\$21.1	\$23.5

## Debt Instruments

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

(In millions)	As of June 30, 2014		As of December 31, 2013	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Notes payable to Fumedica	\$13.8	\$12.6	\$17.5	\$15.8
6.875% Senior Notes due March 1, 2018	645.9	576.9	647.9	580.1
Total	\$659.7	\$589.5	\$665.4	\$595.9

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 12, Indebtedness to our consolidated financial statements included within our 2013 Form 10-K.

## Contingent Consideration Obligations

The following table provides a roll forward of the fair values of our contingent consideration obligations which includes Level 3 measurements:

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Fair value, beginning of period	\$275.1	\$293.7	\$280.9	\$293.9
Additions	—	—	—	—
Changes in fair value	4.0	(5.2)	3.2	(2.9)
Payments	—	(7.5)	(5.0)	(10.0)
Fair value, end of period	\$279.1	\$281.0	\$279.1	\$281.0

As of June 30, 2014 and December 31, 2013, approximately \$243.4 million and \$251.9 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.





Table of Contents

## BIOGEN IDEC INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, continued)

## 7. Financial Instruments

## Marketable Securities

The following tables summarize our marketable debt and equity securities:

As of June 30, 2014 (In millions)	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
Available-for-sale:				
Corporate debt securities				
Current	\$ 125.0	\$ 0.1	\$—	\$ 124.9
Non-current	492.2	0.6	(0.2)	) 491.8
Government securities				
Current	584.9	0.1	(0.1)	) 584.9
Non-current	363.1	0.2	—	362.9
Mortgage and other asset backed securities				
Current	—	—	—	—
Non-current	155.4	0.1	(0.1)	) 155.4
Total marketable debt securities	\$ 1,720.6	\$ 1.1	\$ (0.4)	) \$ 1,719.9
Marketable equity securities, non-current	\$ 0.4	\$—	\$ (0.1)	) \$ 0.5

As of December 31, 2013 (In millions)	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
Available-for-sale:				
Corporate debt securities				
Current	\$ 100.7	\$—	\$—	\$ 100.7
Non-current	339.1	0.4	(0.1)	) 338.8
Government securities				
Current	519.5	—	—	519.5
Non-current	155.2	—	(0.1)	) 155.3
Mortgage and other asset backed securities				
Current	—	—	—	—
Non-current	131.4	—	(0.1)	) 131.5
Total marketable debt securities	\$ 1,245.9	\$ 0.4	\$ (0.3)	) \$ 1,245.8
Marketable equity securities, non-current	\$ 11.2	\$ 8.7	\$—	\$ 2.5

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 June 30, 2014	As of December 31, 2013
Commercial paper	\$ 5.9	\$ 1.2
Overnight reverse repurchase agreements	294.8	22.4
Short-term debt securities	174.5	401.1
Total	\$ 475.2	\$ 424.7

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



Table of Contents

## BIOGEN IDEC INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, continued)

## 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 June 30, 2014		As of December 31, 2013	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in one year or less	\$709.8	\$709.8	\$620.2	\$620.2
Due after one year through five years	931.0	930.3	573.1	572.9
Due after five years	79.8	79.8	52.6	52.7
Total available-for-sale securities	\$1,720.6	\$1,719.9	\$1,245.9	\$1,245.8

The average maturity of our marketable debt securities available-for-sale as of June 30, 2014 and December 31, 2013 was 13 months, respectively.

## 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:

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Proceeds from maturities and sales	\$560.1	\$78.3	\$1,317.5	\$4,404.7
Realized gains	\$0.2	\$—	\$0.4	\$6.3
Realized losses	\$(0.1)	) \$—	\$(0.2)	) \$(2.0)

## Strategic Investments

As of June 30, 2014 and December 31, 2013, our strategic investment portfolio was comprised of investments totaling \$51.1 million and \$56.9 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 \$21.5 million and \$33.1 million as of June 30, 2014 and December 31, 2013, 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 \$29.6 million and \$23.8 million as of June 30, 2014 and December 31, 2013, respectively.

## Changes in Fair Value

During the three and six months ended June 30, 2014 and 2013, we realized changes in fair value recorded through income of \$2.0 million and \$4.9 million, respectively, on our strategic investment portfolio as compared to \$4.4 million and \$4.1 million, respectively, in the prior year comparative periods.

## Impairments

For the three and six months ended June 30, 2014 and 2013, 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 were insignificant.

Table of Contents

## BIOGEN IDEC INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, continued)

## 8. 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 June 30, 2014 and December 31, 2013 had durations of 1 to 18 months, respectively. 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) (referred to as AOCI in the tables below). 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. The notional value of foreign currency forward contracts that were entered into to hedge forecasted revenues is summarized as follows:

Foreign Currency: (In millions)	Notional Amount	
	As of June 30, 2014	As of December 31, 2013
Euro	\$703.4	\$636.3
Canadian dollar	19.5	34.0
British pound sterling	39.1	72.3
Total foreign currency forward contracts	\$762.0	\$742.6

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 losses of \$7.0 million and \$23.6 million as of June 30, 2014 and December 31, 2013, respectively. We expect all contracts to be settled over the next 18 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 June 30, 2014 and December 31, 2013, respectively, credit risk did not 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:

For the Three Months Ended June 30,

Net Gains/(Losses) Reclassified from AOCI into Net Income (Effective Portion)			Net Gains/(Losses) Recognized into Net Income (Ineffective Portion)		
Location	2014	2013	Location	2014	2013
Revenue	\$ (5.2	) \$ 0.1	Other income (expense)	\$ (1.0	) \$ 0.1

For the Six Months Ended June 30,

Net Gains/(Losses) Reclassified from AOCI into Net Income (Effective Portion)			Net Gains/(Losses) Recognized into Net Income (Ineffective Portion)		
Location	2014	2013	Location	2014	2013
Revenue	\$ (10.0	) \$ 1.2	Other income (expense)	\$ (1.2	) \$ 0.3



Table of Contents

## BIOGEN IDEC INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, continued)

## 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 outstanding foreign currency contracts was \$440.3 million and \$273.3 million as of June 30, 2014 and December 31, 2013, respectively. Net losses of \$2.4 million and \$3.8 million related to these contracts were recognized as a component of other income (expense), net, for three and six months ended June 30, 2014, respectively, as compared to net gains of \$0.6 million and \$1.5 million, respectively, in the prior year comparative periods.

## 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 June 30, 2014
Hedging Instruments:		
Asset derivatives	Other current assets	\$0.4
	Investments and other assets	\$0.6
Liability derivatives	Accrued expenses and other	\$7.9
	Other long-term liabilities	\$0.5
Other Derivatives:		
Asset derivatives	Other current assets	\$1.1
Liability derivatives	Accrued expenses and other	\$0.7
Fair Value As of December 31, 2013		
(In millions)	Balance Sheet Location	
Hedging Instruments:		
Asset derivatives	Other current assets	\$0.6
Liability derivatives	Accrued expenses and other	\$23.4
Other Derivatives:		
Asset derivatives	Other current assets	\$3.2
Liability derivatives	Accrued expenses and other	\$0.1

## 9. Indebtedness

## Credit Facility

In March 2014, our \$750.0 million senior unsecured revolving credit facility expired and was not renewed.

## 10. Equity

Total equity as of June 30, 2014 increased \$944.4 million compared to December 31, 2013. This increase was primarily driven by net income attributable to Biogen Idec Inc. of \$1,194.5 million and an increase in additional paid in capital resulting from our share-based compensation arrangements totaling \$82.4 million, partially offset by repurchases of our common stock totaling \$336.9 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 six months ended June 30, 2014, we repurchased approximately 1.2 million shares of common stock at a cost of \$336.9 million for the purpose of share stabilization. During the six months ended June 30, 2013, we repurchased approximately 0.3 million shares of common stock at a

cost of \$41.0 million.

19

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Table of Contents

## BIOGEN IDEC INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, continued)

Approximately 3.0 million shares of our common stock remain available for repurchase under the 2011 authorization.

## Noncontrolling Interests

The following table reconciles equity attributable to noncontrolling interests (NCI):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		
(In millions)	2014	2013	2014	2013	
Noncontrolling interests, beginning of period	\$4.4	\$0.6	\$0.6	\$2.3	
Net income (loss) attributable to noncontrolling interests, net of tax	8.6	—	8.4	—	
Fair value of net assets and liabilities acquired and assigned to NCI	—	—	4.0	—	
Distribution to noncontrolling interest	(9.1	) —	(9.1	) —	
Deconsolidation of noncontrolling interest	—	—	—	(1.7	)
Noncontrolling interests, end of period	\$3.9	\$0.6	\$3.9	\$0.6	

## 11. 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, 2013	\$5.6	\$(23.7 )	\$(19.6 )	\$10.0	\$(27.7 )
Other comprehensive income (loss) before reclassifications	1.4	6.5	0.6	(11.0 )	(2.5 )
Amounts reclassified from accumulated other comprehensive income (loss)	(6.6 )	10.1	—	—	3.5
Net current period other comprehensive income (loss)	(5.2 )	16.6	0.6	(11.0 )	1.1
Balance, as of June 30, 2014	\$0.4	\$(7.1 )	\$(19.0 )	\$(1.0 )	\$(26.7 )

(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	7.8	10.2	2.3	(16.4	) 3.9
Amounts reclassified from accumulated other comprehensive income (loss)	(2.8	) (0.9	) —	—	(3.7

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Net current period other comprehensive income (loss)	5.0	9.3	2.3	(16.4	) 0.2	
Balance, as of June 30, 2013	\$ 9.2	\$ (1.4	) \$(19.4	) \$(43.5	) \$(55.1	)

20

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Table of Contents

## BIOGEN IDEC INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, continued)

The following table summarizes the amounts reclassified from accumulated other comprehensive income:

(In millions)	Income Statement Location	Amounts Reclassified from Accumulated Other Comprehensive Income			
		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
		2014	2013	2014	2013
Gains (losses) on securities available for sale	Other income (expense)	\$10.1	\$—	\$10.2	\$4.3
	Income tax benefit (expense)	(3.6	) —	(3.6	) (1.5
Gains (losses) on foreign currency forward contracts	Revenues	(5.3	) 0.1	(10.0	) 1.2
	Income tax benefit (expense)	(0.5	) (0.2	) (0.1	) (0.3
Total reclassifications, net of tax		\$0.7	\$ (0.1	) \$ (3.5	) \$3.7

## 12. Earnings per Share

Basic and diluted earnings per share are calculated as follows:

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Numerator:				
Net income attributable to Biogen Idec Inc.	\$714.5	\$490.7	\$1,194.5	\$917.4
Denominator:				
Weighted average number of common shares outstanding	236.7	237.5	236.7	237.2
Effect of dilutive securities:				
Stock options and employee stock purchase plan	0.1	0.3	0.1	0.4
Time-vested restricted stock units	0.4	0.6	0.5	0.7
Market stock units	0.2	0.3	0.3	0.3
Dilutive potential common shares	0.7	1.2	0.9	1.4
Shares used in calculating diluted earnings per share	237.4	238.7	237.6	238.5

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

Table of Contents

BIOGEN IDEC INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, continued)

13. Share-based Payments

Share-based Compensation Expense

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

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Research and development	\$24.5	\$23.7	\$53.9	\$48.9
Selling, general and administrative	33.6	45.4	80.8	