

Edgar Filing: AUTOZONE INC - Form SC 13D/A

AUTOZONE INC  
Form SC 13D/A  
July 03, 2003

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

SCHEDULE 13D  
(AMENDMENT NO. 17)\*

Under the Securities Exchange Act of 1934

AutoZone, Inc.

-----  
(Name of Issuer)

Common Stock, par value \$.01 per share

-----  
(Title of Class of Securities)

053332-10-2

-----  
(CUSIP Number)

Janice V. Sharpy, Esq.  
Haynes and Boone, LLP  
901 Main Street, Suite 3100  
Dallas, Texas 75202  
(214) 651-5562

-----  
(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

June 30, 2003

-----  
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Sections 240.13d-1(e), (f) or (g), check the following box [ ].

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Section 240.13d-7(b) for other parties to whom copies are to be sent.

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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## SCHEDULE 13D

-----  
CUSIP No. 053332-10-2  
-----

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

ESL Partners, L.P., a Delaware limited partnership  
22-2875193

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☒ [X]  
(b) ☐ [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2(d) OR 2(e) [ ]

N/A

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

10,672,129

NUMBER OF  
SHARES

BENEFICIALLY

OWNED BY

EACH

REPORTING

PERSON

WITH

8 SHARED VOTING POWER

0

9 SOLE DISPOSITIVE POWER

10,672,129

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

25,531,802

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES [ ]

N/A

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13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

28.5%(1)

14 TYPE OF REPORTING PERSON

PN

(1) Based on 89,483,123 shares of common stock issued and outstanding as of June 7, 2003, as disclosed in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended May 10, 2003, as amended.

CUSIP No. 053332-10-2

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

ESL Limited, a Bermuda corporation

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☒ (b) ☐

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) ☐

N/A

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Bermuda

7 SOLE VOTING POWER

1,700,084

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON

8 SHARED VOTING POWER

0

9 SOLE DISPOSITIVE POWER

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WITH 1,700,084

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

25,531,802

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES

[ ]

N/A

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

28.5%(1)

14 TYPE OF REPORTING PERSON

CO

(1) Based on 89,483,123 shares of common stock issued and outstanding as of June 7, 2003, as disclosed in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended May 10, 2003, as amended.

CUSIP No. 053332-10-2

1 NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

ESL Institutional Partners, L.P., a Delaware limited partnership  
06-1456821

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) [X]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2(d) OR 2(e)

[ ]

N/A

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6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

395,815

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER

0

9 SOLE DISPOSITIVE POWER

395,815

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

25,531,802

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES

[ ]

N/A

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

28.5%(1)

14 TYPE OF REPORTING PERSON

PN

(1) Based on 89,483,123 shares of common stock issued and outstanding as of June 7, 2003, as disclosed in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended May 10, 2003, as amended.

CUSIP No. 053332-10-2

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

ESL Investors, L.L.C., a Delaware limited liability company  
13-4095958

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2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☒ [X]  
(b) ☐ [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2 (d) OR 2 (e) [ ]

N/A

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

1,521,365

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER

0

9 SOLE DISPOSITIVE POWER

1,521,365

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

25,531,802

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES [ ]

N/A

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

28.5% (1)

14 TYPE OF REPORTING PERSON

OO

(1) Based on 89,483,123 shares of common stock issued and outstanding as of June 7, 2003, as disclosed in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended May 10, 2003, as amended.

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-----  
CUSIP No. 053332-10-2  
-----

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Acres Partners, L.P., a Delaware limited partnership  
06-1458694

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☒ [X]  
(b) ☐ [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2(d) OR 2(e) [ ]

N/A

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

7,526,599

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER

0

9 SOLE DISPOSITIVE POWER

7,526,599

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

25,531,802

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES [ ]

N/A

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

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28.5%(1)

14 TYPE OF REPORTING PERSON

PN

(1) Based on 89,483,123 shares of common stock issued and outstanding as of June 7, 2003, as disclosed in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended May 10, 2003, as amended.

CUSIP No. 053332-10-2

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Marion Partners, L.P., a Delaware limited partnership  
06-1527654

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☒ [X]  
(b) ☐ [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2 (d) OR 2 (e) [ ]

N/A

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

224,840

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER

0

9 SOLE DISPOSITIVE POWER

224,840



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## 10 SHARED DISPOSITIVE POWER

0

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON	
		25,531,802
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES	[ ]
		N/A
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)	
		28.5%(1)
14	TYPE OF REPORTING PERSON	
		PN

(1) Based on 89,483,123 shares of common stock issued and outstanding as of June 7, 2003, as disclosed in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended May 10, 2003, as amended.

CUSIP No. 053332-10-2

1	NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON	
		Blue Macaw Partners, L.P., a Delaware limited partnership 06-1573985
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) [X] (b) [ ]
3	SEC USE ONLY	
4	SOURCE OF FUNDS	
		WC
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)	[ ]
		N/A
6	CITIZENSHIP OR PLACE OF ORGANIZATION	

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Delaware

-----	
	7 SOLE VOTING POWER
	488,350
NUMBER OF	-----
SHARES	8 SHARED VOTING POWER
BENEFICIALLY	0
OWNED BY	-----
EACH	9 SOLE DISPOSITIVE POWER
REPORTING	488,350
PERSON	-----
WITH	10 SHARED DISPOSITIVE POWER
	0
-----	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
	25,531,802
-----	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES [ ]
	N/A
-----	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
	28.5%(1)
-----	
14	TYPE OF REPORTING PERSON
	PN
-----	

-----

(1) Based on 89,483,123 shares of common stock issued and outstanding as of June 7, 2003, as disclosed in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended May 10, 2003, as amended.

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CUSIP No. 053332-10-2

-----

1 NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Edward S. Lampert

-----

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [X]

(b) [ ]

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-----	
3	SEC USE ONLY
-----	
4	SOURCE OF FUNDS
	00
-----	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) [ ]
	N/A
-----	
6	CITIZENSHIP OR PLACE OF ORGANIZATION
	U.S.
-----	
	7 SOLE VOTING POWER
	3,102
NUMBER OF	-----
SHARES	8 SHARED VOTING POWER
BENEFICIALLY	0
OWNED BY	-----
EACH	9 SOLE DISPOSITIVE POWER
REPORTING	3,102
PERSON	-----
WITH	10 SHARED DISPOSITIVE POWER
	0
-----	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
	25,531,802
-----	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES [ ]
	N/A
-----	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
	28.5%(1)
-----	
14	TYPE OF REPORTING PERSON
	IN
-----	

-----

(1) Based on 89,483,123 shares of common stock issued and outstanding as of June 7, 2003, as disclosed in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended May 10, 2003, as amended.

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CUSIP No. 053332-10-2

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

200GA, L.P., a Delaware limited partnership

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☒ [X]  
(b) ☐ [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2(d) OR 2(e) [ ]

N/A

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

2,215,581

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER

0

9 SOLE DISPOSITIVE POWER

2,215,581

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

25,531,802

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES [ ]

N/A

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

28.5%(1)

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14 TYPE OF REPORTING PERSON

PN

(1) Based on 89,483,123 shares of common stock issued and outstanding as of June 7, 2003, as disclosed in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended May 10, 2003, as amended.

CUSIP No. 053332-10-2

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

KP I Partners, L.P., a Delaware limited partnership  
86-1069224

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [X]  
(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

00

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2(d) OR 2(e) [ ]

N/A

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

441,638

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER

0

9 SOLE DISPOSITIVE POWER

441,638

10 SHARED DISPOSITIVE POWER

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0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

25,531,802

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES

[ ]

N/A

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

28.5%(1)

14 TYPE OF REPORTING PERSON

PN

(1) Based on 89,483,123 shares of common stock issued and outstanding as of June 7, 2003, as disclosed in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended May 10, 2003, as amended.

CUSIP No. 053332-10-2

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

KP II Partners, L.P., a Delaware limited partnership  
86-1069227

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) [X]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2(d) OR 2(e)

[ ]

N/A

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

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-----	
	7 SOLE VOTING POWER
	342,299
NUMBER OF	-----
SHARES	8 SHARED VOTING POWER
BENEFICIALLY	0
OWNED BY	-----
EACH	9 SOLE DISPOSITIVE POWER
REPORTING	342,299
PERSON	-----
WITH	10 SHARED DISPOSITIVE POWER
	0
-----	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
	25,531,802
-----	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES [ ]
	N/A
-----	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
	28.5%(1)
-----	
14	TYPE OF REPORTING PERSON
	PN
-----	

-----

(1) Based on 89,483,123 shares of common stock issued and outstanding as of June 7, 2003, as disclosed in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended May 10, 2003, as amended.

This Amendment No. 17 to Schedule 13D (this "Amendment") amends and supplements the Schedule 13D, as amended, filed by ESL Partners, L.P., a Delaware limited partnership ("ESL"), ESL Limited, a Bermuda corporation ("Limited"), ESL Institutional Partners, L.P., a Delaware limited partnership ("Institutional"), ESL Investors, L.L.C., a Delaware limited liability company ("Investors"), Acres Partners, L.P., a Delaware limited partnership ("Acres"), Marion Partners, L.P., a Delaware limited partnership ("Marion"), Blue Macaw Partners, L.P., a Delaware limited partnership ("Blue Macaw"), Edward S. Lampert, a U.S. citizen ("Mr. Lampert"), and 200GA, L.P., a Delaware limited partnership ("200GA"), by furnishing the information set forth below. ESL, Limited, Institutional, Investors, Acres, Marion, Blue Macaw, Mr. Lampert, 200GA, KP I Partners, L.P., a Delaware limited partnership ("KPI"), and KP II Partners, L.P., a Delaware limited partnership ("KPII"), are collectively defined in this Amendment as the "Filing Persons." Unless set forth below, all previous Items are unchanged. Capitalized terms used herein which are not defined herein have the meanings given to them in the Schedule 13D, as amended, filed with the Securities and Exchange Commission.

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### ITEM 2. IDENTITY AND BACKGROUND.

Item 2 is hereby amended and restated in its entirety as follows:

(a) The names of the persons filing this Amendment are ESL Partners, L.P., ESL Limited, ESL Institutional Partners, L.P., ESL Investors, L.L.C., Acres Partners, L.P., Marion Partners, L.P., Blue Macaw Partners, L.P., Edward S. Lampert, 200GA, L.P., KP I Partners, L.P., and KP II Partners, L.P.

(b) The principal business address of ESL, Institutional, Investors, Acres, Marion, Blue Macaw, Mr. Lampert, 200GA, KPI and KPII is 200 Greenwich Avenue, Greenwich, Connecticut 06830. The principal business address of Limited is Hemisphere House, 9 Church Street, Hamilton, Bermuda.

(c) This Amendment is filed on behalf of a group consisting of ESL, Limited, Institutional, Investors, Acres, Marion, Blue Macaw, Mr. Lampert, 200GA, KPI and KPII. The general partner of ESL is RBS Partners, L.P. (the "General Partner"). The general partner of the General Partner is ESL Investments, Inc., a Delaware corporation ("Investments"). ESL Investment Management, LLC, a Delaware limited liability company ("ESLIM"), is the investment manager of Limited and the general partner of each of KPI and KPII. RBS Investment Management, LLC, a Delaware limited liability company ("RBSIM"), is the general partner of Institutional. The General Partner is the manager of Investors. Investments is the general partner of Acres, Marion, Blue Macaw and 200GA. In the aforementioned capacities, ESL, Limited, Institutional, Investors, Acres, Marion, Blue Macaw, 200GA, KPI and KPII each may be deemed to be the beneficial owner of the Shares beneficially owned by the other members of the group. In the capacities described below, Mr. Lampert may be deemed the indirect beneficial owner of the Shares beneficially owned by the other members of the group.

The principal business of ESL, Limited, Institutional, Investors, Acres, Marion, Blue Macaw, 200GA, KPI and KPII is purchasing, holding and selling securities for investment purposes. The principal business of the General Partner is serving as the general partner of ESL. The principal

business of Investments is serving as the general partner of the General Partner. The principal business of ESLIM is serving as the investment manager for Limited and the general partner of each of KPI and KPII. The principal business of RBSIM is serving as the investment manager of Institutional. Mr. Lampert's principal business is serving as the Chairman, Chief Executive Officer and director of Investments and as the managing member of ESLIM and RBSIM.

(d) and (e) During the past five years, none of the foregoing entities or persons has been convicted in a criminal proceeding or been a party to a civil proceeding, in either case of the type specified in Items 2(d) or (e) of Schedule 13D.

(f) ESL, Institutional, Investors, Acres, Marion, Blue Macaw, 200GA, KPI and KPII are organized in Delaware, Limited is organized in Bermuda, and Mr. Lampert is a U.S. citizen.

### ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

Item 3 is hereby supplemented as follows:

KPI owns an aggregate of 441,638 Shares, which were contributed by Limited in exchange for limited partnership interests in KPI. KPII owns an



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aggregate of 342,299 Shares, which were contributed by Limited in exchange for limited partnership interests in KPII.

### ITEM 4. PURPOSE OF TRANSACTION.

Item 4 is hereby supplemented as follows:

On June 30, 2003, Limited contributed Shares to each of KPI and KPII (collectively, the "KP Partnerships") in exchange for limited partnership interests in the KP Partnerships. The KP Partnerships are not included as selling stockholders in the registration statement on Form S-3 filed by the Issuer on February 26, 2002. The Filing Persons intend to request that the Issuer add the KP Partnerships as selling stockholders to such registration statement. At June 30, 2003, the Filing Persons owned 25,531,802 Shares, in the aggregate, which represented approximately 28.5% of the Shares outstanding as of June 7, 2003.

### ITEM 5. INTEREST IN SECURITIES OF THE ISSUER.

Item 5 is hereby amended in its entirety as follows:

(a) The Filings Persons may be deemed to beneficially own 25,531,802 Shares (which represents approximately 28.5% of the Shares outstanding as of June 7, 2003, as disclosed in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended May 10, 2003, as amended).

(b)	Sole Voting Power -----	Shared Voting Power -----	Sole Dispositive Power -----	Shared Dispositive Power -----
ESL Partners, L.P.	10,672,129	0	10,672,129	0
ESL Limited	1,700,084	0	1,700,084	0
ESL Institutional Partners, L.P.	395,815	0	395,815	0
ESL Investors, L.L.C.	1,521,365	0	1,521,365	0
Acres Partners, L.P.	7,526,599	0	7,526,599	0
Marion Partners, L.P.	224,840	0	224,840	0
Blue Macaw Partners, L.P.	488,350	0	488,350	0
Edward S. Lampert	3,102	0	3,102	0
200GA, L.P.	2,215,581	0	2,215,581	0
KP I Partners, L.P.	441,638	0	441,638	0
KP II Partners, L.P.	342,299	0	342,299	0

(c) In the past 60 days, there have been no transactions in the Shares by any of the Filing Persons except as set forth on Schedule A hereto.

(d) Not applicable.

(e) Not applicable.

### ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER.

Item 6 is hereby amended and restated in its entirety as follows:

Other than as provided herein, there are no contracts,

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arrangements, understandings or relationships between ESL, Limited, Institutional, Investors, Acres, Marion, Blue Macaw, Mr. Lampert, 200GA, KPI, KPII or any other person with respect to the securities of the Issuer.

### ITEM 7. MATERIAL TO BE FILED AS EXHIBITS.

Item 7 is hereby amended and restated in its entirety as follows:

Exhibit 1 Joint Filing Agreement, dated as of June 30, 2003, by and among ESL Partners, L.P., ESL Limited, ESL Institutional Partners, L.P., ESL Investors, L.L.C., Acres Partners, L.P., Marion Partners, L.P., Blue Macaw Partners, L.P., Edward S. Lampert, 200GA, L.P., KP I Partners, L.P. and KP II Partners, L.P.

### SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Amendment is true, complete and correct.

Date: July 2, 2003

ESL PARTNERS, L.P.

By: RBS Partners, L.P., its general partner  
By: ESL Investments, Inc., its general partner

By: /s/ William C. Crowley  
-----  
William C. Crowley  
President and Chief Operating  
Officer

ESL LIMITED

By: ESL Investment Management, LLC, its investment  
manager

By: /s/ William C. Crowley  
-----  
William C. Crowley  
Member

ESL INSTITUTIONAL PARTNERS, L.P.

By: RBS Investment Management, LLC, its general  
partner

By: /s/ William C. Crowley  
-----  
William C. Crowley  
Member

ESL INVESTORS, L.L.C.

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By: RBS Partners, L.P., its manager  
By: ESL Investments, Inc., its general partner

By: /s/ William C. Crowley  
-----  
William C. Crowley  
President and Chief Operating  
Officer

ACRES PARTNERS, L.P.

By: ESL Investments, Inc., its general partner

By: /s/ William C. Crowley  
-----  
William C. Crowley  
President and Chief Operating  
Officer

MARION PARTNERS, L.P.

By: ESL Investments, Inc., its general partner

By: /s/ William C. Crowley  
-----  
William C. Crowley  
President and Chief Operating  
Officer

BLUE MACAW PARTNERS, L.P.

By: ESL Investments, Inc., its general partner

By: /s/ William C. Crowley  
-----  
William C. Crowley  
President and Chief Operating  
Officer

/s/ Edward S. Lampert  
-----  
EDWARD S. LAMPERT

200GA, L.P.

By: ESL Investments, Inc., its general partner

By: /s/ William C. Crowley  
-----  
William C. Crowley  
President and Chief Operating  
Officer

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KP I PARTNERS, L.P.

By: ESL Investment Management, LLC, its general  
partner

By: /s/ William C. Crowley

-----  
William C. Crowley  
Member

KP II PARTNERS, L.P.

By: ESL Investment Management, LLC, its general  
partner

By: /s/ William C. Crowley

-----  
William C. Crowley  
Member

SCHEDULE A

TRANSACTIONS IN THE SHARES BY THE FILINGS PERSONS WITHIN  
THE PAST SIXTY DAYS

On June 30, 2003, Limited contributed an aggregate of 783,937 Shares to KPI and KPII in exchange for limited partnership interests in each of KPI and KPII.

On June 30, 2003, KPI received, as set forth above, 441,638 Shares from Limited in exchange for limited partnership interests in KPI.

On June 30, 2003, KPII received, as set forth above, 342,299 Shares from Limited in exchange for limited partnership interests in KPII.

On June 18, 2003, Mr. Lampert received 41 Shares as director compensation, which Shares had a closing price per share price of \$76.45 on such date.

INDEX TO EXHIBITS

Exhibit 1	Joint Filing Agreement, dated as of June 30, 2003, by and among ESL Partners, L.P., ESL Limited, ESL Institutional Partners, L.P., ESL Investors, L.L.C., Acres Partners, L.P., Marion Partners, L.P., Blue Macaw Partners, L.P., Edward S. Lampert, 200GA, L.P., KP I Partners, L.P. and KP II Partners, L.P.
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## EXHIBIT 1

### JOINT FILING AGREEMENT

In accordance with Rule 13d-1(k) promulgated under the Securities Exchange Act of 1934, as amended, the persons named below agree to the joint filing on behalf of each of them a Statement on Schedule 13D (including amendments thereto) with regard to the common stock of AutoZone, Inc., and further agree that this Joint Filing Agreement be included as an Exhibit to such joint filings. In evidence thereof, the undersigned, being duly authorized, hereby execute this Agreement as of June 30, 2003.

ESL PARTNERS, L.P.

By: RBS Partners, L.P., its general partner  
By: ESL Investments, Inc., its general partner

By: /s/ William C. Crowley  
-----  
William C. Crowley  
President and Chief Operating  
Officer

ESL LIMITED

By: ESL Investment Management, LLC, its  
investment manager

By: /s/ William C. Crowley  
-----  
William C. Crowley  
Member

ESL INSTITUTIONAL PARTNERS, L.P.

By: RBS Investment Management, LLC, its  
general partner

By: /s/ William C. Crowley  
-----  
William C. Crowley  
Member

ESL INVESTORS, L.L.C.

By: RBS Partners, L.P., its manager  
By: ESL Investments, Inc., its general partner

By: /s/ William C. Crowley  
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William C. Crowley  
President and Chief Operating  
Officer

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ACRES PARTNERS, L.P.

By: ESL Investments, Inc., its general  
partner

By: /s/ William C. Crowley  
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William C. Crowley  
President and Chief Operating  
Officer

MARION PARTNERS, L.P.

By: ESL Investments, Inc., its general  
partner

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William C. Crowley  
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BLUE MACAW PARTNERS, L.P.

By: ESL Investments, Inc., its general  
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William C. Crowley  
President and Chief Operating  
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/s/ Edward S. Lampert  
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200GA, L.P.

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William C. Crowley  
President and Chief Operating  
Officer

KP I PARTNERS, L.P.

By: ESL Investment Management, LLC, its

## Edgar Filing: AUTOZONE INC - Form SC 13D/A

general partner

By: /s/ William C. Crowley

-----  
William C. Crowley  
Member

KP II PARTNERS, L.P.

By: ESL Investment Management, LLC, its  
general partner

By: /s/ William C. Crowley

-----  
William C. Crowley  
Member

not fully in control of the royalty or profit sharing revenues we receive from collaborators, which may be adversely affected by patent expirations, pricing or health care reforms, other legal and regulatory developments, new indication approvals, and the introduction of competitive products, which may affect the sales of collaboration products.

Any failure on the part of our collaborators to comply with applicable laws and regulatory requirements in the sale and marketing of our products or to fulfill any responsibilities they may have to protect and enforce any intellectual property rights underlying our products could have an adverse effect on our revenues as well as involve us in possible legal proceedings.

Collaborations often require the parties to cooperate, and failure to do so effectively could have an adverse impact on product sales by our collaborators, and could adversely affect the clinical development or regulatory approvals of products under joint control. In addition, we rely on third parties for several other aspects of our business. As a sponsor of clinical trials of our products, we rely on third party contract research organizations to carry out many of our clinical trial related activities. These activities include initiating and monitoring the conduct of studies at clinical trial sites and identifying any noncompliance with the study protocol or current Good Clinical Practices. The failure of a contract research organization to conduct these activities with proper vigilance and competence and in accordance with current Good Clinical Practices can result in regulatory authorities rejecting our clinical trial data or, in some circumstances, the imposition of civil or criminal sanctions against us.

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

We anticipate growing through both internal development projects as well as external opportunities, which include the acquisition, partnering and in-licensing of products, technologies and companies or the entry into strategic alliances and collaborations. The availability of high quality opportunities is limited and we are not certain that we will be able to identify candidates that we and our shareholders consider suitable or complete transactions on terms that are acceptable to us and our shareholders. In order to pursue such opportunities, we may require significant additional financing, which may not be available to us on favorable terms, if at all. Even if we are able to successfully identify and complete acquisitions, we may not be able to integrate them or take full advantage of them and therefore may not realize the benefits that we expect. If we are unsuccessful in our external growth program, we may not be able to grow our business significantly and we may incur asset impairment or restructuring charges as a result of unsuccessful transactions.

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

Our activities, and the activities of our collaborators and third party providers, are subject to extensive government regulation and oversight both in the U.S. and in foreign jurisdictions. The FDA and comparable agencies in other jurisdictions directly regulate many of our most critical business activities, including the conduct of preclinical and clinical studies, product manufacturing, advertising and promotion, product

distribution, adverse event reporting and product risk management. Our interactions in the U.S. or abroad with physicians and other health care providers that prescribe or purchase our products are also subject to government regulation designed to prevent fraud and abuse in the sale and use of the products and place greater restrictions on the marketing practices of health care companies. Healthcare companies are facing heightened scrutiny of their relationships with healthcare providers from anti-corruption enforcement officials. In addition, pharmaceutical and biotechnology companies have been the target of lawsuits and investigations alleging violations of government regulation, including claims asserting submission of incorrect pricing information, impermissible off-label promotion of pharmaceutical products, payments intended to influence the referral of federal or state health care business, submission of false claims for government reimbursement, antitrust violations, or violations related to environmental matters. These risks may be heightened as we continue to expand our global operations and introduce additional products to the market.



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Regulations governing the health care industry are subject to change, including:

new laws, regulations or judicial decisions, or new interpretations of existing laws, regulations or decisions, related to health care availability, pricing or marketing practices, compliance with wage and hour laws and other employment practices, method of delivery, payment for health care products and services, tracking payments and other transfers of value made to physicians and teaching hospitals, and extensive anti-bribery and anti-corruption prohibitions;

changes in the FDA and foreign regulatory approval processes that may delay or prevent the approval of new products and result in lost market opportunity;

changes in FDA and foreign regulations that may require additional safety monitoring, labeling changes, restrictions on product distribution or use, or other measures after the introduction of our products to market, which could increase our costs of doing business, adversely affect the future permitted uses of approved products, or otherwise adversely affect the market for our products; and

changes in the tax laws relating to our operations.

Examples of previously enacted and possible future changes in laws that could adversely affect our business include the enactment in the U.S. of health care reform, potential regulations easing the entry of competing follow-on biologics in the marketplace, new legislation or implementation of existing statutory provisions on importation of lower-cost competing drugs from other jurisdictions, and enhanced penalties for and investigations into non-compliance with U.S. fraud and abuse laws.

Violations of governmental regulation may be punishable by criminal and civil sanctions against us, including fines and civil monetary penalties and exclusion from participation in government programs, including Medicare and Medicaid, as well as against executives overseeing our business. In addition to penalties for violation of laws and regulations, we could be required to repay amounts we received from government payors, or pay additional rebates and interest if we are found to have miscalculated the pricing information we have submitted to the government. Whether or not we have complied with the law, an investigation into alleged unlawful conduct could increase our expenses, damage our reputation, divert management time and attention and adversely affect our business.

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

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

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



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

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

We also rely upon other forms of unpatented confidential information, and we cannot ensure that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose such technology, or that we can meaningfully protect such rights. We protect such information principally through confidentiality agreements with our employees, consultants, outside scientific collaborators, scientists whose research we sponsor and other advisers. These agreements may not provide meaningful protection or adequate remedies for our unpatented confidential information in the event of use or disclosure of such information.

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

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

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

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

the inability to obtain necessary foreign regulatory or pricing approvals of products in a timely manner;

fluctuations in currency exchange rates;

difficulties in staffing and managing international operations;

the imposition of governmental controls;

less favorable intellectual property or other applicable laws;

increasingly complex standards for complying with foreign laws and regulations that may differ substantially from country to country and may conflict with corresponding U.S. laws and regulations;

the emergence of far-reaching anti-bribery and anti-corruption legislation in the U.K. and elsewhere and escalation of investigations and prosecutions pursuant to such laws;

restrictions on direct investments by foreign entities and trade restrictions;

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greater political or economic instability; and

changes in tax laws and tariffs.

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

***Manufacturing issues could substantially increase our costs and limit supply of our products.***

The process of manufacturing our products is complex, highly regulated and subject to several risks:

Biologics manufacturing is extremely susceptible to product loss due to contamination, equipment failure, or vendor or operator error. We may need to close a manufacturing facility for an extended period of time due to microbial, viral or other contamination.

We rely on third party suppliers and manufacturers for, among other things, RITUXAN manufacturing, clinical and commercial requirements for small molecule product candidates such as BG-12, our fill-finish operations, the majority of our final product storage, and a substantial portion of our packaging operations. In addition, due to the unique manner in which our products are manufactured, we rely on single source providers of several raw materials and manufacturing supplies. These third parties may not perform their obligations in a timely and cost-effective manner or in compliance with applicable regulations. Finding alternative providers could take a significant amount of time and involve significant expense due to the specialized nature of the services and the need to obtain regulatory approval of any significant changes to our suppliers or manufacturing methods. We cannot be certain that we could reach agreement with alternative providers or that the FDA or other regulatory authorities would approve our use of such alternatives.

We rely solely on our manufacturing facility in Research Triangle Park, North Carolina for the production of TYSABRI. Our global bulk supply of TYSABRI depends on the uninterrupted and efficient operation of this facility, which could be adversely affected by equipment failures, labor shortages, natural disasters, power failures and numerous other factors. If we are unable to meet demand for TYSABRI for any reason, we would need to rely on a limited number of qualified third party contract manufacturers.

We and our third party providers are generally required to maintain compliance with current Good Manufacturing Practice and other stringent requirements and are subject to inspections by the FDA and comparable agencies in other jurisdictions to confirm such compliance. Any delay, interruption or other issues that arise in the manufacture, fill-finish, packaging, or storage of our products as a result of a failure of our facilities or the facilities or operations of third parties to pass any regulatory agency inspection could significantly impair our ability to develop and commercialize our products. Significant noncompliance could also result in the imposition of monetary penalties or other civil or criminal sanctions and damage our reputation.

Any adverse developments affecting our manufacturing operations or the operations of our third-party suppliers and manufacturers may result in shipment delays, product recalls or other interruptions in the commercial supply of our products. We may also have to take inventory write-offs and incur other charges and expenses for products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives. Such developments could increase our manufacturing costs, cause us to lose revenue or market share, diminish our profitability or damage our reputation.

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

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

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

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

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

In the U.S., there are several proposals under consideration to reform tax law, including proposals that may reduce or eliminate the deferral of U.S. income tax on our unrepatriated earnings, scrutinize certain transfer pricing structures, and reduce or eliminate certain foreign tax credits. Our future reported financial results may be adversely affected by tax law changes which restrict or eliminate certain foreign tax credits or our ability to deduct expenses attributable to foreign earnings, or otherwise affect the treatment of our unrepatriated earnings.

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

The achievement of our commercial, research and development and external growth objectives depends upon our ability to attract and retain qualified scientific, manufacturing, sales and marketing and executive personnel and to develop and maintain relationships with qualified clinical researchers and key distributors. Competition for these people and relationships is intense and comes from a variety of sources, including pharmaceutical and biotechnology companies, universities and non-profit research organizations.

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

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

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

## **Table of Contents**

may result in large judgments or settlements against us, any of which could have a negative effect on our financial condition and business if in excess of our insurance coverage. Additionally, lawsuits can be expensive to defend, whether or not they have merit, and the defense of these actions may divert the attention of our management and other resources that would otherwise be engaged in managing our business.

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

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

the cost of restructurings;

impairments that we are required to take with respect to investments;

impairments that we are required to take with respect to fixed assets, including those that are recorded in connection with the sale of fixed assets;

inventory write-downs for failed quality specifications, charges for excess or obsolete inventory and charges for inventory write downs relating to product suspensions;

milestone payments under license and collaboration agreements; and

payments in connection with acquisitions and other business development activity.

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

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

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

We maintain a significant portfolio of marketable securities. Changes in the value of this portfolio could adversely affect our earnings. In particular, the value of our investments may decline due to increases in interest rates, downgrades of the bonds and other securities included in our portfolio, instability in the global financial markets that reduces the liquidity of securities included in our portfolio, declines in the value of collateral underlying the mortgage and asset-backed securities included in our portfolio, and other factors. Each of these events may cause us to record charges to reduce the carrying value of our investment portfolio or sell investments for less than our acquisition cost. Although we attempt to mitigate these risks by investing in high quality securities and continuously monitoring our portfolio's overall risk profile, the value of our investments may nevertheless decline.

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

As of December 31, 2011, we had \$1.1 billion of outstanding indebtedness, and we may incur additional debt in the future. Our level of indebtedness could adversely affect our business by, among other things:

requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for other purposes, including business development efforts and research and development;



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limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, thereby placing us at a competitive disadvantage compared to our competitors that may have less debt; and

increasing our vulnerability to adverse economic and industry conditions.

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

Our business and the business of several of our strategic partners, including Genentech and Elan, involve the controlled use of hazardous materials, chemicals, biologics and radioactive compounds. Although we believe that our safety procedures for handling and disposing of such materials comply with state and federal standards, there will always be the risk of accidental contamination or injury. If we were to become liable for an accident, or if we were to suffer an extended facility shutdown, we could incur significant costs, damages and penalties that could harm our business. Biologics manufacturing also requires permits from government agencies for water supply and wastewater discharge. If we do not obtain appropriate permits, or permits for sufficient quantities of water and wastewater, we could incur significant costs and limits on our manufacturing volumes that could harm our business.

*Provisions in our most significant collaboration agreements may discourage a third party from attempting to acquire us.*

Provisions in our collaboration agreements with Elan and Genentech might discourage a takeover attempt that could be viewed as beneficial to shareholders who wish to receive a premium for their shares from a potential bidder. Our collaboration agreements with Elan and Genentech respectively allow Elan to purchase our rights to TYSABRI and Genentech to purchase our rights to RITUXAN and certain anti-CD20 products developed under the agreement if we undergo a change of control and certain other conditions are met, which may limit our attractiveness to potential acquirers.

*The possibility that activist shareholders may seek representation on or control of our Board of Directors could result in costs and disruption to our operations and cause uncertainty about the direction of our business.*

We faced proxy contests in 2008, 2009 and 2010 and future proxy contests could be costly and time-consuming, disrupt our operations and divert the attention of management and our employees from executing our strategic plan. Our directors are elected annually, which may increase our vulnerability to hostile and potentially abusive takeover tactics.

### **Item 1B.      *Unresolved Staff Comments***

None.

### **Item 2.      *Properties***

Below is a summary of our owned and leased properties as of December 31, 2011.

#### ***Massachusetts***

In Cambridge, we own approximately 508,000 square feet of real estate space, consisting of a building that houses a research laboratory, office space and a cogeneration plant totaling approximately 263,000 square feet and a building that contains research, development and quality laboratories which total approximately 245,000 square feet.

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In July 2011, we executed leases for two office buildings to be built in Cambridge, Massachusetts, with a planned occupancy during the second half of 2013. Construction of these facilities began in late 2011. These buildings, totaling approximately 500,000 square feet, will serve as the future location of our corporate headquarters and commercial operations. The buildings will also provide additional general and administrative and research and development office space.

We currently lease a total of approximately 650,000 square feet in Massachusetts, which is summarized as follows:

353,000 square feet of office space housing our principal executive offices in Weston, which we expect to vacate upon completion of the two new buildings in Cambridge Massachusetts;

220,000 square feet in Cambridge, which is comprised of a 67,000 square foot biologics manufacturing facility and office space of 153,000 square feet;

41,000 square feet of office and laboratory space in Waltham, of which approximately 16,000 square feet will expire during the first half of 2012; and

36,000 square feet of warehouse space in Somerville.

Our Massachusetts lease agreements expire at various dates through the year 2028.

### ***North Carolina***

We manufacture bulk AVONEX, TYSABRI and other products in our pipeline at our facilities located in Research Triangle Park, North Carolina, where we own approximately 550,000 square feet of real estate space, which is summarized as follows:

175,000 square feet related to a large-scale biologics manufacturing facility;

167,000 square feet of laboratory and office space;

105,000 square feet related to a biologics manufacturing facility;

60,000 square feet of warehouse space; and

43,000 square feet related to a large-scale purification facility.

In addition, we lease approximately 50,000 square feet of office space in Durham, North Carolina.

We are planning to increase the laboratory space in our Research Triangle Park campus and consolidate all of our North Carolina activities by moving local general and administrative offices and patient services to an 180,000 square foot office building which is currently being built on the campus, with a planned occupancy during the second half of 2012.

### ***Denmark***

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We own approximately 60 acres of land in Hillerød, Denmark, upon which we have been constructing a large-scale biologics manufacturing facility totaling approximately 225,000 square feet. Based on our current manufacturing strategy, we plan to begin commercial operations in the second half of 2012, upon completion of the facility's validation activities.

We also own approximately 310,000 square feet of additional space, which is currently in use at this location and is summarized as follows:

140,000 square feet of warehouse, utilities and support space;

70,000 square feet related to a label and packaging facility;

50,000 square feet of administrative space; and

50,000 square feet related to a laboratory facility.

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***Other International***

We lease office and laboratory space in Zug, Switzerland, our international headquarters, the United Kingdom, Germany, France, Denmark, and numerous other countries. Our international lease agreements expire at various dates through the year 2023.

**Item 3. *Legal Proceedings***

For a discussion of legal matters as of December 31, 2011, please read Note 21, *Litigation* to our consolidated financial statements included in this report, which is incorporated into this item by reference.

**Item 4. *Mine Safety Disclosures***

Not applicable.

**Table of Contents****PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**  
**Market and Stockholder Information**

Our common stock trades on The NASDAQ Global Select Market under the symbol BIIB. The following table shows the high and low sales price for our common stock as reported by The NASDAQ Global Select Market for each quarter in the years ended December 31, 2011 and 2010:

	Common Stock Price			
	2011		2010	
	High	Low	High	Low
First Quarter	\$ 73.53	\$ 64.28	\$ 60.28	\$ 52.16
Second Quarter	\$ 109.63	\$ 72.70	\$ 57.99	\$ 45.96
Third Quarter	\$ 109.14	\$ 83.83	\$ 58.64	\$ 46.15
Fourth Quarter	\$ 120.66	\$ 87.72	\$ 68.60	\$ 55.63

As of January 31, 2012, there were approximately 972 stockholders of record of our common stock.

In addition, as of January 31, 2012, 104 stockholders of record of Biogen, Inc. common stock have yet to exchange their shares of Biogen, Inc. common stock for our common stock as contemplated by the merger of Biogen, Inc. and IDEC Pharmaceuticals Corporation in November 2003.

**Dividends**

We have not paid cash dividends since our inception. We do not anticipate paying any cash dividends in the near term.

**Issuer Purchases of Equity Securities**

The following table summarizes our common stock repurchase activity during the fourth quarter of 2011:

Period	Total Number of Shares Purchased (#)	Average Price Paid per Share (\$)	Total Number of Shares Purchased as Part of Publicly Announced Programs (#)	Maximum Number of Shares That May Yet Be Purchased Under Our Programs (\$ in millions)
<b>2011 Repurchase Program</b>				
Oct-11				15,000,000
Nov-11	458,352	108.89	458,352	14,541,648
Dec-11	559,179	109.96	559,179	13,982,469
<b>Total</b>	<b>1,017,531</b>	<b>109.48</b>		

On February 11, 2011, we announced that our Board of Directors authorized the repurchase of up to 20.0 million shares of our common stock. We expect to use this repurchase program principally to offset common stock issuance under our share-based compensation plans. This repurchase program does not have an expiration date.

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**Stock Performance Graph**

The graph below compares the five-year cumulative total stockholder return on our common stock, the S&P 500 Index and the Nasdaq Pharmaceutical Index, assuming the investment of \$100.00 on December 31, 2006 with dividends being reinvested. The stock price performance in the graph below is not necessarily indicative of future price performance.

**Table of Contents****Item 6. Selected Consolidated Financial Data****BIAGEN IDEC INC. AND SUBSIDIARIES****SELECTED FINANCIAL DATA**

	For the Years Ended December 31,														
	2011				2010		2009		2008	2007					
(In millions, except per share amounts)	(11)	(12)	(13)	(14)	(7)	(8)	(9)	(10)	(4)	(5)	(6)	(3)	(1)	(2)	
Results of Operations															
Product revenues							\$	3,470.1				\$	2,839.7	\$	2,136.8
Revenues from unconsolidated joint business								1,077.2					1,128.2		926.1
Other revenues								169.1					129.6		108.7
Total revenues				5,048.6				4,716.4					4,097.5		3,171.6
Cost and expenses:															
Cost of sales, excluding amortization of acquired intangible assets				466.8				400.3					402.0		335.2
Research and development				1,219.6				1,248.6					1,072.1		925.2
Selling, general and administrative				1,056.1				1,031.5					925.3		776.1
Collaboration profit sharing				317.8				258.1					136.0		14.1
Amortization of acquired intangible assets				208.6				208.9					332.7		257.5
Fair value adjustment of contingent consideration				36.1											
Restructuring charge				19.0				75.2							
Acquired in-process research and development								245.0					25.0		84.2
Facility impairments and gain on dispositions, net													(9.2)		(0.4)
Total cost and expenses				3,323.9				3,467.5					2,883.9		2,391.8
Income from operations				1,724.7				1,248.9					1,213.6		779.8
Other income (expense), net				(13.5)				(19.0)					(57.7)		72.4
Income before income tax expense				1,711.2				1,229.9					1,155.9		852.2
Income tax expense				444.5				331.3					365.8		272.4
Net income				1,266.7				898.6					790.1		579.8
Net income (loss) attributable to noncontrolling interests, net of tax				32.3				(106.7)					6.9		(58.4)
Net income attributable to Biogen Idec Inc.				\$ 1,234.4				\$ 1,005.3					\$ 783.2		\$ 638.2
Diluted Earnings Per Share															
Diluted earnings per share attributable to Biogen Idec Inc.				\$ 5.04				\$ 3.94					\$ 2.65		\$ 1.99
Weighted-average shares used in calculating diluted earnings per share attributable to Biogen Idec Inc.				245.0				254.9					295.0		320.2
Financial Condition															
Cash, cash equivalents and marketable securities				\$ 3,107.4				\$ 1,950.8					\$ 2,262.8		\$ 2,115.8
Total assets				\$ 9,049.6				\$ 8,092.5					\$ 8,479.0		\$ 8,628.8
Notes payable, line of credit and other financing arrangements, less current portion				\$ 1,060.8				\$ 1,066.4					\$ 1,085.4		\$ 51.8

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Total Biogen Idec Inc. shareholders equity	\$ 6,425.5	\$ 5,396.5	\$ 6,221.5	\$ 5,806.1	\$ 5,534.3
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In addition to the following notes, the financial data included within the tables above should be read in conjunction with our consolidated financial statements and related notes and the *Management's Discussion and Analysis of Financial Condition and Results of Operations* sections of this report and our previously filed Forms 10-K.

- (1) Included in total cost and expenses in 2007 is a charge of \$18.4 million for in-process research and development related to the acquisition of Biogen Idec Hemophilia, formerly Syntonix Pharmaceuticals Inc., and \$64.3 million related to our collaboration with Neurimmune SubOne and our former collaboration with Cardiokine Biopharma LLC, which we consolidated as we determined that we were the primary beneficiary of these relationships. The \$64.3 million was offset by an equal amount of noncontrolling interest, resulting in no net impact to the results of our operations.
- (2) In July 2007, we purchased approximately 56.4 million shares of our common stock pursuant to a tender offer. We funded the transaction through existing cash and cash equivalents of \$1,490.5 million and a short term loan of \$1,500.0 million.
- (3) Included in total cost and expenses in 2008 is \$25.0 million for in-process research and development related to a milestone payment made to the former shareholders of Conformia Therapeutics pursuant to the terms of our acquisition of Conformia Therapeutics in 2006.
- (4) Total cost and expenses in 2009 includes the \$110.0 million upfront payment made to Acorda Therapeutics, Inc. pursuant to our June 30, 2009 collaboration and license agreement to develop and commercialize products containing fampridine in markets outside the U.S.
- (5) Changes in tax law in certain state jurisdictions in which we operate and the resolution of multiple federal, state and foreign tax audits, including the effective settlement of several uncertain tax positions resulted in a \$58.3 million reduction to our 2009 income tax expense.
- (6) In 2009, we repurchased 16.0 million shares of our common stock at a cost of \$751.2 million under our 2006 and 2009 share repurchase programs.
- (7) Included in total cost and expenses in 2010 is a charge to acquired in-process research and development of \$40.0 million related to the achievement of a milestone by Biogen Idec Hemophilia, Inc. (formerly Syntonix Pharmaceuticals, Inc.).
- (8) Included in total cost and expenses in 2010 is a charge to acquired in-process research and development of \$205.0 million incurred in connection with the license agreement entered into with Knopp Neurosciences Inc. (Knopp), which we consolidated as we determined that we are the primary beneficiary of the entity. The \$205.0 million charge was partially offset by an attribution of \$145.0 million to the noncontrolling interest.
- (9) Net income attributable to noncontrolling interest also includes a charge of \$25.0 million related to the payment made in 2010 to Cardiokine Biopharma LLC pursuant to the termination of our lixivaptan collaboration.
- (10) During 2010, we repurchased approximately 40.3 million shares of our common stock at a cost of approximately \$2.1 billion under our 2010 and 2009 share repurchase authorizations.

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- (11) In the second quarter of 2011 our share of RITUXAN revenues from unconsolidated joint business was reduced by approximately \$50.0 million to reflect our share of the approximately \$125.0 million compensatory damages and interest that Genentech estimated might be awarded to Hoechst GmbH (Hoechst), in relation to Genentech's ongoing arbitration with Hoechst.
- (12) During 2011, we repurchased approximately 6.0 million shares of our common stock at a cost of approximately \$498.0 million under our 2011 share repurchase authorization.
- (13) Biogen Idec Inc.'s shareholders' equity in 2011 reflects a reduction in additional paid in capital and noncontrolling interests totaling \$187.3 million resulting from our purchase of the noncontrolling interest in our joint venture investments in Biogen Dompé SRL and Biogen Dompé Switzerland GmbH.
- (14) Included in total cost and expenses in 2011 is a charge to research and development expense of \$36.8 million related to an upfront payment made in connection with our collaboration and license agreement entered into with Portola Pharmaceuticals, Inc.

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### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and related notes beginning on page F-1 of this report. Certain totals may not sum due to rounding.

#### Executive Summary

##### Introduction

Biogen Idec is a global biotechnology company that discovers, develops, manufactures and markets therapies for the treatment of neurodegenerative diseases, hemophilia and autoimmune disorders. Patients worldwide benefit from our leading multiple sclerosis therapies, and the company generates \$5 billion in annual revenues.

In the near term, our current and future revenues are dependent upon continued sales of our three principal products, AVONEX, TYSABRI, and RITUXAN. In the longer term, our revenue growth will be dependent upon the successful clinical development, regulatory approval and launch of new commercial products, our ability to obtain and maintain patents and other rights related to our marketed products and assets originating from our research and development efforts, and successful execution of external business development opportunities. As part of our ongoing research and development efforts, we have devoted significant resources to conducting clinical studies to advance the development of new pharmaceutical products and to explore the utility of our existing products in treating disorders beyond those currently approved in their labels.

##### Financial Highlights

The following table is a summary of financial results achieved:

	For the Years Ended December 31,				% Change 2011 compared to 2010
	2011	2010	(1)	(2)	
(In millions, except per share amounts and percentages)	(1)	(2)	(4)	(3)	(4)
Total revenues	\$ 5,048.6	\$ 4,716.4			7.0%
Income from operations	\$ 1,724.7	\$ 1,248.9			38.1%
Net income attributable to Biogen Idec Inc.	\$ 1,234.4	\$ 1,005.3			22.8%
Diluted earnings per share attributable to Biogen Idec Inc.	\$ 5.04	\$ 3.94			27.9%

- (1) Income from operations, as well as net income attributable to Biogen Idec Inc. for 2011, was reduced by a charge of \$36.8 million to research and development expense incurred in connection with the collaboration and license agreement entered into with Portola Pharmaceuticals, Inc. in October 2011.
- (2) In the second quarter of 2011 our share of RITUXAN revenues from unconsolidated joint business was reduced by approximately \$50.0 million to reflect our share of the approximately \$125.0 million compensatory damages and interest that Genentech estimated might be awarded to Hoechst GmbH (Hoechst), in relation to Genentech's ongoing arbitration with Hoechst.
- (3) Income from operations for 2010 was reduced by approximately \$40.0 million related to the achievement of a milestone by Biogen Idec Hemophilia, Inc. (formerly Syntonix Pharmaceuticals, Inc.) and a \$205.0 million charge incurred in connection with the collaboration and license agreement entered into with Knopp Neurosciences Inc. (Knopp), which we consolidated as we determined that we were the primary beneficiary of this relationship. The \$205.0 million was partially offset by an attribution of \$145.0 million to the noncontrolling interest. Net income attributable to noncontrolling interest also includes a charge of \$25.0 million related to the payment made in 2010 to Cardiokine Biopharma LLC (Cardiokine) pursuant to the termination of our lixivaptan collaboration.
- (4) Income from operations, as well as net income attributable to Biogen Idec Inc., for 2011 and 2010, was reduced by \$19.0 million and \$75.2 million, respectively, resulting from charges associated with our restructuring initiative announced in November 2010.

As described below under *Results of Operations*, our operating results for the year ended December 31, 2011, reflect the following:

Worldwide AVONEX revenues totaled \$2,686.6 million for 2011, representing an increase of 6.7% over 2010.

Our share of TYSABRI revenues totaled \$1,079.5 million for 2011, representing an increase of 19.9% over 2010.

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Our share of RITUXAN revenues totaled \$996.6 million for 2011, representing a decrease of 7.5% from 2010. This decrease was primarily the result of royalty expirations in our rest of world markets, a decrease in selling and development expenses incurred by us and reimbursed by Genentech, which are also included within our total unconsolidated joint business revenues, and our share of a charge recorded by the collaboration in relation to Genentech's ongoing arbitration with Hoechst GmbH. These decreases were offset in part by an increase in our share of U.S. RITUXAN net product revenues which increased 6.0% over 2010.

Total cost and expenses decreased 4.1% for 2011 compared to 2010. This decrease was primarily the result of the \$245.0 million of IPR&D charges recognized in 2010 as well as a 2.3% decrease in research and development expense and a 74.7% decrease in restructuring charges recognized over 2010. These decreases were offset by a 16.6% increase in cost of sales, a 23.1% increase in collaboration profit sharing expense due to TYSABRI revenue growth, as well as a 2.4% increase in selling, general and administrative costs over the same period in 2010.

We generated \$1,727.7 million of net cash flows from operations for 2011, which were primarily driven by earnings. Cash, cash equivalents and marketable securities totaled approximately \$3,107.4 million as of December 31, 2011.

In February 2011, our Board of Directors authorized the repurchase of up to 20.0 million shares of our common stock. Under this authorization, in 2011, we repurchased approximately 6.0 million shares of our common stock at a cost of approximately \$498.0 million.

### ***Business Environment***

We conduct our business primarily within the biotechnology and pharmaceutical industries, which are highly competitive. Many of our competitors are working to develop or have already developed products similar to those we are developing or already market. For example, along with us, a number of companies are working to develop or have already developed additional treatments for MS, including oral and other alternative formulations that may compete with AVONEX, TYSABRI or both. In addition, the commercialization of certain of our own pipeline product candidates, such as BG-12, may negatively impact future sales of AVONEX, TYSABRI or both. We may also face increased competitive pressures as a result of the emergence of biosimilars. In the U.S., AVONEX, TYSABRI, and RITUXAN are licensed under the Public Health Service Act (PHSA) as biological products. In March 2010, U.S. healthcare reform legislation amended the PHSA to authorize the U.S. Food and Drug Administration (FDA) to approve biological products, known as biosimilars or follow-on biologics, that are shown to be highly similar to previously approved biological products based upon potentially abbreviated data packages.

Global economic conditions continue to present challenges for our industry. Governments in many international markets in which we operate have announced or have already implemented austerity measures to constrain the overall level of government expenditures. These measures, which include efforts aimed at reforming health care coverage and reducing health care costs, and the deterioration of credit and economic conditions, particularly in certain countries in Europe, continue to exert pressure on product pricing, have delayed reimbursement for our products, and have negatively impacted our revenues and results of operations. For additional information about certain risks that could negatively impact our financial position or future results of operations, please read the *Risk Factors* section of this report.

### ***Key Pipeline Developments***

#### ***BG-12***

During 2011, we announced positive top-line results from our two pivotal Phase 3 clinical trials, DEFINE and CONFIRM, designed to evaluate the investigational oral compound BG-12 as a monotherapy in relapsing MS. We are preparing regulatory submissions for BG-12 based upon the positive results from these two trials.

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We acquired BG-12 and FUMADERM (together, Fumapharm Products) as part of our acquisition of Fumapharm AG in 2006. We paid \$220.0 million upon closing of the transaction and will pay an additional \$15.0 million if a Fumapharm Product is approved for MS in the U.S. or E.U. We may also make additional milestone payments to Fumapharm AG based on attainment of certain sales levels of Fumapharm Products, less certain costs as defined in the acquisition agreement. For additional information about these contingent milestone payments, please read the *Contractual Obligations and Off-Balance Sheet Arrangements – Contingent Consideration* subsection of this *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

### **FAMPYRA**

In July 2011, the European Commission (EC) granted a conditional marketing authorization for FAMPYRA in the E.U., which triggered a \$25.0 million milestone payment. This payment was made to Acorda Therapeutics, Inc. (Acorda) in the third quarter of 2011. FAMPYRA is an oral compound indicated as a treatment to improve walking ability in adult patients with MS who have walking disability. FAMPYRA was commercially launched in Australia, Denmark, Germany, Norway and the U.K. in 2011. In 2012, we plan to launch FAMPYRA in Austria, Canada, Finland, France, Greece, Italy, Ireland, the Netherlands, Sweden and other markets. The exact timing of these launches remains subject to our ability to obtain reimbursement approval within the respective markets.

We have a license from Acorda to develop and commercialize FAMPYRA in all markets outside the U.S. Under the terms of our collaboration and license agreement, we will pay Acorda tiered royalties based on ex-U.S. net sales, and milestones based on new indications and ex-U.S. net sales. These milestones, which may total up to \$400.0 million, include the \$25.0 million payment for successful license of the product in the E.U. The next expected milestone would be \$15.0 million, due when ex-U.S. net sales reach \$100.0 million over a period of four consecutive quarters. For additional information about our collaboration with Acorda, please read Note 20, *Collaborations* to our consolidated financial statements included in this report.

### ***Long-Lasting Recombinant Factors VIII and IX***

We collaborate with Swedish Orphan Biovitrum AB (Sobi) on the commercialization of long-lasting recombinant Factors VIII and IX. In 2011, we received opinions from the EMA's Pediatric Committee (PDCO) agreeing to pediatric investigational plans for Factor VIII and Factor IX. In accordance with the PDCO's opinion, we plan to initiate global pediatric trials in previously-treated patients less than 12 years of age as soon as sufficient data are available from studies of older patients. The PDCO opinions for Factor VIII and Factor IX are under guidelines published by the EMA for the development of Factor IX and Factor VIII products. Pediatric data from these trials will be required in the initial submission of Marketing Authorization Applications to the European regulatory agency.

The Factor IX and Factor VIII hemophilia programs continue to advance according to plan with recruitment of patients in both phase III studies (B-LONG and A-LONG, respectively). For additional information about our collaboration with Sobi, please read Note 20, *Collaborations* to our consolidated financial statements included in this report.

### ***Isis Pharmaceuticals, Inc.***

In January 2012, we entered into an exclusive, worldwide option and development agreement with Isis Pharmaceuticals, Inc. (Isis) under which both companies will develop and commercialize Isis' antisense investigational drug, ISIS-SMN<sub>Rx</sub>, for the treatment of spinal muscular atrophy (SMA).

Under the terms of the agreement, Isis received an upfront payment of \$29.0 million and is eligible to receive up to \$45.0 million in milestone payments associated with the clinical development of ISIS-SMN<sub>Rx</sub> prior to licensing. For additional information about our agreement with Isis, please read Note 27, *Subsequent Events* to our consolidated financial statements included in this report.

**Table of Contents***Samsung Biosimilar Agreement*

In December 2011, we entered into an agreement with Samsung BioLogics Co. Ltd. (Samsung) to establish an entity to develop, manufacture and market biosimilar pharmaceuticals. Under the terms of the agreement, Samsung will contribute approximately \$255.0 million for an 85 percent stake in the entity and Biogen Idec will contribute approximately \$45.0 million for the remaining 15 percent ownership interest. Our investment will initially be limited to this initial contribution as we have no obligation to provide any additional funding; however, we maintain an option to purchase additional stock in the entity in order to increase our ownership percentage up to 49.9 percent. The exercise of this option is within our control. Completion of the transaction is subject to customary closing conditions. For additional information about our agreement with Samsung, please read Note 19, *Investment in Variable Interest Entities* to our consolidated financial statements included in this report.

*Portola Pharmaceuticals, Inc.*

In October 2011, we entered into an exclusive, worldwide collaboration and license agreement with Portola Pharmaceuticals, Inc. (Portola) under which both companies will develop and commercialize highly selective, novel oral Syk inhibitors for the treatment of various autoimmune and inflammatory diseases, including rheumatoid arthritis and systemic lupus erythematosus. For additional information about this transaction, please read Note 20, *Collaborations* to our consolidated financial statements included in this report.

**Results of Operations****Revenues**

Revenues are summarized as follows:

(In millions, except percentages)	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
Product Revenues:					
United States	\$ 1,954.8	\$ 1,744.4	\$ 1,638.0	12.1%	6.5%
Rest of world	1,881.3	1,725.7	1,514.9	9.0%	13.9%
Total product revenues	3,836.1	3,470.1	3,152.9	10.5%	10.1%
Unconsolidated joint business revenues	996.6	1,077.2	1,094.9	(7.5)%	(1.6)%
Other revenues	215.9	169.1	129.5	27.7%	30.6%
Total revenues	\$ 5,048.6	\$ 4,716.4	\$ 4,377.3	7.0%	7.7%

**Product Revenues**

Product revenues are summarized as follows:

(In millions, except percentages)	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
AVONEX	\$ 2,686.6	\$ 2,518.4	\$ 2,322.9	6.7%	8.4%
TYSABRI	1,079.5	900.2	776.0	19.9%	16.0%
Other product revenues	70.0	51.5	54.0	35.9%	(4.6)%

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Total product revenues	\$ 3,836.1	\$ 3,470.1	\$ 3,152.9	10.5%	10.1%
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**Table of Contents****AVONEX**

Revenues from AVONEX are summarized as follows:

(In millions, except percentages)	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
United States	\$ 1,628.3	\$ 1,491.6	\$ 1,406.2	9.2%	6.1%
Rest of world	1,058.3	1,026.8	916.7	3.1%	12.0%
Total AVONEX revenues	\$ 2,686.6	\$ 2,518.4	\$ 2,322.9	6.7%	8.4%

For 2011 compared to 2010, as well as for 2010 compared to 2009, the increase in U.S. AVONEX revenues was due to price increases offset by decreased commercial demand. Decreased commercial demand resulted in declines of approximately 3% and 6% in U.S. AVONEX unit sales volume for 2011 and 2010, respectively, from the prior year comparative periods.

For 2011 compared to 2010, as well as for 2010 compared to 2009, the increase in rest of world AVONEX revenues reflects an increase in commercial demand offset by price decreases in some countries. Increased commercial demand resulted in increases of approximately 6% in rest of world AVONEX unit sales in both 2011 and 2010, respectively, over their prior year comparative periods. The increase in rest of world AVONEX revenues for 2011 compared to 2010 also reflects the favorable impact of foreign currency exchange rates offset by losses recognized in relation to the settlement of certain cash flow hedge instruments under our foreign currency hedging program. The increase in rest of world AVONEX revenues for 2010 compared to 2009 also reflects gains recognized in relation to the settlement of certain cash flow hedge instruments under our foreign currency hedging program offset by the negative impact of foreign currency exchange rates.

Losses recognized in relation to the settlement of certain cash flow hedge instruments under our foreign currency hedging program totaled \$30.6 million in 2011, compared to gains recognized of \$35.0 million for 2010 and losses recognized of \$39.5 million in 2009.

We expect AVONEX to continue facing increased competition in the MS marketplace in both the U.S. and rest of world. We and a number of other companies are working to develop or have already commercialized products to treat MS, including oral and other alternative formulations that may compete with AVONEX now and in the future. In addition, the continued growth of TYSABRI and the commercialization of our other pipeline product candidates, such as BG-12, may negatively impact future sales of AVONEX. Increased competition may also lead to reduced unit sales of AVONEX, as well as increasing price pressure.

**TYSABRI**

We collaborate with Elan Pharma International, Ltd (Elan) an affiliate of Elan Corporation, plc, on the development and commercialization of TYSABRI. For additional information about this collaboration, please read Note 20, *Collaborations* to our consolidated financial statements included in this report.

Revenues from TYSABRI are summarized as follows:

(In millions, except percentages)	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
United States	\$ 326.5	\$ 252.8	\$ 231.8	29.2%	9.1%
Rest of world	753.0	647.4	544.2	16.3%	19.0%

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Total TYSABRI revenues	\$ 1,079.5	\$ 900.2	\$ 776.0	19.9%	16.0%
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For 2011 compared to 2010, as well as for 2010 compared to 2009, the increase in U.S. TYSABRI revenues was due to increased commercial demand and price increases. Increased commercial demand resulted in increases of approximately 12% and 10% in U.S. TYSABRI unit sales volume for 2011 and, 2010, respectively,

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over the prior year comparative periods. The increase in U.S. TYSABRI revenues for 2010 compared to 2009, resulting from increased commercial demand and price increases, was offset by the sale to Elan of previously written-down TYSABRI inventory which became saleable following the approval of our higher-yielding manufacturing process. As our sales price to Elan in the U.S. is set to effect an approximate equal sharing of the gross margin with Elan plus reimbursement for our cost of goods sold, the distribution of this specific inventory reduced our cost of sales, which reduced the price per unit we charged to Elan and reduced our revenues by \$7.5 million in 2010 compared to 2009. This inventory was fully utilized during 2010.

Net sales of TYSABRI from our collaboration partner, Elan, to third-party customers in the U.S. for 2011, 2010, and 2009 totaled \$746.5 million, \$593.1 million, and \$508.5 million, respectively.

For 2011 compared to 2010, as well as for 2010 compared to 2009, the increase in rest of world TYSABRI revenues reflects an increase in commercial demand offset by price decreases in some countries. Increased commercial demand resulted in increases of approximately 19% and 23% in rest of world TYSABRI unit sales for 2011 and 2010, respectively, over their prior year comparative periods. The increase in rest of world TYSABRI revenues for 2011 compared to 2010 also reflects the favorable impact of foreign currency exchange rates offset by the deferral of a portion of our revenues recognized on sales of TYSABRI in Italy made during the fourth quarter of 2011 and losses recognized in relation to the settlement of certain cash flow hedge instruments under our foreign currency hedging program. The increase in rest of world TYSABRI revenues for 2010 compared to 2009 reflects gains recognized in relation to the settlement of certain cash flow hedge instruments under our foreign currency hedging program offset by the negative impact of foreign currency exchange rates.

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 EUR 30.7 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 seeking a ruling that our interpretation of the Price Resolution is valid and that the position of AIFA is unenforceable. While we believe that we have good and valid grounds for our appeal, an unfavorable decision could negatively impact our results of operations. As a result of this dispute, we deferred \$13.8 million of revenue recognized on sales of TYSABRI made in Italy during the fourth quarter of 2011 and expect that we will continue to defer a portion of our revenues on future sales of TYSABRI in Italy until this matter is resolved. For additional information, please read Note 21, *Litigation* to our consolidated financial statements included within this report.

Losses recognized in relation to the settlement of certain cash flow hedge instruments under our foreign currency hedging program totaled \$6.3 million in 2011, compared to gains recognized of \$10.7 million for 2010 and losses recognized of \$10.1 million 2009.

We expect TYSABRI to continue facing increased competition in the MS marketplace in both the U.S. and rest of world. We and a number of other companies are working to develop or have already commercialized products to treat MS, including oral and other alternative formulations that may compete with TYSABRI now and in the future. The commercialization of our other pipeline product candidates, such as BG-12, also may negatively impact future sales of TYSABRI. Increased competition may also lead to reduced unit sales of TYSABRI, as well as increasing price pressure. In addition, safety warnings included in the TYSABRI label, such as the risk of PML, and any future safety-related label changes, may limit the growth of TYSABRI unit sales. We continue to research and develop protocols and therapies that may reduce risk and improve outcomes of PML in patients. Our efforts to stratify patients into lower or higher risk for developing PML, including through the JCV assay, and other ongoing or future clinical trials involving TYSABRI may have a negative impact on prescribing behavior in at least the short term, which may result in decreased product revenues from sales of TYSABRI.

**Table of Contents****Other Product Revenues**

Other product revenues are summarized as follows:

(In millions, except percentages)	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
FUMADERM	\$ 54.7	\$ 51.2	49.6	6.8%	3.2%
FAMPYRA	13.6			**	**
Other	1.7	0.3	4.4	466.7%	(93.2)%
Total other product revenues	\$ 70.0	\$ 51.5	\$ 54.0	35.9%	(4.6)%

**Unconsolidated Joint Business Revenues**

We collaborate with Genentech on the development and commercialization of RITUXAN. For additional information related to this collaboration including information regarding the pre-tax co-promotion profit sharing formula for RITUXAN and its impact on future unconsolidated joint business revenues, please read Note 20, *Collaborations* to our consolidated financial statements included in this report.

Revenues from unconsolidated joint business are summarized as follows:

(In millions, except percentages)	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
Biogen Idec's share of pre-tax co-promotion profits in the U.S.	\$ 872.7	\$ 848.0	\$ 773.6	2.9%	9.6%
Reimbursement of our selling and development expenses in the U.S.	6.1	58.3	65.6	(89.5)%	(11.1)%
Revenue on sales of RITUXAN in the rest of world	117.8	170.9	255.7	(31.1)%	(33.2)%
Total unconsolidated joint business revenues	\$ 996.6	\$ 1,077.2	\$ 1,094.9	(7.5)%	(1.6)%

**Biogen Idec's Share of Pre-tax Co-Promotion Profits in the U.S.**

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

(In millions, except percentages)	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
Product revenues, net	\$ 2,924.5	\$ 2,759.2	\$ 2,665.5	6.0%	3.5%
Cost and expenses	730.8	626.8	724.1	16.6%	(13.4)%
Pre-tax co-promotion profits in the U.S.	\$ 2,193.7	\$ 2,132.4	\$ 1,941.4	2.9%	9.8%

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Biogen Idec's share of pre-tax co-promotion profits  
in the U.S.

\$ 872.7

\$ 848.0

\$ 773.6

2.9%

9.6%

For 2011 compared to 2010, as well as for 2010 compared to 2009, the increase in U.S. RITUXAN product revenues was primarily due to price increases and an increase in commercial demand. Increased commercial demand resulted in increases of approximately 4% and 2% in U.S. RITUXAN unit sales volume for 2011 and

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2010, respectively, over their prior year comparative periods. The increases for both comparative periods were negatively impacted by increases in reserves established for rebates and allowances related to the U.S. healthcare reform legislation enacted in March 2010.

Collaboration cost and expenses for 2011 compared to 2010, as well as for 2010 compared to 2009, were favorably impacted by Genentech assuming responsibility for the U.S. sales and marketing efforts for RITUXAN in the fourth quarter of 2010. The savings realized from the consolidation of the sales force in 2011 were offset by a charge of approximately \$125.0 million recorded to the collaboration, representing an estimate of compensatory damages and interest that might be awarded to Hoechst GmbH (Hoechst), in relation to an intermediate decision by the arbitrator in Genentech's ongoing arbitration with Hoechst. As a result of this charge to the collaboration, our share of RITUXAN revenues from unconsolidated joint business was reduced by approximately \$50.0 million in the second quarter of 2011. This \$50.0 million amount reflects the estimate of the loss that we may incur in the event of a final arbitration award unfavorable to Genentech. The actual amount of our share of any damages may vary from this estimate depending on the nature or amount of any damages awarded to Hoechst, or if the arbitrator's final decision is successfully challenged by Genentech. For additional information related to this matter, please read Note 21, *Litigation* to our consolidated financial statements included within this report.

In addition, total collaboration cost and expenses for 2011 was further negatively impacted by a new fee which became payable in 2011 by all branded prescription drug manufacturers and importers. This fee is calculated based upon each organization's percentage share of total branded prescription drug sales to qualifying U.S. government programs (such as Medicare, Medicaid and VA and PHS discount programs). We have reduced our share of pre-tax co-promotion profits in the U.S. by approximately \$15.0 million in 2011 based upon our estimate of the fee that will be assessed to Genentech on qualifying sales of RITUXAN in 2011.

Under our collaboration agreement, our current pre-tax co-promotion profit-sharing formula, which resets annually, provides for a 40% share of pre-tax co-promotion profits if co-promotion operating profits exceed \$50.0 million. For 2011, 2010, and 2009, the 40% threshold was met during the first quarter.

### ***Reimbursement of Selling and Development Expense in the U.S.***

In the fourth quarter of 2010, we and Genentech made an operational decision under which we eliminated our RITUXAN oncology and rheumatology sales force, with Genentech assuming responsibility for the U.S. sales and marketing efforts related to RITUXAN. As a result of this change, selling and development expense incurred by us in the U.S. and reimbursed by Genentech decreased for 2011 in comparison to 2010, as well as for 2010 compared to 2009. As discussed in Note 20, *Collaborations* to our consolidated financial statements included in this report, Genentech incurs the majority of continuing development costs for RITUXAN. Expenses incurred by Genentech in the development of RITUXAN are not recorded as research and development expense, but rather reduce our share of pre-tax co-promotion profits recorded as a component of unconsolidated joint business revenues.

### ***Revenue on Sales of RITUXAN in the Rest of World***

Revenue on sales of RITUXAN in the rest of world consists of our share of pre-tax co-promotion profits in Canada and royalty revenue on sales of RITUXAN outside the U.S. and Canada. For 2011 compared to 2010, as well as for 2010 compared to 2009, the decline in revenue on sales of RITUXAN in the rest of world was due to the expirations of royalties on a country-by-country basis in certain of our rest of world markets. In addition, revenue on sales of RITUXAN in the rest of world for 2010 were favorably impacted by receipt of \$21.3 million representing the cumulative underpayment of past royalties owed to us on sales of RITUXAN in the rest of world.

The royalty period for sales in the rest of world with respect to all products is 11 years from the first commercial sale of such product on a country-by-country basis. The royalty periods for substantially all of the remaining royalty-bearing sales of RITUXAN in the rest of world markets will expire in 2012. As a result of these expirations, we expect royalty revenues on sales of RITUXAN in the rest of world to continue to decline in 2012. After 2012, we expect revenue on sales of RITUXAN in the rest of world will primarily be limited to our share of pre-tax co-promotion profits in Canada.

**Table of Contents****Other Revenues**

Other revenues are summarized as follows:

(In millions, except percentages)	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
Royalty revenues	\$ 158.5	\$ 137.4	\$ 124.4	15.4%	10.5%
Corporate partner revenues	57.4	31.7	5.1	81.1%	521.6%
Total other revenues	\$ 215.9	\$ 169.1	\$ 129.5	27.7%	30.6%

**Royalty Revenues**

We receive royalties on sales by our licensees of products covered under patents that we own. Sales of licensed products could vary significantly due to competition, manufacturing difficulties and other factors that are not within our control. In addition, the expiration or invalidation of any underlying patents could reduce or eliminate the royalty revenues derived from such patents.

For 2011 compared to 2010, as well as for 2010 compared to 2009, the increase in royalty revenues was primarily the result of an increase in sales of ANGIOMAX, which was licensed to The Medicines Company (TMC). Royalty revenues from the net worldwide sales of ANGIOMAX are recognized in an amount equal to the level of net sales achieved during a calendar year multiplied by the royalty rate in effect for that tier under our agreement with TMC. The royalty rate increases based upon which tier of total net sales are earned in any calendar year. The increased royalty rate is applied retroactively to the first dollar of net sales achieved during the year. This formula has the effect of increasing the amount of royalty revenue to be recognized in later quarters and, as a result, an adjustment is recorded in the periods in which an increase in royalty rate has been achieved. The increase in royalty revenues related to the sale of ANGIOMAX for 2011 compared to 2010 reflects a \$14.7 million adjustment recorded in the fourth quarter of 2011, as net sales levels for 2011 achieved a new royalty tier.

Under the terms of our agreement, TMC is obligated to pay us royalties earned, on a country-by-country basis, until the later of (1) twelve years from the date of the first commercial sale of ANGIOMAX in such country or (2) the date upon which the product is no longer covered by a licensed patent in such country. The annual royalty rate is reduced by a specified percentage in any country where the product is no longer covered by a licensed patent and where sales have been reduced to a certain volume-based market share. TMC began selling ANGIOMAX in the U.S. in January 2001. The principal U.S. patent that covers ANGIOMAX ( 404 Patent) was due to expire in March 2010 and TMC applied for an extension of the term of this patent. Initially, the U.S. Patent and Trademark Office (PTO) rejected TMC's application because in its view the application was not timely filed. TMC sued the PTO in federal district court seeking to extend the term of the 404 patent to December 2014. On August 3, 2010, the federal district court ordered the PTO to deem the application as timely filed. A generic manufacturer challenged the federal district court's order in an appellate proceeding, but on January 23, 2012 the manufacturer filed a motion to dismiss its appeal. The PTO has granted an interim extension of the patent term until August 23, 2012 pending completion of its review of TMC's application for extension to December 2014. In the event that TMC is unsuccessful in obtaining a patent term extension to December 2014 and third parties sell products comparable to ANGIOMAX, we would expect a significant decrease in royalty revenues due to increased competition, which may impact sales and result in lower royalty tiered rates.

**Corporate Partner Revenues**

We have also sold or exclusively licensed to third parties rights to certain products previously included within our product line. Supply agreement revenues received based upon those products are recorded as corporate partner revenue. Amounts recorded as corporate partner revenue also include amounts earned upon delivery of product under contract manufacturing agreements.





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For 2011 compared to 2010, as well as for 2010 compared to 2009, the increase in corporate partner revenues was primarily due to increased contract manufacturing activity. Corporate partner revenues for 2011 also includes a one-time cash payment of approximately \$11.0 million received in exchange for entering into an asset transfer agreement in March 2011 related to two research and development programs that were discontinued in connection with our November 2010 restructuring initiative.

**Reserves for Discounts and Allowances**

Revenues from product sales are recorded net of applicable allowances for trade term discounts, wholesaler incentives, Medicaid rebates, Veterans Administration (VA) and Public Health Service (PHS) discounts, managed care rebates, product returns, and other governmental rebates or applicable allowances including those associated with the implementation of pricing actions in certain of international markets in which we operate.

Reserves established for these discounts and allowances are classified as reductions of accounts receivable (if the amount is payable to our direct customer) or a liability (if the amount is payable to a party other than our customer). These reserves are based on estimates of the amounts earned or to be claimed on the related sales. Our estimates take into consideration our historical experience, current contractual and statutory requirements, specific known market events and trends, and forecasted customer buying patterns. Actual amounts may ultimately differ from our estimates. If actual results vary, we will need to adjust these estimates, which could have an effect on earnings in the period of adjustment. The estimates we make with respect to these allowances represent the most significant judgments with regard to revenue recognition.

Reserves for discounts, contractual adjustments and returns that reduced gross product revenues are summarized as follows:

(In millions, except percentages)	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
Discounts	\$ 96.0	\$ 77.9	\$ 74.0	23.2%	5.3%
Contractual adjustments	346.4	282.6	192.5	22.6%	46.8%
Returns	14.8	14.3	16.6	3.5%	(13.9)%
Total allowances	\$ 457.2	\$ 374.8	\$ 283.1	22.0%	32.4%
Gross product revenues	\$ 4,293.3	\$ 3,844.9	\$ 3,436.0	11.7%	11.9%
Percent of gross product revenues	10.6%	9.7%	8.2%		

Discount reserves include trade term discounts and wholesaler incentives. For 2011 compared to 2010, as well as for 2010 compared to 2009, the increase in discounts was primarily driven by increases in trade term and volume discounts and wholesaler incentives as a result of price increases and increased sales.

Contractual adjustment reserves relate to Medicaid and managed care rebates, VA and PHS discounts and other government rebates or applicable allowances. For 2011 compared to 2010, as well as for 2010 compared to 2009, the increase in contractual adjustments was due to higher reserves for managed care and Medicaid and VA programs principally associated with price increases in the U.S. and an increase in contractual rates as well as an increase in governmental rebates and allowances associated with the implementation of pricing actions in certain of the international markets in which we operate.

Product return reserves are established for returns made by wholesalers. In accordance with contractual terms, wholesalers are permitted to return product for reasons such as damaged or expired product. The majority of wholesaler returns are due to product expiration. Reserves for product returns are recorded in the period the related revenue is recognized, resulting in a reduction to product sales. For 2011 compared to 2010, as well as for 2010 compared to 2009, return reserves remained relatively unchanged.



**Table of Contents****Cost and Expenses**

A summary of total cost and expenses is as follows:

(In millions, except percentages)	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
Cost of sales, excluding amortization of acquired intangible assets	\$ 466.8	\$ 400.3	\$ 382.1	16.6%	4.8%
Research and development	1,219.6	1,248.6	1,283.1	(2.3)%	(2.7)%
Selling, general and administrative	1,056.1	1,031.5	911.0	2.4%	13.2%
Collaboration profit sharing	317.8	258.1	215.9	23.1%	19.5%
Amortization of acquired intangible assets	208.6	208.9	289.8	(0.2)%	(27.9)%
Fair value adjustment of contingent consideration	36.1			**	**
Restructuring charge	19.0	75.2		(74.7)%	**
Acquired in-process research and development		245.0		(100.0)%	**
<b>Total cost and expenses</b>	<b>\$ 3,323.9</b>	<b>\$ 3,467.5</b>	<b>\$ 3,081.9</b>	<b>(4.1)%</b>	<b>12.5%</b>

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

(In millions, except percentages)	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
Cost of sales, excluding amortization of acquired intangible assets	\$ 466.8	\$ 400.3	\$ 382.1	16.6%	4.8%

For 2011 compared to 2010, the increase in cost of sales was driven by higher unit sales volumes, increased contract manufacturing and production costs, and an increase in amounts written down related to excess, obsolete or unmarketable inventory. These increases were partially offset by the sale of inventory produced under our high-titer production process. Cost of sales for 2011 also includes increased costs associated with AVONEX PEN, the JC virus antibody assay, and sales of FAMPYRA, while cost of sales for 2010 included \$6.7 million of period expense related to the shutdown for capital upgrades of our manufacturing facility in Research Triangle Park, North Carolina (RTP).

For 2010 compared to 2009, the increase in cost of sales was primarily due to higher unit sales volumes, increased contract manufacturing activity as well as \$6.7 million of period expense incurred related to the shutdown for capital upgrades of our manufacturing facility in RTP. This comparative increase was offset by the sale of previously written-down TYSABRI inventory, which became saleable following approval of our new higher-yielding manufacturing process. The distribution of this inventory, which was fully utilized during 2010, reduced our cost of sales by \$11.4 million compared to 2009. In addition, the sale of inventory produced under our new high-titer production process reduced our cost of sales by \$8.4 million compared to 2009.

We expect an increase in total cost of sales for 2012 compared to 2011, as a result of higher expected sales volumes and increased contract manufacturing activity.

Our products are subject to strict quality control and monitoring which we perform throughout the manufacturing process. Periodically, certain batches or units of product may no longer meet quality specifications or may expire. The expiry associated with our inventory is generally between 6 months and 5 years, depending on the product. Obsolescence due to expiration has historically been insignificant.

Amounts written down related to excess, obsolete or unmarketable inventory are charged to cost of sales, and totaled \$25.4 million, \$11.8 million, and \$16.9 million for the years ended December 31, 2011, 2010, and 2009, respectively.



**Table of Contents****Research and Development**

	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
(In millions, except percentages)					
Research and development	\$ 1,219.6	\$ 1,248.6	\$ 1,283.1	(2.3)%	(2.7)%

Research and development expense for 2011 compared to 2010, reflects our efforts to allocate resources within our research and development organization consistent with our restructuring initiative, which is described below under the heading *Restructuring Charge*, and resulted in a reduction in spending related to certain programs which were terminated or are in the process of being discontinued. These decreases were offset by research and development costs associated with initiatives to grow our business, which include increased clinical trial activity for certain of our late stage product candidates, such as dexamipexole, Factor VIII, Factor IX, and PEGylated interferon beta-1a. Research and development expense for 2011 compared to 2010, also reflects a reduction in milestone and upfront payments recognized within research and development expense.

For 2010 compared to 2009, research and development expense decreased by \$34.5 million. This decrease reflects a reduction in milestone and upfront payments recognized within research and development expense and a reduction in spending in certain deprioritized programs offset by increased clinical activity for our daclizumab, PEGylated interferon beta-1a, neublastin, Factor VIII and Factor IX programs as well as efforts to research and develop protocols that may reduce risk and improve outcomes of PML in patients treated with TYSABRI. In addition, our costs for the Factor VIII and Factor IX programs increased in 2010 following the restructuring of our collaboration agreement with Swedish Orphan Biovitrum, whereby we assumed full development and manufacturing responsibilities for these programs.

We intend to continue committing significant resources to targeted research and development opportunities where there is a significant unmet need and where the drug candidate has the potential to be highly differentiated. Specifically, we intend to continue to make significant investments in the advancement of BG-12 and our Factor VIII and Factor IX hemophilia programs. We also intend to continue to invest in bringing forward our MS pipeline and in pursuing therapies for other neurodegenerative diseases.

We expect total research and development expense in 2012 to be between 24% and 25% of total revenue, and as a result, we expect a modest increase in total research and development expense for 2012 compared to 2011.

***Milestone and Upfront Payments included in Research and Development Expense***

Milestone and upfront payments to our collaboration partners, included within research and development expense, totaled \$45.9 million, \$68.9 million and \$151.5 million for 2011, 2010 and 2009, respectively.

Included in total research and development expense in 2011 is a charge of \$36.8 million related to an upfront payment made in connection with our collaboration and license agreement entered into with Portola Pharmaceuticals, Inc. Research and development expense for 2010 included the \$26.4 million upfront payment made to Knopp Neurosciences, Inc. (Knopp), which became payable to Knopp upon our entering a license agreement for dexamipexole in August 2010 as well as a \$30.0 milestone paid to Abbott Biotherapeutics Corp, formerly Facet Biotech, in May 2010 upon initiation of patient enrollment in a Phase 3 trial of daclizumab in relapsing MS.

For 2010 compared to 2009, the decrease in milestone and upfront payments was primarily the result of the \$110.0 million upfront payment made to Acorda in 2009. The timing of future upfront fees and milestone payments may cause variability in future research and development expense.

**Selling, General and Administrative**

	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared	2010 compared
(In millions, except percentages)					

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				to 2010	to 2009
Selling, general and administrative	\$ 1,056.1	\$ 1,031.5	\$ 911.0	2.4%	13.2%

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For 2011 compared to 2010, the increase in selling, general and administrative expenses was primarily due to initiatives to grow our business, the negative impact of foreign currency exchange rates and increased sales and marketing activities in support of AVONEX and TYSABRI, as well as costs incurred in support of the potential launch of BG-12, offset by a decrease in grant and sponsorship activity and savings realized through our restructuring initiatives, which are described below under the heading *Restructuring Charge*. Selling, general and administrative expenses for 2010 also included incremental charges totaling \$18.6 million, which were recognized in relation to the modification of equity based compensation in accordance with the transition agreement entered into with James C. Mullen, who retired as our President and Chief Executive Officer on June 8, 2010.

For 2010 compared to 2009, the increase in selling, general and administrative expenses was primarily due to increased sales and marketing activities in support of AVONEX and TYSABRI, the incremental charges related to the transition agreement with Mr. Mullen discussed above, and increased grant and sponsorship activity.

We expect total selling, general and administrative expense in 2012 to be between 22% and 23% of total revenue. The expected increase in selling, general and administrative expenses to be incurred in 2012 over 2011 is related to the development of sales force and promotional spending in support of FAMPYRA and the potential launches of BG-12 and our Factor VIII and Factor IX programs.

**Collaboration Profit Sharing**

	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
(In millions, except percentages)					
Collaboration profit sharing	\$ 317.8	\$ 258.1	\$ 215.9	23.1%	19.5%

For 2011 compared to 2010, as well as for 2010 compared to 2009, the increases in collaboration profit sharing expense were due to the continued increase in TYSABRI rest of world sales resulting in higher rest of world net operating profits to be shared with Elan and resulting in growth in the third-party royalties Elan paid on behalf of the collaboration. For 2011, 2010, and 2009, our collaboration profit sharing expense included \$55.5 million, \$45.5 million and \$40.0 million related to the reimbursement of third-party royalty payments made by Elan. For additional information about this collaboration, please read Note 20, *Collaborations* to our consolidated financial statements included in this report.

**Amortization of Acquired Intangible Assets**

	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
(In millions, except percentages)					
Amortization of acquired intangible assets	\$ 208.6	\$ 208.9	\$ 289.8	(0.2)%	(27.9)%

For 2011 compared to 2010, as well as for 2010 compared to 2009, the change in amortization of acquired intangible assets is primarily driven by the amount of amortization recorded in relation to our AVONEX core technology asset. Amortization for acquired intangible assets is expected to be in the range of approximately \$160.0 million to \$200.0 million annually through 2016.

**AVONEX Core Technology Asset**

Our most significant intangible asset is the core technology related to our AVONEX product. Our amortization policy reflects our belief that the economic benefit of our core technology is consumed as revenue is generated from our AVONEX product. We refer to this amortization methodology as the economic consumption model, which involves calculating a ratio of actual current period sales to total anticipated sales for the life of the





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product and applying this ratio to the carrying amount of the intangible asset. An analysis of the anticipated lifetime revenues of AVONEX is performed at least annually during our long range planning cycle, and this analysis serves as the basis for the calculation of our economic consumption model. We believe this process has allowed us to reliably determine the best estimate of the pattern in which we will consume the economic benefits of our core technology intangible asset.

The results of our long range planning cycle completed in the third quarter of 2009, were most significantly impacted by the issuance in the U.S. of the AVONEX 755 Patent in September 2009. As a result of the increase in the total expected lifetime revenue of AVONEX and the extension of the assumed remaining life of our core intangible asset, amortization recorded for the third and fourth quarters of 2009 decreased significantly from those amounts recorded during the first half of 2009.

Amortization recorded for the first and second quarters of 2010 was also recorded based upon the results of the 2009 analysis. The results of our analysis completed in the third quarter of 2010 did not result in a significant change in the expected lifetime revenues of AVONEX, and as a result, amortization recorded in the third and fourth quarters of 2010 and the first two quarters of 2011 were comparable to amounts recorded in the previous four quarters.

Our most recent long range planning cycle was completed in the third quarter of 2011, which reflected a further increase in the expected lifetime revenue of AVONEX. This most recent increase in the expected lifetime revenues of AVONEX was primarily attributable to changes in expected impact of competitor products. As a result, amortization recorded for the third and fourth quarters of 2011 decreased from those amounts recorded in the first half of 2011. Based upon this most recent analysis, amortization of our core intangible asset related to AVONEX is expected to be in the range of approximately \$100.0 million to \$150.0 million annually through 2016.

We monitor events and expectations regarding product performance. If there are any indications that the assumptions underlying our most recent analysis would be different than those utilized within our current estimates, our analysis would be updated and may result in a significant change in the anticipated lifetime revenue of AVONEX determined during our most recent annual review. For example, the occurrence of an adverse event, such as the invalidation of our AVONEX 755 Patent, could substantially increase the amount of amortization expense associated with our acquired intangible assets as compared to previous periods or our current expectations, which may result in a significant negative impact on our future results of operations.

**Fair Value Adjustment of Contingent Consideration**

(In millions, except percentages)	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011	2010
				compared to 2010	compared to 2009
Fair value adjustment of contingent consideration	\$ 36.1	\$	\$	**	**

The consideration for certain of our acquisitions includes future payments that are contingent upon the occurrence of a particular factor or factors. For acquisitions completed after January 1, 2009, we record a contingent consideration obligation for such contingent consideration payments at its fair value on the acquisition date. We revalue the acquisition-related contingent consideration obligation on a recurring basis each reporting period. Changes in the fair value of our contingent consideration obligations are recognized as a fair value adjustment of contingent consideration within our consolidated statements of income.

In connection with our acquisition of Biogen Idec International Neuroscience GmbH (BIN), formerly Panima Pharmaceuticals AG (Panima), in 2010, we recorded a liability of \$81.2 million representing the acquisition date fair value of the contingent consideration. There was no significant change in the valuation of this liability from the acquisition date through December 31, 2010. The fair value of this contingent consideration obligation as of December 31, 2011 was \$119.1 million. The increase in the fair value of this obligation, of \$37.9 million since December 31, 2010, was primarily due to changes in the discount rate and in the probability and expected timing related to the achievement of certain remaining developmental milestones, offset by the payment of a \$5.0 million developmental milestone.

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In addition, we also recorded a contingent consideration obligation of \$38.8 million in the third quarter of 2011 related to our purchase of the noncontrolling interest in our joint venture investments in Biogen Dompé SRL and Biogen Dompé Switzerland GmbH, our respective sales affiliates in Italy and Switzerland. The fair value of this contingent consideration obligation as of December 31, 2011 was \$31.9 million. The decrease in the fair value of this obligation, of \$6.9 million since the acquisition date, was primarily due to changes in the discount rate and in the probability and expected timing related to the achievement of certain cumulative sales-based and developmental milestones.

## Restructuring Charge

(In millions, except percentages)	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
Restructuring charge	\$ 19.0	\$ 75.2	\$	(74.7)%	**

In November 2010, we announced a number of strategic, operational, and organizational initiatives designed to provide a framework for the future growth of our business and realign our overall structure to become a more efficient and cost effective organization. As part of this initiative:

We out-licensed or terminated certain research and development programs, including those in oncology and cardiovascular medicine, that are no longer a strategic fit for us.

We completed a 13% reduction in workforce spanning our sales, research and development, and administrative functions.

We vacated and recognized the sale of the San Diego, California facility as well as consolidated certain of our Massachusetts facilities. For a more detailed description of transactions affecting our facilities, please read Note 11, *Property, Plant and Equipment* to our consolidated financial statements included within this report.

As a result of these initiatives, we have begun to realize annual operating expense savings of which the substantial majority will be realized within research and development and selling, general and administrative expense. These savings, which are expected to approximate \$300.0 million annually, are offset by costs associated with initiatives to grow our business. We have also increased our workforce to support our growth initiatives, including efforts to bring forward our late stage pipeline.

Costs associated with our workforce reduction are primarily related to employee severance and benefits. Facility consolidation costs are primarily comprised of charges associated with closing these facilities, related lease obligations and additional depreciation recognized when the expected useful lives of certain assets have been shortened due to the consolidation and closing of related facilities and the discontinuation of certain research and development programs. As of December 31, 2011, substantially all restructuring charges have been incurred and paid. We incurred \$19.0 million of these charges during 2011, of which \$12.8 million were related to our workforce reduction and \$6.2 million related to the consolidation of our facilities. During the fourth quarter of 2010, we incurred \$75.2 million of these charges, of which \$67.2 million were related to our workforce reduction and \$8.0 million were related to the consolidation of our facilities.

The following table summarizes the activity of our restructuring liability:

(In millions)	Workforce Reduction	Facility Consolidation	Total
Restructuring reserve as of December 31, 2010	\$ 60.6	\$ 5.8	\$ 66.4
Expense	15.8	2.4	18.2
Payments	(81.8)	(3.9)	(85.7)
Adjustments to previous estimates, net	(2.9)		(2.9)

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Other adjustments	8.6	(3.2)	5.4
Restructuring reserve as of December 31, 2011	\$ 0.3	\$ 1.1	\$ 1.4

**Table of Contents****Acquired In-process Research and Development (IPR&D)**

	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
(In millions, except percentages)					
Acquired in-process research and development	\$	\$ 245.0	\$	(100.0)%	**

In August 2010, we entered into a license agreement with Knopp for the development, manufacture and commercialization of dexpramipexole, an orally administered small molecule in clinical development for the treatment of ALS. As we determined that we are the primary beneficiary of this relationship, we consolidate the results of Knopp and recorded an IPR&D charge of approximately \$205.0 million upon initial consolidation within our consolidated statements of income for 2010. We attributed approximately \$145.0 million of the total IPR&D charge to the noncontrolling interest, representing the noncontrolling interest's ownership interest in the equity of Knopp. For additional information related to this transaction, please read Note 19, *Investments in Variable Interest Entities* to our consolidated financial statements included in this report.

In connection with our acquisition of Biogen Idec Hemophilia Inc., formerly Syntonix Pharmaceuticals, Inc. (Syntonix), in January 2007, we agreed to make additional payments based upon the achievement of certain milestone events. One of these milestones was achieved when, in January 2010, we initiated patient enrollment in a registrational trial of Factor IX in hemophilia B. As a result of the achievement of this milestone we paid approximately \$40.0 million to the former shareholders of Syntonix, which was reflected as a charge to acquired IPR&D within our consolidated statement of income for 2010.

**Other Income (Expense), Net**

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

	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
(In millions, except percentages)					
Interest income	\$ 19.2	\$ 22.3	\$ 48.5	(13.9)%	(54.0)%
Interest expense	(33.0)	(36.1)	(35.8)	(8.6)%	(0.8)%
Impairments on investments	(11.5)	(21.3)	(10.6)	(46.0)%	(100.9)%
Foreign exchange gains (losses), net	(6.3)	(3.5)	11.4	80.0%	(130.7)%
Gain (loss) on sales of investments, net	17.4	16.3	22.8	6.7%	(28.5)%
Other, net	0.7	3.3	1.0	(78.8)%	230.0%
Total other income (expense), net	\$ (13.5)	\$ (19.0)	\$ 37.3	(28.9)%	(151.0)%

**Interest Income**

For 2011 compared to 2010, as well as for 2010 compared to 2009, interest income decreased primarily due to lower interest yields on cash, cash equivalents, and marketable securities offset by an increase in average cash balances. The decrease for 2010 compared to 2009, was also due to lower average cash balances.

**Interest Expense**

For 2011 compared to 2010 the decrease in interest expense was primarily due to an increase in the amount of capitalized interest. For 2010 compared to 2009, interest expense remained relatively unchanged.

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For 2011, 2010 and 2009, we capitalized interest costs related to construction in progress totaling approximately \$32.6 million, \$28.6 million and \$28.5 million, respectively, which reduced our interest expense by the same amount. Capitalized interest costs are primarily related to the development of our large-scale biologic manufacturing facility in Hillerød, Denmark.

**Table of Contents*****Impairment on Investments***

In 2011, we recognized \$11.5 million in charges for the impairment of our publicly-held strategic investments, investments in venture capital funds and investments in privately-held companies.

In 2010, we recognized \$21.3 million in charges for the other-than-temporary impairment of our publicly held strategic investments, investments in venture capital funds and investments in privately held companies. The increase over amounts recognized in 2009 was primarily the result of one of our strategic investments, executing an equity offering at a price below our cost basis during the first quarter of 2010.

In 2009, we recognized impairment losses of \$7.0 million on our publicly-held strategic investments and non-marketable securities and an additional \$3.6 million in charges for the other-than-temporary impairment on our marketable debt securities primarily related to mortgage and asset-backed securities.

We may incur additional impairment charges on these investments in the future.

**Income Tax Provision**

	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
(In millions, except percentages)					
Effective tax rate on pre-tax income	26.0%	26.9%	26.7%	(3.3)%	0.7%
Income tax expense	\$ 444.5	\$ 331.3	\$ 355.6	34.2%	(6.8)%

Our effective tax rate fluctuates from year to year due to the global nature of our operations. The factors that most significantly impact our effective tax rate include variability in the allocation of our taxable earnings between multiple jurisdictions, changes in tax laws, the amount and characterization of our research and development expenses, acquisitions and licensing transactions.

Our effective tax rate for 2011 compared to 2010 decreased primarily due to our 2010 license and collaboration agreement with Knopp, which negatively impacted our 2010 effective tax rate due to the attribution to noncontrolling interest of \$145.0 million of the associated IPR&D charge. As such, the attributed amount did not generate a tax deduction, causing our tax rate to be unfavorably impacted by 2.8%. In addition, during 2011, we experienced an increase in research and development expenditures eligible for the orphan drug credit, a lower effective state tax rate resulting from a change in state law and the settlement of outstanding matters related to state and federal audits. These favorable items were offset by a higher percentage of our 2011 profits being earned in higher tax rate jurisdictions, principally the U.S., and a non-deductible charge for contingent consideration associated with the acquisition of Panima.

For 2010 compared to 2009, our effective tax rate was negatively impacted due to the attribution to noncontrolling interest of \$145.0 million of the IPR&D charge related to our license agreement with Knopp. The impact of the Knopp transaction was partially offset by a higher percentage of our profits being earned in lower rate international jurisdictions in 2010. This change in the location of our relative profits was caused by the growth of our international operations and lower 2010 domestic earnings as a proportion of total consolidated earnings.

During 2010, we also experienced a favorable impact on our effective tax rates due to a statutory increase in the U.S. manufacturers' tax deduction and an increase in expenditures eligible for our orphan drug credit. In addition, our 2009 effective tax rate was increased by 2.1% as a result of the \$110.0 million upfront payment incurred in connection with the collaboration and license agreement entered into with Acorda in the second quarter of 2009. Our effective tax rate for 2009 was also favorably impacted by 2.3% for changes in tax law which became effective during the first quarter of 2009 in certain state jurisdictions in which we operate and the favorable resolution of certain federal, state and foreign tax audits. The resolution of these tax audits resulted in a reduction of our reserves for several uncertain tax positions, which had a favorable impact of 2.1% on our 2009 effective tax rate.

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Our effective tax rate will continue to be dependent upon the allocation of our profits amongst jurisdictions, the percentage of our earnings which are subject to taxation in the U.S. and our level of deductible research and development spending. During 2012 we expect our effective tax rate to be between 24% and 26%. We expect this decrease in rate due to higher clinical trial spending on orphan drug credit eligible programs, including the Phase III studies for Factor VIII, Factor IX and dextramipexole, and the cessation of certain inter-company royalties owed by a foreign affiliate of ours to a U.S. affiliate, on the international sales of one of our products.

**Noncontrolling Interest**

	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
(In millions, except percentages)					
Net income (loss) attributable to noncontrolling interests, net of tax	\$ 32.3	\$ (106.7)	\$ 6.9	(130.3)%	(1,646.4)%

On September 6, 2011, we completed the purchase of the noncontrolling interest in our joint venture investments in Biogen Dompé SRL and Biogen Dompé Switzerland GmbH, our respective sales affiliates in Italy and Switzerland. Prior to this transaction, our consolidated financial statements reflected 100% of the operations of these joint venture investments and we recorded net income (loss) attributable to noncontrolling interests in our consolidated statements of income based on the percentage of ownership interest retained by our joint venture partners. We have continued to consolidate the operations of these entities following our purchase of the noncontrolling interest; however, as of September 6, 2011, we no longer allocate 50% of the earnings of these ventures to net income (loss) attributable to noncontrolling interests as Biogen Dompé SRL and Biogen Dompé Switzerland GmbH became wholly-owned subsidiaries of the Company. For additional information related to this transaction, please read Note 2, *Acquisitions* to our consolidated financial statements included within this report.

For 2011 compared to 2010, the change in net income attributable to noncontrolling interests, net of tax, primarily resulted from the impact of our Knopp transaction recorded in 2010, offset by the \$25.0 million termination payment made to Cardiokine. Net income attributable to noncontrolling interests, net of tax, for 2011 also reflects a reduction in earnings from our foreign joint ventures due to our purchase of the noncontrolling interest in our joint venture investments described above, as well as the attribution of a \$15.0 million milestone payment to Neurimmune SubOne AG (Neurimmune) upon our submission an Investigational New Drug application for BIIB037 (human anti-Amyloid  $\beta$  mAb) in April 2011, and the attribution of a \$10.0 million milestone payment to Knopp upon dosing the first patient in a registrational study for dextramipexole in March 2011.

For 2010 compared to 2009, the decrease in net income attributable to noncontrolling interests was primarily the result of the attribution of \$145.0 million of the \$205.0 million IPR&D charge recognized upon consolidation of the Knopp variable interest entity to the noncontrolling interest in the third quarter of 2010 offset by the \$25.0 million payment made to Cardiokine upon the termination of our license agreement and an attribution of earnings from our foreign joint ventures.

**New Cambridge Leases**

In July 2011, we executed leases for two office buildings to be built in Cambridge, Massachusetts with a planned occupancy during the second half of 2013. Construction of these facilities began in late 2011. These buildings will serve as the future location of our corporate headquarters and commercial operations. These buildings will also provide additional general and administrative and research and development office space.

As a result of our decision to relocate our corporate headquarters and centralize our campus in Cambridge, Massachusetts, we expect to vacate our Weston, Massachusetts facility upon completion of the new buildings. Based upon our most recent estimates, we expect to incur a charge of approximately \$35.0 million upon vacating this facility when the new Cambridge buildings have been completed. This amount represents our remaining Weston lease obligation, net of our estimate of sublease income expected to be recovered. In addition, this

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decision has also resulted in a change in the expected useful lives of certain leasehold improvements and other assets, which have been shortened due to our anticipated departure from this facility and will result in approximately \$25.0 million of additional depreciation that will be realized ratably from the third quarter of 2011 through the date upon which we expect to vacate the Weston facility. Approximately \$4.7 million of this additional depreciation was recognized in 2011.

### **Market Risk**

We conduct business globally. As a result, our international operations are subject to certain opportunities and risks which may affect our results of operations, including volatility in foreign currency exchange rates or weak economic conditions in the foreign markets in which we operate.

#### ***Foreign Currency Exchange Risk***

Our results of operations are subject to foreign currency exchange rate fluctuations due to the global nature of our operations. While the financial results of our global activities are reported in U.S. dollars, the functional currency for most of our foreign subsidiaries is their respective local currency. Fluctuations in the foreign currency exchange rates of the countries in which we do business will affect our operating results, often in ways that are difficult to predict. For example, when the U.S. dollar strengthens against foreign currencies, the relative value of sales made in the respective foreign currencies decreases, conversely, when the U.S. dollar weakens against foreign currencies, the relative amount of such sales in U.S. dollars increases.

Our net income may also fluctuate due to the impact of our foreign currency hedging program, which is designed to mitigate, over time, a portion of the impact resulting from volatility in exchange rate changes on net income and earnings per share. We use foreign currency forward contracts to manage foreign currency risk with the majority of our forward contracts used to hedge certain forecasted revenue transactions denominated in foreign currencies. Other foreign currency gains or losses arising from our operations are recognized in the period in which we incur those gains or losses.

In addition, there is speculation that due to the global economic downturn the future of the euro may be uncertain. A significant number of our foreign subsidiaries have the euro as their local currency. In the event that certain countries, such as Greece, abandon the euro the resultant macroeconomic impact remains unknown. An abandonment of the euro, in any or all of the countries in which we operate, could have a significant impact on our results of operations. Our balance sheet exposure to Greece is limited as our only receivables in this market are due from our distributor, which totaled approximately \$4.0 million as of December 31, 2011. In addition, we maintain no investment holdings backed by the Greek government.

#### ***Pricing Pressure***

Global economic conditions continue to present challenges for our industry. The global economic downturn and the deterioration of credit and economic conditions continue to impact our results of operations, particularly in countries where government-sponsored healthcare systems are the primary payers for healthcare. Global economic conditions may be further impacted by additional negative economic developments in countries such as France, Italy, Portugal and Spain, whose sovereign debt obligations were recently downgraded and Greece, which is facing possible default of its sovereign debt obligations. As a result, many countries worldwide, particularly those within the European Union, are reducing their public expenditures in an effort to achieve cost savings.

Governments in a number of international markets, in which we operate, including Germany, France, Italy, the United Kingdom and Spain have announced or implemented austerity measures aimed at reducing healthcare costs to constrain the overall level of government expenditures. The implementation of measures varies by country and include among other things, mandatory rebates and discounts, price reductions and suspensions on pricing increases on pharmaceuticals. Certain implemented measures have already negatively impacted our revenues throughout 2010 and 2011. We expect to see continued efforts to achieve additional reductions in public expenditures and consequently expect that our revenues and results of operations will be further negatively impacted if these, similar or more extensive measures are, or continue to be, implemented in these and other



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countries in which we operate. Based upon our most recent estimates, we expect such measures will reduce our revenues in 2012 by approximately \$40.0 to \$60.0 million.

In addition, certain countries set prices by reference to the prices in other countries where our products are marketed. Thus, our inability to secure adequate prices in a particular country may impair our ability to obtain acceptable prices in existing and potential new markets and limit market growth. The continued implementation of pricing actions throughout Europe may also lead to higher levels of parallel trade.

Recent austerity measures that have or are expected to impact our results of operations include, but are not limited to, the following:

France: AVONEX reimbursement rates are subject to periodic pricing review. Following a therapeutic class review, revised prices for interferons and glatiramer acetate have recently been published in France. As a result, the price of AVONEX and AVONEX PEN will be reduced by 10% effective April 1, 2012 and October 1, 2012, respectively. We do not expect a change in TYSABRI pricing during 2012.

In September 2011, the French government announced that the national target for expenditures in public healthcare has been significantly reduced in an effort to decrease the social security deficit. To achieve this goal, additional austerity measures are being implemented, including an increase in the local pharmaceutical tax from 1.0% to 1.6%. Additional measures to reduce pricing and reimbursement rates and eligibility are expected. Our negotiations to establish the price of FAMPYRA will be subject to such measures.

Germany: Effective August 2010, the German government enacted a three-year freeze on drug price increases lasting through the end of 2013 and increased the mandatory rebate on drugs not covered by the reference pricing system from 6% to 16%. As a result, sales of AVONEX, TYSABRI, FUMADERM and FAMPYRA have been, and will continue to be, negatively impacted. In addition, the German government further implemented additional legislation in 2011 to manage pricing associated with new drug products introduced to the German market. Under this most recent legislation, drug manufacturers will have one year from the introduction of a new drug to agree pricing with health insurers and requires manufacturers to prove that the new drug product provides some form of added clinical benefit compared to existing drugs or it will be included in a reference pricing scheme. These new drug product pricing regulations may negatively impact revenues on sales of FAMPYRA beginning in the second half of 2012.

Italy: In December 2011, the Italian government approved emergency austerity and growth measures aimed at stabilizing and growing the local economy as well as balancing the country's budget by 2013. Included within these austerity measures are actions to reduce pharmaceutical and healthcare spending which include limiting the reimbursement of prescription drugs; however, most of the cost-cutting measures in the austerity package related to pharmaceutical spending are due to be introduced in 2013 and 2014. In addition to these actions, additional measures may be implemented in 2012 which may impact revenues on future sales. Accordingly, the impact on revenues on sales of AVONEX, TYSABRI and FAMPYRA resulting from these expected actions in future periods is uncertain.

Furthermore, in the fourth quarter of 2011, Biogen Idec Italia 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 Euro 30.7 million a reimbursement limit established pursuant to a Price Determination Resolution (Price Resolution) granted by AIFA in February 2007. In December, we filed an appeal against AIFA seeking a ruling that our interpretation of the Price Resolution is valid and that the position of AIFA is unenforceable. While we believe that we have good and valid grounds for our appeal, an unfavorable decision could negatively impact our results of operations. As a result of this dispute, we deferred \$13.8 million of revenue recognized on sales of TYSABRI in Italy in the fourth quarter of 2011 and expect that we will continue to defer a portion of our revenues on future sales of TYSABRI in Italy until this matter is resolved. For additional information, please read Note 21, *Litigation* to our consolidated financial statements included within this report.

Spain: Our operations in Spain have been negatively impacted by the implementation of an incremental 7.5% rebate, which became effective in June 2010, on all branded drugs reimbursed under the Spanish National Health System. As a result, sales of AVONEX and TYSABRI have been negatively impacted.

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Additional discounts could be implemented beginning in mid-year 2012, which may negatively affect revenues on sales of our products in Spain in future periods. A periodic pricing review of TYSABRI is also expected in 2012.

United Kingdom: AVONEX pricing is subject to the Multiple Sclerosis Risk Sharing Scheme, which aims to ensure that therapies can be purchased at a cost effective price as assessed by the National Institute of Health and Clinical Excellence (NICE). Clinical outcomes from treated patients are entered into a health economic model, which allows monitoring of the cost-effectiveness of each of the drugs in the scheme. Actual and expected benefits of the drugs are compared and if there is a significant shortfall in actual compared to expected benefit for a particular product, the price of the product may be reduced. The results of this most recent analysis are expected in the second half of 2012.

In addition, while no specific price cuts have been imposed to date in the United Kingdom, measures to contain and reduce healthcare expenditures are also being considered. The implementation of these measures may negatively affect our revenues and results of operations in future periods.

**Credit Risk**

We are subject to credit risk from our accounts receivable related to our product sales. The majority of our accounts receivable arise from product sales in the U.S. and Europe with concentrations of credit risk limited due to the wide variety of customers and markets using our products, as well as their dispersion across many different geographic areas. Our accounts receivable are primarily due from wholesale distributors, public hospitals and other government entities. 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 operate in certain countries where the economic conditions continue to present challenges. We continue to monitor these conditions, including the volatility associated with international economies and the relevant financial markets, and assess their possible impact on our business. Our historical write-offs of accounts receivable have not been significant.

Within the European Union, our accounts receivable in Italy, Spain, and Portugal continue to be subject to significant payment delays due to government funding and reimbursement practices. The credit and economic conditions within these countries have continued to deteriorate. These conditions have increased, and may continue to increase, the average length of time that it takes to collect on our accounts receivable outstanding in these countries. Our accounts receivable exposure to Greece is limited as our only receivables in this market are due from our distributor.

Although our contractual payment terms have not changed, over the past year we have noted a lengthening in the time period required to collect accounts receivable balance in certain countries. In countries where we expect to collect receivables greater than one year, at the time of sale, we have discounted our revenues over the period of time that we estimate those amounts will be paid using our estimate of the country's borrowing rate. The related receivables are classified at the time of sale as long-term assets.

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

(In millions)	Current Balance Included within Accounts Receivable, net	As of December 31, 2011	
		Non-Current Balance Included within Investments and Other Assets	Total
Spain	\$ 68.5	\$ 65.5	\$ 134.0
Italy	\$ 19.4	\$ 48.7	\$ 68.1
Portugal	\$ 20.6	\$ 12.3	\$ 32.9
Greece	\$ 4.0	\$	\$ 4.0

(In millions)	Current Balance Included within Accounts	As of December 31, 2010	
		Non-Current Balance Included within Investments and Other	Total

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	Receivable, net	Assets	
Spain	\$ 70.8	\$ 29.8	\$ 100.6
Italy	\$ 103.2	\$ 14.8	\$ 118.0
Portugal	\$ 17.8	\$ 5.5	\$ 23.3
Greece	\$ 3.9	\$	\$ 3.9

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Approximately \$56.0 million and \$45.0 million of the aggregate balances for these countries were overdue more than one year as of December 31, 2011 and December 31, 2010, respectively. Amounts included as a component of investments and other assets within our consolidated balance sheets represent amounts that are expected to be collected beyond one year.

In connection with our purchase of the noncontrolling interest in our joint venture investments in Biogen Dompé SRL, we entered into a credit assignment agreement with Dompé Farmaceutici SpA. Under the terms of this agreement, Dompé Farmaceutici SpA purchased all of Biogen Dompé SRL's outstanding receivables as of June 30, 2011, adjusted for cash received through September 5, 2011, for \$104.6 million. We have no retained interests in these receivables and have accounted for this transaction as a sale recognizing a loss of \$1.8 million upon their disposition. For additional information related to these transactions, please read Note 2, *Acquisitions* to our consolidated financial statements included within this report. As of December 31, 2011, our accounts receivable balances in Italy totaled \$68.1 million, all of which resulted from sales of product subsequent to June 30, 2011.

In May 2011, European Union finance ministers approved a three-year EUR78 billion rescue package for Portugal. Under the terms of the package, Portugal is required to correct its excessive deficit by 2013 and improve the efficiency and effectiveness of its health care system, including through austerity measures aimed at reducing healthcare costs. These measures include plans to standardize control procedures to reduce outstanding balances payable to drug suppliers. In December 2011, the International Monetary Fund (IMF) approved the second review of Portugal's progress under the rescue program, noting both that Portugal's program remained broadly on track but that a continued deterioration of the economic conditions in Europe remains a serious risk. We will continue to monitor Portugal's progress against program targets and assess the collectability of our outstanding receivables within this market.

Our concentrations of credit risk related to our accounts receivable from product sales in Greece to date have been limited as our receivables within this market are due from our distributor. As of December 31, 2011 and December 31, 2010, our accounts receivable balances due from this distributor totaled \$4.0 million and \$3.9 million, respectively. These receivables remain current and substantially in compliance with their contractual due dates. However, the majority of the sales by our distributor are to government funded hospitals and as a result our distributor maintains significant outstanding receivables with the government of Greece, which remains in a deep recession. In the event that Greece defaults on its debt and is unable to pay our distributor, we may be unable to collect some or all of our remaining amounts due from the distributor. In addition, the government of Greece may also require pharmaceutical creditors to accept mandatory, retroactive, price deductions in settlement of outstanding receivables and in this event we could be required to repay our distributor a portion of the amounts they have previously remitted to us. To date, we have not been required to repay such amounts to our distributor or take a discount in settlement of any outstanding receivables.

We believe that our allowance for doubtful accounts was adequate as of December 31, 2011 and 2010, respectively; however, if significant changes occur in the availability of government funding or the reimbursement practices of these or other governments, we may not be able to collect on amounts due to us from customers in such countries and our results of operations could be adversely affected.

**Table of Contents****Financial Condition and Liquidity**

Our financial condition is summarized as follows:

	As of December 31,		% Change 2011 compared to 2010
(In millions, except percentages)	2011	2010	
Financial assets:			
Cash and cash equivalents	\$ 514.5	\$ 759.6	(32.3)%
Marketable securities    current	1,176.1	448.1	162.5%
Marketable securities    non-current	1,416.7	743.1	90.6%
Total cash, cash equivalents and marketable securities	\$ 3,107.3	\$ 1,950.8	59.3%
Borrowings:			
Current portion of notes payable, line of credit, and other financing arrangements	\$ 3.3	\$ 137.2	(97.6)%
Notes payable, line of credit, and other financing arrangements	1,060.8	1,066.4	(0.5)%
Total borrowings	\$ 1,064.1	\$ 1,203.5	(11.6)%
Working Capital:			
Current assets	\$ 2,975.4	\$ 2,540.4	17.1%
Current liabilities	(912.9)	(1,050.1)	(13.1)%
Total working capital	\$ 2,062.5	\$ 1,490.3	38.4%

For the year ended December 31, 2011, certain significant cash flows were as follows:

\$3,697.0 million used for net purchases of marketable securities;

\$498.0 million used for share repurchases;

\$314.7 million in proceeds from the issuance of stock for share-based compensation arrangements;

\$332.7 million in total payments for income taxes;

\$208.0 million used for purchases of property, plant and equipment;

\$148.3 million of payments made for the purchase of the noncontrolling interest in our joint venture investments in Biogen Dompé SRL and Biogen Dompé Switzerland GmbH;

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\$104.6 million in proceeds received from Dompé Farmaceutici SpA for the purchase of Biogen Dompé SRL's outstanding receivables;

\$41.3 million in proceeds received from the sale of strategic investments;

\$36.8 million in upfront payment to Portola under our license agreement dated October 26, 2011 and a \$8.2 million investment in the equity of Portola;

\$25.0 million milestone payment made to Acorda capitalized as an intangible asset.

For the year ended December 31, 2010, certain significant cash flows were as follows:

\$2,077.6 million used for share repurchases;

\$680.3 million in net proceeds received on sales and maturities of marketable securities;

\$394.7 million in total payments for income taxes;

\$183.5 million in proceeds from the issuance of stock for share-based compensation arrangements;

\$173.1 million used for purchases of property, plant and equipment;

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\$127.0 million in proceeds, net of transaction costs, received from sale of the San Diego facility;

\$26.4 million in upfront payments to Knopp under our license agreement dated August 17, 2010 and a \$60.0 million investment in the equity of Knopp;

\$40.0 million payment made to the former shareholders of Syntonix recognized as IPR&D expense;

\$32.5 million payment made for the acquisition of Panima;

\$30.0 million milestone payment made to Abbott Biotherapeutics Corp (formerly Facet Biotech Corporation) recognized as research and development expense; and

\$25.0 million termination payment made to Cardiokine recognized as a distribution to a noncontrolling interest.

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

We consider the unrepatriated cumulative earnings of certain of our foreign subsidiaries to be invested indefinitely outside the U.S. Of the total cash, cash equivalents and marketable securities at December 31, 2011, approximately \$1.0 billion was generated from operations in foreign jurisdictions and is intended for use in our foreign operations or in connection with business development transactions outside of the U.S. In managing our day-to-day liquidity in the U.S., we do not rely on the unrepatriated earnings as a source of funds and we have not provided for U.S. federal or state income taxes on these undistributed foreign earnings.

For additional information related to certain risks that could negatively impact our financial position or future results of operations, please read the *Risk Factors* and *Quantitative and Qualitative Disclosures About Market Risk* sections of this report.

### ***Preferred Stock***

In March 2011, the remaining 8,221 shares of our Series A Preferred Stock were converted into 493,260 shares of common stock by the holder pursuant to the conversion terms of the Series A Preferred Stock. As of December 31, 2011, there are no shares of preferred stock issued and outstanding.

### ***Share Repurchase Programs***

In February 2011, our Board of Directors authorized the repurchase of up to 20.0 million shares of our common stock. We expect to use this repurchase program principally to offset common stock issued under our share-based compensation plans. This repurchase program does not have an expiration date. Under this authorization, we repurchased 6.0 million shares of our common stock at a cost of \$498.0 million during 2011.

From January 1, 2012 through January 31, 2012, we repurchased approximately 3.5 million shares of our common stock at a total cost of approximately \$401.5 million under our 2011 stock repurchase authorization. As of January 31, 2012, approximately 10.5 million shares of our common stock remain available for repurchase under this program.

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During 2010, we repurchased approximately 40.3 million shares of our common stock at a cost of approximately \$2.1 billion under our 2010 and 2009 stock repurchase authorizations. We retired all of these shares as they were acquired.



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

Until required for another use in our business, we invest our cash reserves in bank deposits, certificates of deposit, commercial paper, corporate notes, U.S. and foreign government instruments and other interest bearing marketable debt instruments in accordance with our investment policy. We mitigate credit risk in our cash reserves and marketable securities by maintaining a well-diversified portfolio that limits the amount of exposure as to institution, maturity, and investment type. For example, we limit our exposure to European sovereign debt securities and maintain no holdings with respect to certain euro-zone states, such as Portugal, Italy, Greece, and Spain. The value of our investments, however, may be adversely affected by increases in interest rates, downgrades in the credit rating of the corporate bonds included in our portfolio, instability in the global financial markets that reduces the liquidity of securities included in our portfolio, and by other factors which may result in declines in the value of the investments. Each of these events may cause us to record charges to reduce the carrying value of our investment portfolio if the declines are other-than-temporary or sell investments for less than our acquisition cost which could adversely impact our financial position and our overall liquidity. For a summary of the fair value and valuation methods of our marketable securities please read Note 8, *Fair Value Measurements* to our consolidated financial statements included within this report.

The increase in cash, cash equivalents and marketable securities from December 31, 2010, is primarily due to cash flows provided by operating activities, proceeds from the issuance of stock for share-based compensation arrangements, and proceeds received from the sale of strategic investments offset by share repurchases, tax payments, purchases of property, plant and equipment, and payments made for the purchase of the noncontrolling interest in our joint venture investments in Biogen Dompé SRL and Biogen Dompé Switzerland GmbH.

### ***Borrowings***

We have a \$360.0 million senior unsecured revolving credit facility, which may be used for future working capital and general corporate purposes. The facility terminates in June 2012. During 2011, 2010 and 2009, there were no borrowings under this credit facility and we were in compliance with all applicable covenants.

We have \$450.0 million aggregate principal amount of 6.0% Senior Notes due March 1, 2013 and \$550.0 million aggregate principal amount of 6.875% Senior Notes due March 1, 2018 that were originally priced at 99.886% and 99.184% of par, respectively. The discount is amortized as additional interest expense over the period from issuance through maturity. These notes are senior unsecured obligations.

In connection with our 2006 distribution agreement with Fumedica, we issued notes totaling 61.4 million Swiss Francs which were payable to Fumedica in varying amounts from June 2008 through June 2018. Our remaining note payable to Fumedica had a present value of 18.6 million Swiss Francs (\$19.7 million) and 20.7 million Swiss Franc (\$22.0 million) as of December 31, 2011 and 2010, respectively.

In addition, balances outstanding under Biogen Dompé SRL's credit line from us and Dompé Farmaceutici SpA were repaid in connection with our recent purchase of the noncontrolling interest in our joint venture investment in Biogen Dompé SRL. For additional information related to this transaction, please read Note 2, *Acquisitions* to these consolidated financial statements.

There have been no other significant changes in our borrowings since December 31, 2010. For a summary of the fair and carrying values of our outstanding borrowings as of December 31, 2011 and 2010, please read Note 8, *Fair Value Measurements* to our consolidated financial statements included within this report.

### ***Working Capital***

We define working capital as current assets less current liabilities. The increase in working capital from December 31, 2010, reflects an overall net increase in total current assets of \$435.0 million and overall net decrease in total current liabilities of \$137.2 million.

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The increase in total current assets was primarily due to the increase in marketable securities. The reduction in total current liabilities primarily reflects the decrease in taxes payable and the derecognition of the financing arrangement liability upon our recognition of the sale of the San Diego facility on August 31, 2011. For additional information related to the financing arrangement associated with our October 2010 sale and subsequent leaseback of the San Diego facility, please read Note 11, *Property, Plant and Equipment* to our consolidated financial statements included within this report.

**Cash Flows**

Our net cash flows are summarized as follows:

	For the Years Ended December 31,			% Change	
	2011	2010	2009	2011 compared to 2010	2010 compared to 2009
<b>(In millions, except percentages)</b>					
Net cash flows provided by operating activities	\$ 1,727.7	\$ 1,624.7	\$ 1,074.9	6.3%	51.1%
Net cash flows (used in) provided by investing activities	\$ (1,650.3)	\$ 345.3	\$ (395.0)	(577.9)%	187.4%
Net cash flows used in financing activities	\$ (319.9)	\$ (1,784.9)	\$ (724.2)	(82.1)%	146.5%
<i>Operating Activities</i>					

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

Operating cash flow is derived by adjusting our net income for:

Non-cash operating items such as depreciation and amortization, impairment charges and share-based compensation charges;

Changes in operating assets and liabilities which reflect timing differences between the receipt and payment of cash associated with transactions and when they are recognized in results of operations; and

Changes associated with the payment of contingent milestones associated with our prior acquisitions of businesses.

For 2011 compared to 2010, the increase in cash provided by operating activities was driven by an increase in net income primarily resulting from increased product revenues and \$104.6 million in proceeds from Domp  Farmaceutici SpA for the purchase of Biogen Domp  SRL's outstanding receivables, offset by increased inventory balances and lower liabilities.

In addition, during the third quarter of 2011, we reached agreement with the IRS on the timing of the recognition of certain income and expense items. The effect of this agreement is primarily limited to the timing of these items, resulting in lower actual tax payments for 2011 and higher expected payments in subsequent periods. This agreement will have an insignificant effect on our income tax expense for all periods and no effect on our contingencies for uncertain tax positions.

For 2010 compared to 2009, the increase in net cash provided by operating activities was primarily driven by increased revenues and lower payments for U.S. federal income taxes offset by an increase in accounts receivable and receivables due from unconsolidated joint business.

**Investing Activities**

For 2011 compared to 2010, the decrease in net cash flows provided by investing activities is primarily due to an increase in the net purchases of marketable securities. Net purchases of marketable securities totaled \$1,420.3 million in 2011, compared to proceeds received from sales and

maturities of marketable securities

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totaling \$680.3 million in 2010. Net cash flows used in investing activities for 2010 also reflect \$85.0 million in net payments made to Knopp under our 2010 license and stock purchase agreements.

For 2010 compared to 2009, the increase in net cash provided by investing activities was primarily due to net proceeds received from sales and maturities of marketable securities, offset by the payments made to Knopp under our license and stock purchase agreements, the \$32.5 million payment made upon our acquisition of Panima, our purchases of property, plant and equipment and the milestone payment made to the former shareholders of Syntonix. Net proceeds received from sales and maturities of marketable securities in 2010 totaled \$680.3 million compared to net purchases of \$229.1 million made in 2009.

*Financing Activities*

For 2011 compared to 2010, the decrease in net cash flows used in financing activities is due primarily to a decrease in the amounts of our common stock we repurchased and higher proceeds from the issuance of stock for share-based compensation arrangements in 2011, offset by the \$148.3 million of payments made in 2011 for the purchase of the noncontrolling interest in our joint venture investments in Biogen Dompé SRL and Biogen Dompé Switzerland GmbH. During 2011, we repurchased 6.0 million shares of our common stock for approximately \$498.0 million compared to 40.3 million shares of our common stock at a cost of approximately \$2.1 billion in 2010. In addition, we received \$314.7 million in 2011 compared to \$183.5 million in 2010, related to stock option exercises and stock issuances under our employee stock purchase plan. Cash used in financing activities during 2011, also includes the repayment of amounts outstanding under Biogen Dompé SRL's line of credit in connection with our recent purchase of the noncontrolling interest in our joint venture investment in Biogen Dompé SRL.

For 2010 compared to 2009, the increase in net cash used in financing activities was primarily due to increases in the amounts of our common stock repurchased compared to the same period in 2009. In 2010, we repurchased 40.3 million shares of our common stock for approximately \$2.1 billion compared to 16.0 million shares at a cost of approximately \$751.2 million in 2009. Cash used in financing activities also includes the \$127.0 million in net proceeds from the sale of the San Diego facility, which was accounted for as a financing arrangement until August 2011; and activity under our employee stock plans. We received \$183.5 million in 2010 compared to \$47.8 million in 2009, related to stock option exercises and stock issuances under our employee stock purchase plan.

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

The following table summarizes our contractual obligations as of December 31, 2011, excluding amounts related to uncertain tax positions, amounts payable to tax authorities, funding commitments, contingent milestone payments, contingent consideration and our financing arrangements, as described below.

(In millions)	Total	Payments Due by Period			
		Less than 1 Year	1 to 3 Years	3 to 5 Years	After 5 Years
Non-cancellable operating leases (1), (2)	\$ 675.1	\$ 33.9	\$ 96.9	\$ 93.9	\$ 450.4
Notes payable and line of credit (3)	1,284.6	68.1	536.3	81.0	599.2
Purchase and other obligations (4)	79.3	58.4	19.1	1.6	0.2
Defined benefit obligation .	18.6				18.6
<b>Total contractual obligations</b>	<b>\$ 2,057.6</b>	<b>\$ 160.4</b>	<b>\$ 652.3</b>	<b>\$ 176.5</b>	<b>\$ 1,068.4</b>

(1) We lease properties and equipment for use in our operations. In addition to rent, the leases may require us to pay additional amounts for taxes, insurance, maintenance and other operating expenses. Amounts reflected within the table, detail future minimum rental commitments under non-cancelable operating leases as of December 31 for each of the periods presented.

(2)

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Includes future minimum rental commitments related to leases executed for two buildings to be built in Cambridge, Massachusetts, with a planned occupancy during the second half of 2013. The leases both have

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15 year terms and we have options to extend the term of each lease for two additional five-year terms. Future minimum rental commitments under the leases will total approximately \$340.0 million over the initial 15 year terms. We are considered the owner, for accounting purposes, of these properties during the construction period. Accordingly, we have recorded an asset and a corresponding obligation totaling \$2.2 million, representing the amount of construction cost incurred through December 31, 2011.

(3) Notes payable and line of credit includes principal and interest payments.

(4) Purchase and other obligations include our obligations of approximately \$0.5 million related to the fair value of net liabilities on derivative contracts due in less than one year, approximately \$9.2 million related to fixed obligations for the purchase of natural gas and approximately \$29.2 million related to obligations for communication services

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

We exclude liabilities pertaining to uncertain tax positions from our summary of contractual obligations as we cannot make a reliable estimate of the period of cash settlement with the respective taxing authorities. As of December 31, 2011, we have approximately \$58.4 million of liabilities associated with uncertain tax positions.

### ***Other Funding Commitments***

As of December 31, 2011, we have funding commitments of up to approximately \$14.5 million as part of our investment in biotechnology oriented venture capital funds.

As of December 31, 2011, we have several ongoing clinical studies in various clinical trial stages. Our most significant clinical trial expenditures are to clinical research organizations (CROs). The contracts with CROs are generally cancellable, with notice, at our option. We have recorded accrued expenses of approximately \$25.0 million on our consolidated balance sheet for expenditures incurred by CROs as of December 31, 2011. We have approximately \$475.0 million in cancellable future commitments based on existing CRO contracts as of December 31, 2011 which are not included in the contractual obligations table above because of our termination rights.

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

Based on our development plans as of December 31, 2011, we have committed to make potential future milestone payments to third parties of up to approximately \$1.9 billion as part of our various collaborations, including licensing and development programs. Payments under these agreements generally become due and payable only upon achievement of certain development, regulatory or commercial milestones. Because the achievement of these milestones had not occurred as of December 31, 2011, such contingencies have not been recorded in our financial statements.

We anticipate that we may pay approximately \$40.0 million of milestone payments in 2012, provided various development, regulatory or commercial milestones are achieved. Amounts related to contingent milestone payments are not included in the contractual obligations table above as they are contingent on the successful achievement of certain development, regulatory approval and commercial milestones. These milestones may not be achieved.

### ***Contingent Consideration***

In connection with our purchase of the noncontrolling interests in our joint venture investments in Biogen Dompé SRL and Biogen Dompé Switzerland GmbH and our acquisitions of Biogen Idec International Neuroscience GmbH, Biogen Idec Hemophilia Inc., and Fumapharm AG, we agreed to make additional payments based upon the achievement of certain milestone events. Amounts related to contingent milestone payments are not considered contractual obligations as they are contingent on the successful achievement of certain development, regulatory approval and commercial milestones. These milestones may not be achieved.

We completed our purchase of the noncontrolling interests in our joint venture investments in Biogen Dompé SRL and Biogen Dompé Switzerland GmbH in September 2011. The purchase price for the



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noncontrolling interest included contingent consideration in the form of commercial and regulatory milestones up to \$42.5 million in cash. For additional information related to our acquisition of the noncontrolling interest in our joint venture investments, please read Note 2, *Acquisitions* to our consolidated financial statements included within this report

We completed our acquisition of Biogen Idec International Neuroscience, GmbH (BIN), formerly Panima Pharmaceuticals, AG, in December 2010. The purchase price for BIN included contingent consideration in the form of developmental milestones up to \$395.0 million in cash. For additional information related to our acquisition of BIN, please read Note 2, *Acquisitions* to our consolidated financial statements included within this report.

In connection with our acquisition of Biogen Idec Hemophilia Inc. (BIH), formerly Syntonix Pharmaceuticals, Inc., in January 2007, we agreed to pay up to an additional \$80.0 million if certain milestone events associated with the development of BIH's lead product, long-lasting recombinant Factor IX are achieved. The first \$40.0 million contingent payment was achieved in the first quarter of 2010. An additional \$20.0 million contingent payment will occur if prior to the tenth anniversary of the closing date, the FDA grants approval of a Biologic License Application for Factor IX. A second \$20.0 million contingent payment will occur if prior to the tenth anniversary of the closing date, a marketing authorization is granted by the EMA for Factor IX. For additional information related to our acquisition of BIH, please read Note 2, *Acquisitions* to our consolidated financial statements included within this report.

In 2006, we acquired Fumapharm AG. As part of this acquisition we acquired FUMADERM and BG-12 (together, Fumapharm Products). We paid \$220.0 million upon closing of the transaction and will pay an additional \$15.0 million if a Fumapharm Product is approved for MS in the U.S. or E.U. We may also make the following additional milestone payments to Fumapharm AG based on the attainment of certain sales levels of Fumapharm Products, less certain costs as defined in the acquisition agreement:

Prior 12 Month Sales	Cumulative Sales Level				Each additional \$1.0B up to \$20.0B
	\$500M	\$1.0B	\$2.0B	\$3.0B	
	Payment Amount (In millions)				
< \$500 million	\$	\$	\$	\$	\$
\$500 million \$1.0 billion	22.0	25.0	50.0	50.0	50.0
\$1.0 billion \$1.5 billion		50.0	100.0	100.0	100.0
\$1.5 billion \$2.0 billion			150.0	150.0	150.0
\$2.0 billion \$2.5 billion			200.0	200.0	200.0
\$2.5 billion \$3.0 billion				250.0	250.0
> \$3.0 billion					300.0

These milestone payments are considered contingent consideration and will be accounted for as an increase to goodwill as incurred, in accordance with the accounting standard applicable to business combinations when we acquired Fumapharm. Milestone payments are due within 30 days following the end of the quarter in which the applicable sales level has been reached and are based upon the total sales of Fumapharm Products in the prior twelve month period.

**Financing Arrangement**

In July 2011, we executed leases for two office buildings to be built 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, for accounting purposes, of these properties during the construction period. Accordingly, we will record an asset along with a corresponding financing obligation on our consolidated balance sheet for the amount of total project costs incurred related to the construction in progress for these buildings through completion of the construction period. Upon completion of the buildings, we will assess and determine if the assets and corresponding liabilities should be derecognized. As



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of December 31, 2011, cost incurred in relation to the construction of these buildings totaled approximately \$2.2 million. The future payments related to these leases have been included in the above chart of contractual obligations.

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

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

### **Legal Matters**

For a discussion of legal matters as of December 31, 2011, please read Note 21, *Litigation* to our consolidated financial statements included in this report.

### **Critical Accounting Estimates**

The preparation of our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP), requires us to make estimates, judgments and assumptions that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. We evaluate our estimates, judgments and assumptions on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

The most significant areas involving estimates, judgments and assumptions used in the preparation of our consolidated financial statements are as follows:

Revenue recognition and related allowances;

Collaborative relationships;

Clinical trial expenses;

Consolidation of variable interest entities;

Valuation of contingent consideration resulting from a business combination;

Valuation of acquired intangible assets, including in-process research and development;

Inventory;

Impairment and amortization of long-lived assets and accounting for goodwill;

Investments, including fair value measures and impairments;

Share-based compensation;

Income taxes; and

Contingencies.

***Revenue Recognition and Related Allowances***

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

***Product Revenues***

Revenues from product sales are recognized when title and risk of loss have passed to the customer, which is typically upon delivery. However, sales of TYSABRI in the U.S. are recognized on the sell-through model,

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that is, upon shipment of the product by Elan to its third party distributor rather than upon shipment to Elan. The timing of distributor orders and shipments can cause variability in earnings.

### *Reserves for Discounts and Allowances*

We establish reserves for trade term discounts, wholesaler incentives, Medicaid and managed care rebates, Veterans Administration and PHS discounts, product returns and other governmental discounts or applicable allowances associated with the implementation of pricing actions in certain of international markets in which we operate. These reserves are based on estimates of the amounts earned or to be claimed on the related sales. Our estimates take into consideration our historical experience, current contractual and statutory requirements, specific known market events and trends and forecasted customer buying patterns. If actual results vary, we may need to adjust these estimates, which could have an effect on earnings in the period of the adjustment. The estimates we make with respect to these allowances represent the most significant judgments with regard to revenue recognition.

In addition to the discounts and rebates described above and classified as a reduction of revenue, we also maintain certain customer service contracts with distributors and other customers in the distribution channel that provide us with inventory management and distribution services. We have established the fair value of these services and classified these customer service contracts as sales and marketing expense. If we had concluded that we did not receive a separate identifiable benefit or have sufficient evidence that the fair value did not exist for these services, we would have been required to classify these costs as a reduction of revenue.

### *Revenues from Unconsolidated Joint Business*

We collaborate with Genentech on the development and commercialization of RITUXAN. Revenues from unconsolidated joint business consist of (1) our share of pre-tax co-promotion profits in the U.S.; (2) reimbursement of our selling and development expense in the U.S.; and (3) revenue on sales of RITUXAN in the rest of world, which consists of our share of pre-tax co-promotion profits in Canada and royalty revenue on sales of RITUXAN outside the U.S. and Canada by F. Hoffmann-La Roche Ltd. (Roche) and its sublicensees. Pre-tax co-promotion profits are calculated and paid to us by Genentech in the U.S. and by Roche in Canada. Pre-tax co-promotion profits consist of U.S. and Canadian sales of RITUXAN to third-party customers net of discounts and allowances less the cost to manufacture RITUXAN, third-party royalty expenses, and distribution, selling and marketing, and joint development expenses incurred by Genentech, Roche and us. We record our share of the pre-tax co-promotion profits in Canada and royalty revenues on sales of RITUXAN outside the U.S. on a cash basis. Additionally, our share of the pre-tax co-promotion profits in the U.S. includes estimates made by Genentech and those estimates are subject to change. Actual results may ultimately differ from our estimates.

### *Bad Debt Reserves*

Bad debt reserves are based on our estimated uncollectible accounts receivable. Given our historical experience with bad debts, combined with our credit management policies and practices, we do not presently maintain significant bad debt reserves. However certain of our customers are based in countries where the economic conditions continue to present challenges. We continue to monitor these conditions and associated impacts on the financial performance and credit worthiness of our large customers so that we can properly assess and respond to changes in their credit profile. Our historical write-offs of accounts receivable have not exceeded management's estimates.

### *Concentrations of Credit Risk*

The majority of our receivables arise from product sales in the United States and Europe and are primarily due from wholesale distributors, large pharmaceutical companies, public hospitals and other government entities. 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 continue to monitor economic conditions, including the volatility associated with international economies, and associated impacts on the relevant financial markets and our business, especially in light of the global economic downturn. The credit and economic conditions within many of the international markets in which we operate, particularly in certain countries throughout Europe, such

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as Italy, Spain and Portugal, have continued to deteriorate throughout 2011. These conditions have resulted in, and may continue to result in, an increase in the average length of time that it takes to collect on our accounts receivable outstanding in these countries. To date, we have not experienced any significant losses with respect to the collection of our accounts receivable. If economic conditions worsen and/or the financial condition of our customers were to further deteriorate, our risk of collectability may increase, which may result in additional allowances and/or significant bad debts.

For additional information about related to our concentration of credit risk associated with our accounts receivable balances, please read the subsection above entitled *Credit Risk* in the *Management's Discussion and Analysis of Financial Condition and Results of Operations* section of this report.

### ***Royalty Revenues***

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

### ***Collaborative Relationships***

We evaluate our collaborative agreements for proper income statement classification based on the nature of the underlying activity. Amounts due from our collaborative partners related to development activities are generally reflected as a reduction of research and development expense, except as discussed in Note 20, *Collaborations* to our consolidated financial statements. As discussed within Note 20, Genentech incurs the majority of continuing development cost for RITUXAN. Expenses incurred by Genentech in the development of RITUXAN are not recorded as research and development expense, but rather reduce our share of pre-tax co-promotion profits recorded as a component of unconsolidated joint business revenue.

For collaborations with commercialized products, if we are the principal, we record revenue and the corresponding operating costs in their respective line items within our consolidated statements of income. If we are not the principal, we record operating costs as a reduction of revenue.

### ***Clinical Trial Expenses***

Clinical trial expenses include expenses associated with CROs. The invoicing from CROs for services rendered can lag several months. We accrue the cost of services rendered in connection with CRO activities based on our estimate of site management, monitoring costs, and project management costs. We maintain regular communication with our CROs to gauge the reasonableness of our estimates. Differences between actual clinical trial expenses and estimated clinical trial expenses recorded have not been material and are adjusted for in the period in which they become known.

### ***Consolidation of Variable Interest Entities***

We consolidate variable interest entities in which we are the primary beneficiary. For such consolidated entities where we own or are exposed to less than 100% of the economics, we record noncontrolling interest in our statement of income for the current results allocated to the third party equity interests.

In determining whether we are the primary beneficiary of a variable interest entity, we consider a number of factors, including our ability to direct the activities that most significantly affect the entity's economic success,

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our contractual rights and responsibilities under the arrangement and the significance of the arrangement to each party. These considerations impact the way we account for our existing collaborative and joint venture relationships and may result in the future consolidation of companies or entities with which we have collaborative or other arrangements.

### ***Valuation of Contingent Consideration Resulting from a Business Combination***

For acquisitions completed after January 1, 2009, we record contingent consideration resulting from a business combination at its fair value on the acquisition date. Each reporting period thereafter, we revalue these obligations and record increases or decreases in their fair value as an adjustment to contingent consideration expense within the consolidated statement of income. Changes in the fair value of the contingent consideration obligations can result from adjustments to the discount rates and periods, updates in the assumed achievement or timing of any development milestones, or changes in the probability of certain clinical events and changes in the assumed probability associated with regulatory approval. These fair value measurements represent Level 3 measurements as they are based on significant inputs not observable in the market.

Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period. Accordingly, changes in assumptions described above, could have a material impact on the amount of contingent consideration expense we record in any given period.

### ***Valuation of Acquired Intangible Assets, including In-process Research and Development***

We have acquired, and expect to continue to acquire, intangible assets through the acquisition of biotechnology companies or through the consolidation of variable interest entities. These intangible assets primarily consist of technology associated with human therapeutic products and in-process research and development product candidates. When significant identifiable intangible assets are acquired, we generally engage an independent third-party valuation firm to assist in determining the fair values of these assets as of the acquisition date. Management will determine the fair value of less significant identifiable intangible assets acquired. Discounted cash flow models are typically used in these valuations, and these models require the use of significant estimates and assumptions including but not limited to:

estimating the timing of and expected costs to complete the in-process projects;

projecting regulatory approvals;

estimating future cash flows from product sales resulting from completed products and in process projects; and

developing appropriate discount rates and probability rates by project.

We believe the fair values assigned to the intangible assets acquired are based upon reasonable estimates and assumptions given available facts and circumstances as of the acquisition dates.

If these projects are not successfully developed, the sales and profitability of the company may be adversely affected in future periods. Additionally, the value of the acquired intangible assets may become impaired. We believe that the foregoing assumptions used in the IPR&D analysis were reasonable at the time of the respective acquisition. No assurance can be given, however, that the underlying assumptions used to estimate expected project sales, development costs or profitability, or the events associated with such projects, will transpire as estimated.

Prior to January 1, 2009, we measured acquired IPR&D in a business combination at fair value and expensed it on acquisition date if that technology lacked an alternative future use, or capitalized it as an intangible asset if certain criteria were met; however, effective January 1, 2009, if we are purchasing a business, the acquired IPR&D is measured at fair value, capitalized as an intangible asset and tested for impairment at least annually until commercialization, after which time the IPR&D is amortized over its estimated useful life. If we acquire an asset or group of assets, that do not meet the definition of a business under applicable accounting



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standards; then the acquired IPR&D is expensed on its acquisition date. Future costs to develop these assets are recorded to expense as they are incurred if the technology lacks alternative future uses.

### ***Inventory***

Inventories are stated at the lower of cost or market with cost determined in a manner that approximates the first-in, first-out (FIFO) method. Included in inventory are raw materials used in the production of pre-clinical and clinical products, which are expensed as research and development costs when consumed.

### ***Capitalization of Inventory Costs***

Our policy is to capitalize inventory costs associated with our products prior to regulatory approval, when, based on management's judgment, future commercialization is considered probable and the future economic benefit is expected to be realized. We consider numerous attributes in evaluating whether the costs to manufacture a particular product should be capitalized as an asset. We assess the regulatory approval process and where the particular product stands in relation to that approval process, including any known safety or efficacy concerns, potential labeling restrictions and other impediments to approval. We evaluate our anticipated research and development initiatives and constraints relating to the product and the indication in which it will be used. We consider our manufacturing environment including our supply chain in determining logistical constraints that could hamper approval or commercialization. We consider the shelf life of the product in relation to the expected timeline for approval and we consider patent related or contract issues that may prevent or delay commercialization. We also base our judgment on the viability of commercialization, trends in the marketplace and market acceptance criteria. Finally, we consider the reimbursement strategies that may prevail with respect to the product and assess the economic benefit that we are likely to realize.

We expense previously capitalized costs related to pre-approval inventory upon a change in such judgment, due to, among other potential factors, a denial or delay of approval by necessary regulatory bodies. As of December 31, 2011 and 2010, the carrying value of our inventory did not include any costs associated with products that had not yet received regulatory approval.

There is a risk inherent in these judgments and any changes we make in these judgments may have a material impact on our results in future periods.

### ***Obsolescence and Unmarketable Inventory***

We periodically review our inventories for excess or obsolete inventory and write-down obsolete or otherwise unmarketable inventory to its estimated net realizable value. If the actual net realizable value is less than that estimated by us, or if it is determined that inventory utilization will further diminish based on estimates of demand, additional inventory write-downs may be required. Additionally, our products are subject to strict quality control and monitoring which we perform throughout the manufacturing process. In the event that certain batches or units of product no longer meet quality specifications or become obsolete due to expiration, we will record a charge to cost of sales to write-down any obsolete or otherwise unmarketable inventory to its estimated net realizable value. In all cases product inventory is carried at the lower of cost or its estimated net realizable value.

### ***Impairment and Amortization of Long-lived Assets and Accounting for Goodwill***

#### ***Long-lived Assets Other than Goodwill***

Long-lived assets to be held and used, including property plant and equipment as well as intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset, including its eventual residual value, is compared to the carrying value to determine whether impairment exists. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the assets, the assets are written-down to their estimated fair values.

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Our most significant intangible asset is the core technology related to our AVONEX product. We believe the economic benefit of our core technology is consumed as revenue is generated from our AVONEX product, which we refer to as the economic consumption amortization model. This amortization methodology involves calculating a ratio of actual current period sales to total anticipated sales for the life of the product and applying this ratio to the carrying amount of the intangible asset. An analysis of the anticipated product sales of AVONEX is performed at least annually during our long range planning cycle, and this analysis serves as the basis for the calculation of our economic consumption amortization model. This analysis is based upon certain assumptions that we evaluate on a periodic basis, such as the anticipated product sales of AVONEX and expected impact of competitor products and our own pipeline product candidates, as well as the issuance of new patents or the extension of existing patents. Although we believe this process has allowed us to reliably determine the best estimate of the pattern in which we will consume the economic benefits of our core technology intangible asset, the model could result in deferring amortization charges to future periods in certain instances, due to continued sales of the product at a nominal level after patent expiration or otherwise. We completed our most recent long range planning cycle in the third quarter of 2011. Based upon this analysis, amortization of our core intangible asset related to AVONEX is expected to be in the range of \$100.0 million to \$150.0 million annually through 2016.

We monitor events and expectations regarding product performance. If there are any indications that the assumptions underlying our most recent analysis would be different than those utilized within our current estimates, our analysis would be updated and may result in a significant change in the anticipated lifetime revenue of AVONEX determined during our most recent annual review. For example, the occurrence of an adverse event, such as the invalidation of our AVONEX 755 Patent, could substantially increase the amount of amortization expense associated with our acquired intangible assets as compared to previous periods or our current expectations, which may result in a significant negative impact on our future results of operations.

We did not recognize an impairment charge related to our long-lived assets during 2011, 2010 and 2009.

### *Goodwill*

Goodwill totaled approximately \$1,146.3 million as of December 31, 2011, and relates largely to amounts that arose in connection with the merger of Biogen, Inc. and IDEC Pharmaceuticals Corporation. Our goodwill balances represent the difference between the purchase price and the fair value of the identifiable tangible and intangible net assets when accounted for using the purchase method of accounting.

We assess our goodwill balance within our single reporting unit annually, as of October 31, and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable to determine whether any impairment in this asset may exist and, if so, the extent of such impairment. The provisions of this guidance require that we perform a two-step impairment test. In the first step, we compare the fair value of our reporting unit to its carrying value. If the carrying value of the net assets assigned to our reporting unit exceeds the fair value of our reporting unit, then the second step of the impairment test is performed in order to determine the implied fair value of our reporting unit's goodwill. If the carrying value of our reporting unit's goodwill exceeds its implied fair value, then the company records an impairment loss equal to the difference.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08, *Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. This newly issued accounting standard allows an entity the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step impairment test. This ASU is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, which for Biogen Idec means January 1, 2012. Early adoption is permitted; however, we have not elected to do so. For additional information related to this new accounting standard, please read the section entitled *New Accounting Pronouncements* within Note 1, *Summary of Significant Accounting Policies* to our consolidated financial statements included within this report.

We completed our required annual impairment test in the fourth quarter of 2011, 2010 and 2009 and determined in each of those periods that the carrying value of goodwill was not impaired. In each year, the fair value of our reporting unit, which includes goodwill, was significantly in excess of the carry value of our reporting unit.



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### ***Investments, including Fair Value Measures and Impairments***

We invest in various types of securities, including short-term and long-term marketable securities, principally corporate notes, government securities including government sponsored enterprise mortgage-backed securities and credit card and auto loan asset-backed securities, in which our excess cash balances are invested.

In accordance with the accounting standard for fair value measurements we have classified our financial assets as Level 1, 2 or 3 within the fair value hierarchy. Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets that we have the ability to access. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset.

As noted in Note 8, *Fair Value Measurements* to our consolidated financial statements, a majority of our financial assets have been classified as Level 2. These assets have been initially valued at the transaction price and subsequently valued utilizing third party pricing services. The pricing services use many observable market inputs to determine value, including reportable trades, benchmark yields, credit spreads, broker/dealer quotes, bids, offers, current spot rates and other industry and economic events. We validate the prices provided by our third party pricing services by understanding the models used, obtaining market values from other pricing sources, analyzing pricing data in certain instances and confirming those securities trade in active markets.

We also have some investments classified as Level 3 whose fair value is initially measured at transaction prices and subsequently valued using the pricing of recent financing or by reviewing the underlying economic fundamentals and liquidation value of the companies. We apply judgments and estimates when we validate the prices provided by third parties. While we believe the valuation methodologies are appropriate, the use of valuation methodologies is highly judgmental and changes in methodologies can have a material impact on our results of operations.

### ***Impairment***

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

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

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

### ***Share-Based Compensation***

We make certain assumptions in order to value and record expense associated with awards made under our share-based compensation arrangements. Changes in these assumptions may lead to variability with respect to the amount of expense we recognize in connection with share-based payments.

Determining the appropriate valuation model and related assumptions requires judgment, and includes estimating the expected market price of our stock on vesting date and stock price volatility as well as the term of the expected awards. Determining the appropriate amount to expense based on the anticipated achievement of performance targets requires judgment, including forecasting the achievement of future financial targets. The

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estimate of expense is revised periodically based on the probability of achieving the required performance targets and adjustments are made throughout the performance as appropriate. The cumulative impact of any revision is reflected in the period of change.

We also estimate forfeitures over the requisite service period when recognizing share-based compensation expense based on historical rates and forward-looking factors; these estimates are adjusted to the extent that actual forfeitures differ, or are expected to materially differ, from our estimates.

### ***Income Taxes***

We prepare and file income tax returns based on our interpretation of each jurisdiction's tax laws and regulations. In preparing our consolidated financial statements, we estimate our income tax liability in each of the jurisdictions in which we operate by estimating our actual current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and financial reporting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheets. Significant management judgment is required in assessing the realizability of our deferred tax assets. In performing this assessment, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In making this determination, under the applicable financial accounting standards, we are allowed to consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and the effects of tax planning strategies. Our estimates of future taxable income include, among other items, our estimates of future income tax deductions related to the exercise of stock options. In the event that actual results differ from our estimates, we adjust our estimates in future periods and we may need to establish a valuation allowance, which could materially impact our financial position and results of operations.

We account for uncertain tax positions using a more-likely-than-not threshold for recognizing and resolving uncertain tax positions. We evaluate uncertain tax positions on a quarterly basis and consider various factors, that include, but are not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity and changes in facts or circumstances related to a tax position. We adjust the level of the liability to reflect any subsequent changes in the relevant facts surrounding the uncertain positions. Our liabilities for uncertain tax positions can be relieved only if the contingency becomes legally extinguished through either payment to the taxing authority or the expiration of the statute of limitations, the recognition of the benefits associated with the position meet the more-likely-than-not threshold or the liability becomes effectively settled through the examination process. We consider matters to be effectively settled once the taxing authority has completed all of its required or expected examination procedures, including all appeals and administrative reviews; we have no plans to appeal or litigate any aspect of the tax position; and we believe that it is highly unlikely that the taxing authority would examine or re-examine the related tax position. We also accrue for potential interest and penalties, related to unrecognized tax benefits in income tax expense.

As of December 31, 2011, our non-U.S. subsidiaries' undistributed foreign earnings included in consolidated retained earnings and other basis differences aggregated approximately \$2.7 billion. We intend to reinvest these earnings indefinitely in operations outside the U.S.; however, if we decide to repatriate funds in the future to execute our growth initiatives or to fund any other liquidity needs, the resultant tax consequences would negatively impact our results of operations. The residual U.S. tax liability, if such amounts were remitted, would be approximately \$600 million to \$700 million as of December 31, 2011.

### ***Contingencies***

We are currently involved in various claims and legal proceedings. On a quarterly basis, we review the status of each significant matter and assess its potential financial exposure. If the potential loss from any claim, asserted or unasserted, or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional

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information becomes available, we reassess the potential liability related to pending claims and litigation and may revise our estimates. These revisions in the estimates of the potential liabilities could have a material impact on our consolidated results of operations and financial position.

### **New Accounting Standards**

For a discussion of new accounting standards please read Note 1, *Summary of Significant Accounting Principles* to our consolidated financial statements included in this report.

### **Item 7A. *Quantitative and Qualitative Disclosures About Market Risk***

We have operations or maintain distribution relationships in the U.S., Europe, Middle East, Canada, Central and South America, Australia, New Zealand, Japan, China, India and elsewhere in Asia in connection with the sale of AVONEX and TYSABRI and in Germany in connection with the sale of FUMADERM. We also launched FAMPYRA in Australia and certain European countries during the second half of 2011. In addition, we receive royalty revenues based on worldwide product sales by our licensees and through Genentech on sales of RITUXAN in the rest of world. As a result, our financial position, results of operations and cash flows can be affected by market fluctuations in foreign exchange rates, primarily with respect to the Euro, Canadian dollar, Swiss franc, Danish krone, Swedish krona, British pound, and Japanese yen.

We use foreign currency forward contracts to manage foreign currency risk but do not engage in currency speculation. The majority of our forward contracts are used to hedge certain forecasted revenue transactions denominated in foreign currencies. We also use forward contracts to mitigate the foreign currency exposure related to certain balance sheet items. We have not elected hedge accounting for the balance sheet related items.

The following quantitative information includes the impact of currency movements on forward contracts used in both programs. As of December 31, 2011 and 2010, a hypothetical adverse 10% movement in foreign exchange rates compared to the U.S. dollar across all maturities (for example, a strengthening of the Euro) would result in a hypothetical decrease in the fair value of forward contracts of approximately \$79.6 million and \$65.5 million, respectively. Our use of this methodology to quantify the market risk of such instruments should not be construed as an endorsement of its accuracy or the accuracy of the related assumptions. The quantitative information about market risk is limited because it does not take into account all foreign currency operating transactions.

In addition, the fair value of our marketable securities is subject to change as a result of potential changes in market interest rates. The potential change in fair value for interest rate sensitive instruments has been assessed on a hypothetical 100 basis point adverse movement across all maturities. As of December 31, 2011 and 2010, we estimate that such hypothetical adverse 100 basis point movement would result in a hypothetical loss in fair value of approximately \$17.9 million and \$10.5 million, respectively, to our interest rate sensitive instruments.

The returns from cash, cash equivalents and marketable securities will vary as short-term interest rates change. A 100 basis-point adverse movement (decrease) in short-term interest rates would decrease interest income by approximately \$14.8 million and \$11.4 million as of December 31, 2011 and 2010, respectively.

### **Item 8. *Consolidated Financial Statements and Supplementary Data***

The information required by this Item 8 is contained on pages F-1 through F-77 of this report and is incorporated herein by reference.

### **Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

### **Item 9A. *Controls and Procedures***

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

##### ***Controls and Procedures***

We have carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and



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operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), as of December 31, 2011. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in ensuring that (a) the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (b) such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

### ***Changes in Internal Control over Financial Reporting***

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### ***Management's Annual Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act as a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by a company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the U.S. (U.S. GAAP). Our internal control over financial reporting includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework.

Based on our assessment, our management has concluded that, as of December 31, 2011, our internal control over financial reporting is effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

### ***Item 9B. Other Information***

None.



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### **PART III**

#### **Item 10. *Directors, Executive Officers and Corporate Governance***

The information concerning our executive officers is set forth under the heading "Our Executive Officers" in Part I of this report. The text of our code of business conduct, which includes the code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions, is posted on our website, [www.biogenidec.com](http://www.biogenidec.com), under the "Corporate Governance" subsection of the "About Us" section of the site. We intend to make all required disclosures regarding any amendments to, or waivers from, provisions of our code of business conduct at the same location of our website. Our corporate governance principles (also posted on [www.biogenidec.com](http://www.biogenidec.com)) prohibit our Board of Directors from granting any waiver of the code of ethics for any of our directors or executive officers. We include our website address in this report only as an inactive textual reference and do not intend it to be an active link to our website.

The response to the remainder of this item is incorporated by reference from the discussion responsive thereto in the sections entitled "Proposal 1 Election of Directors," "Corporate Governance," "Stock Ownership," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Miscellaneous Stockholder Proposals" contained in the proxy statement for our 2012 annual meeting of stockholders.

#### **Item 11. *Executive Compensation***

The response to this item is incorporated by reference from the discussion responsive thereto in the sections entitled "Executive Compensation and Related Information" and "Corporate Governance" contained in the proxy statement for our 2012 annual meeting of stockholders.

#### **Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The response to this item is incorporated by reference from the discussion responsive thereto in the sections entitled "Stock Ownership" and "Equity Compensation Plan Information" contained in the proxy statement for our 2012 annual meeting of stockholders.

#### **Item 13. *Certain Relationships and Related Transactions, and Director Independence***

The response to this item is incorporated by reference from the discussion responsive thereto in the sections entitled "Certain Relationships and Related Person Transactions" and "Corporate Governance" contained in the proxy statement for our 2012 annual meeting of stockholders.

#### **Item 14. *Principal Accountant Fees and Services***

The response to this item is incorporated by reference from the discussion responsive thereto in the section entitled "Proposal 2 Ratification of the Selection of our Independent Registered Public Accounting Firm" contained in the proxy statement for our 2012 annual meeting of stockholders.

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**PART IV**

**Item 15.      *Exhibits, Financial Statement Schedules***

a. (1) *Consolidated Financial Statements:*

The following financial statements are filed as part of this report:

<b>Financial Statements</b>	<b>Page Number</b>
Consolidated Statements of Income	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Cash Flows	F-4
Consolidated Statements of Equity	F-5
Notes to Consolidated Financial Statements	F-8
Report of Independent Registered Public Accounting Firm	F-77

(2) *Financial Statement Schedules*

Schedules are omitted because they are not applicable, or are not required, or because the information is included in the consolidated financial statements and notes thereto.

(3) *Exhibits*

The exhibits listed on the Exhibit Index beginning on page A-1, which is incorporated herein by reference, are filed or furnished as part of this report or are incorporated into this report by reference.



**Table of Contents****SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**BIOGEN IDEC INC.**

By: /s/ GEORGE A. SCANGOS  
George A. Scangos  
Chief Executive Officer

Date: February 3, 2012

Pursuant to the requirements the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Name</b>	<b>Capacity</b>	<b>Date</b>
/s/ GEORGE A. SCANGOS George A. Scangos	Director and Chief Executive Officer (principal executive officer)	February 3, 2012
/s/ PAUL J. CLANCY Paul J. Clancy	Executive Vice President, Finance and Chief Financial Officer (principal financial officer)	February 3, 2012
/s/ ROBERT E. GAGNON Robert E. Gagnon	Vice President, Finance, Chief Accounting Officer and Controller (principal accounting officer)	February 3, 2012
/s/ WILLIAM D. YOUNG William D. Young	Director and Chairman of the Board of Directors	February 3, 2012
Alexander J. Denner	Director	
/s/ CAROLINE D. DORSA Caroline D. Dorsa	Director	February 3, 2012
/s/ NANCY L. LEAMING Nancy L. Leaming	Director	February 3, 2012
	Director	

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Richard C. Mulligan

/s/ ROBERT W. PANGIA

Director

February 3, 2012

Robert W. Pangia

/s/ STELIOS PAPADOPOULOS

Director

February 3, 2012

Stelios Papadopoulos

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Name	Capacity	Date
/s/ BRIAN S. POSNER	Director	February 3, 2012
Brian S. Posner		
/s/ ERIC K. ROWINSKY	Director	February 1, 2012
Eric K. Rowinsky		
/s/ LYNN SCHENK	Director	February 3, 2012
Lynn Schenk		
/s/ STEPHEN A. SHERWIN	Director	February 3, 2012
Stephen A. Sherwin		

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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Page Number</b>
<u>Consolidated Statements of Income</u>	F-2
<u>Consolidated Balance Sheets</u>	F-3
<u>Consolidated Statements of Cash Flows</u>	F-4
<u>Consolidated Statements of Equity</u>	F-5
<u>Notes to Consolidated Financial Statements</u>	F-8
<u>Report of Independent Registered Public Accounting Firm</u>	F-77
See accompanying notes to these consolidated financial statements.	

**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME***(In thousands, except per share amounts)*

	<b>For the Years Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Revenues:			
Product	\$ 3,836,117	\$ 3,470,056	\$ 3,152,941
Unconsolidated joint business	996,597	1,077,244	1,094,863
Other	215,920	169,123	129,544
<b>Total revenues</b>	<b>5,048,634</b>	<b>4,716,423</b>	<b>4,377,348</b>
Cost and expenses:			
Cost of sales, excluding amortization of acquired intangible assets	466,780	400,262	382,104
Research and development	1,219,602	1,248,604	1,283,068
Selling, general and administrative	1,056,133	1,031,540	911,034
Collaboration profit sharing	317,771	258,071	215,904
Amortization of acquired intangible assets	208,566	208,928	289,811
Fair value adjustment of contingent consideration	36,065		
Restructuring charge	19,026	75,153	
Acquired in-process research and development		244,976	
<b>Total cost and expenses</b>	<b>3,323,943</b>	<b>3,467,534</b>	<b>3,081,921</b>
Income from operations	1,724,691	1,248,889	1,295,427
Other income (expense), net	(13,477)	(18,983)	37,252
Income before income tax expense	1,711,214	1,229,906	1,332,679
Income tax expense	444,528	331,333	355,617
Net income	1,266,686	898,573	977,062
Net income (loss) attributable to noncontrolling interests, net of tax	32,258	(106,700)	6,930
Net income attributable to Biogen Idec Inc.	\$ 1,234,428	\$ 1,005,273	\$ 970,132
Net income per share:			
Basic earnings per share attributable to Biogen Idec Inc.	\$ 5.09	\$ 3.98	\$ 3.37
Diluted earnings per share attributable to Biogen Idec Inc.	\$ 5.04	\$ 3.94	\$ 3.35
Weighted-average shares used in calculating:			
Basic earnings per share attributable to Biogen Idec Inc.	242,395	252,307	287,356
Diluted earnings per share attributable to Biogen Idec Inc.	245,033	254,867	289,476

See accompanying notes to these consolidated financial statements.

**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS***(In thousands, except per share amounts)*

	<b>As of December 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 514,542	\$ 759,598
Marketable securities	1,176,115	448,146
Accounts receivable, net of allowances of \$57,524 and \$54,922, respectively	584,603	605,329
Due from unconsolidated joint business	228,724	222,459
Inventory	326,843	289,066
Other current assets	144,600	215,822
Total current assets	2,975,427	2,540,420
Marketable securities	1,416,737	743,101
Property, plant and equipment, net	1,571,387	1,641,634
Intangible assets, net	1,608,191	1,772,826
Goodwill	1,146,314	1,146,314
Investments and other assets	331,548	248,198
Total assets	\$ 9,049,604	\$ 8,092,493
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Current portion of notes payable, line of credit and other financing arrangements	\$ 3,292	\$ 137,153
Taxes payable	45,939	84,517
Accounts payable	186,448	162,529
Accrued expenses and other	677,210	665,923
Total current liabilities	912,889	1,050,122
Notes payable, line of credit and other financing arrangements	1,060,808	1,066,379
Long-term deferred tax liability	248,644	200,950
Other long-term liabilities	400,276	325,599
Total liabilities	2,622,617	2,643,050
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	124
Additional paid-in capital	4,185,048	3,895,103
Accumulated other comprehensive income (loss)	(26,535)	(21,610)
Retained earnings	3,106,761	1,872,481
Treasury stock, at cost; 13,518 shares and 7,662 shares, respectively	(839,903)	(349,592)
Total Biogen Idec Inc. shareholders' equity	6,425,499	5,396,506
Noncontrolling interests	1,488	52,937

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Total equity	6,426,987	5,449,443
Total liabilities and equity	\$ 9,049,604	\$ 8,092,493

See accompanying notes to these consolidated financial statements.

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**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS***(In thousands)*

	For the Years Ended December 31,		
	2011	2010	2009
Cash flows from operating activities:			
Net income	\$ 1,266,686	\$ 898,573	\$ 977,062
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization of property, plant and equipment, and intangible assets	358,933	355,744	427,961
Acquired in-process research and development		271,376	
Share-based compensation	113,005	167,826	160,902
Fair value adjustment of contingent consideration	36,065		
Excess tax benefit from shared-based compensation	(50,586)	(13,136)	(3,436)
Deferred income taxes	153,576	(81,410)	(137,351)
Write-down of inventory to net realizable value	25,446	11,808	16,924
Impairment of marketable securities, investments and other assets	8,619	20,846	16,184
Non-cash interest (income) expense, foreign exchange remeasurement loss (gain), net and other	15,671	5,808	(7,892)
Realized (gain) loss on sale of marketable securities and strategic investments	(15,062)	(16,321)	(23,974)
Changes in operating assets and liabilities, net:			
Accounts receivable	(73,374)	(99,227)	(100,442)
Due from unconsolidated joint business	(6,265)	(28,670)	13,136
Inventory	(59,219)	(4,527)	(42,772)
Other assets	(43,241)	(12,584)	22,271
Accrued expenses and other current liabilities	33,722	130,875	(48,942)
Other liabilities and taxes payable	(36,235)	17,692	(194,733)
Net cash flows provided by operating activities	1,727,741	1,624,673	1,074,898
Cash flows from investing activities:			
Proceeds from sales and maturities of marketable securities	2,276,720	2,668,694	3,319,007
Purchases of marketable securities	(3,696,995)	(1,988,394)	(3,548,119)
Acquisitions	(5,000)	(72,476)	
Acquisition of a variable interest entity, net		(84,952)	
Purchases of property, plant and equipment	(208,020)	(173,055)	(165,646)
Proceeds from the sale of property, plant and equipment	2,207		
Purchases of intangible assets	(44,155)		
Purchases of other investments	(16,324)	(4,492)	(44,086)
Proceeds from the sale of strategic investments	41,273		13,822
Collateral received under securities lending			29,991
Net cash flows (used in) provided by investing activities	(1,650,294)	345,325	(395,031)
Cash flows from financing activities:			
Purchase of treasury stock	(497,975)	(2,077,579)	(751,170)
Proceeds from issuance of stock for share-based compensation arrangements	314,650	183,486	47,810
Excess tax benefit from share-based compensation	50,586	13,136	3,436
Change in cash overdraft	2,823	11,781	12,275
Acquisition of noncontrolling interests	(148,264)		
Net distributions to noncontrolling interests	(27,062)	(23,475)	4,356
Repayments of borrowings	(11,459)	(18,073)	(10,867)



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Net proceeds from financing arrangement for the sale of the San Diego facility		126,980	
Repayments on financing arrangement for the sale of the San Diego facility	(3,161)	(1,175)	
Obligation under securities lending			(29,991)
Net cash flows used in financing activities	(319,862)	(1,784,919)	(724,151)
Net (decrease) increase in cash and cash equivalents	(242,415)	185,079	(44,284)
Effect of exchange rate changes on cash and cash equivalents	(2,641)	(7,370)	3,788
Cash and cash equivalents, beginning of the year	759,598	581,889	622,385
Cash and cash equivalents, end of the year	\$ 514,542	\$ 759,598	\$ 581,889

See accompanying notes to these consolidated financial statements.

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**BIOGEN IDEC INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITY**

*(In thousands)*

	Preferred stock		Common stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury stock		Total Biogen Idec Inc. shareholders' equity	Noncontrolling interests	Total equity
	Shares	Amount	Shares	Amount				Shares	Amount			
<b>Balance, December 31, 2010</b>	8	\$	248,200	\$ 124	\$ 3,895,103	\$ (21,610)	\$ 1,872,481	(7,662)	\$ (349,592)	\$ 5,396,506	\$ 52,937	\$ 5,449,443
Comprehensive income:												
Net income							1,234,428			1,234,428	32,258	1,266,686
Unrealized losses recognized on securities available for sale:												
Unrealized losses recognized during the period, net of tax of \$133						(224)				(224)		(224)
Less: reclassification adjustment for gains included in net income, net of tax of \$7,155						(12,184)				(12,184)		(12,184)
Unrealized losses on securities available for sale, net of tax of \$7,288						(12,408)				(12,408)		(12,408)
Unrealized gains on foreign currency forward contracts:												
Unrealized gains recognized during the period, net of tax of \$3,647						32,830				32,830		32,830
Less: reclassification adjustment for losses included in net income, net of tax of \$1,268						9,767				9,767		9,767
Unrealized gains on foreign currency forward contracts, net of tax of \$4,915						42,597				42,597		42,597
Unrealized losses on pension benefit obligation, net of tax of \$0						(9,280)				(9,280)		(9,280)
						(25,834)				(25,834)	4,903	(20,931)

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Translation adjustment												
Total comprehensive income								1,229,503	37,161	1,266,664		
Distributions to noncontrolling interests						(148)		(148)	(26,914)	(27,062)		
Acquisitions of noncontrolling interests				(125,641)				(125,641)	(61,696)	(187,337)		
Repurchase of common stock for Treasury pursuant to the 2011 share repurchase plan, at cost						(6,018)	(497,975)	(497,975)		(497,975)		
Issuance of common and treasury stock under stock option and stock purchase plans	5,458	3	306,982			162	7,664	314,649		314,649		
Issuance of common stock under stock award plan	1,482	1	(50,954)					(50,953)		(50,953)		
Conversion of preferred stock	(8)	493										
Compensation expense related to share-based payments			117,347					117,347		117,347		
Recharacterization of share-based awards from equity to cash-settled due to restructuring			(8,172)					(8,172)		(8,172)		
Tax benefit from share-based payments			50,383					50,383		50,383		
<b>Balance, December 31, 2011</b>	\$ 255,633	\$ 128	\$ 4,185,048	\$ (26,535)	\$ 3,106,761	(13,518)	\$ (839,903)	\$ 6,425,499	\$ 1,488	\$ 6,426,987		

**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EQUITY (Continued)***(In thousands)*

	Preferred stock		Common stock		Accumulated other comprehensive income			Treasury stock		Total Biogen Idec Inc.		
	Shares	Amount	Shares	Amount	Additional paid-in capital	income (loss)	Retained earnings	Shares	Amount	shareholders equity	Noncontrolling interests	Total equity
Balance, December 31, 2009	8	\$	288,494	\$ 144	\$ 5,781,920	\$ 50,496	\$ 1,068,890	(13,639)	\$ (679,920)	\$ 6,221,530	\$ 40,352	\$ 6,261,882
Comprehensive income:												
Net income							1,005,273			1,005,273	(106,700)	898,573
Unrealized gains (losses) recognized on securities available for sale:												
Unrealized gains recognized during the period, net of tax of \$6,345							10,775			10,775		10,775
Less: reclassification adjustment for gains included in net income, net of tax of \$5,656							(9,631)			(9,631)		(9,631)
Unrealized gains on securities available for sale, net of tax of \$689							1,144			1,144		1,144
Unrealized gains (losses) on foreign currency forward contracts:												
Unrealized losses recognized during the period, net of tax of \$1,268							(9,767)			(9,767)		(9,767)
Less: reclassification adjustment for							(1,502)			(1,502)		(1,502)

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gains included  
in net income,  
net of tax of  
\$304

Unrealized losses on foreign currency forward contracts, net of tax of \$964					(11,269)		(11,269)		(11,269)
Unrealized losses on pension benefit obligation, net of tax of \$0					(1,942)		(1,942)		(1,942)
Translation adjustment					(60,039)		(60,039)	(2,240)	(62,279)
Total comprehensive income							933,167	(108,940)	824,227
Fair value of assets and liabilities acquired and assigned to noncontrolling interests (Note 19)								145,000	145,000
Distributions to noncontrolling interests								(33,891)	(33,891)
Capital contributions from noncontrolling interests								2,488	2,488
Termination of relationship with less than majority owned subsidiary								7,928	7,928
Repurchase of common stock for Treasury pursuant to the 2009 and 2010 share repurchase plans, at cost					(40,294)	(2,077,579)	(2,077,579)		(2,077,579)
Retirement of common stock pursuant to the 2009 and 2010 share repurchase plans	(40,294)	(20)	(2,077,559)		40,294	2,077,579			
Issuance of treasury stock under stock option and stock purchase plans					(28,632)	4,020	212,118	183,486	183,486
Issuance of treasury stock under stock					(173,050)	1,957	118,210	(54,840)	(54,840)

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award plans													
Compensation expense related to share-based payments					171,435					171,435			171,435
Tax benefit from share-based payments					19,307					19,307			19,307
<b>Balance, December 31, 2010</b>	8	\$	248,200	\$ 124	\$ 3,895,103	\$ (21,610)	\$ 1,872,481	(7,662)	\$	(349,592)	\$ 5,396,506	\$ 52,937	\$ 5,449,443

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**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EQUITY (Continued)***(In thousands)*

	Preferred stock		Common stock		Additional paid-in capital	Accumulated other comprehensive income		Retained earnings		Treasury stock		Total Biogen Idec Inc. shareholders equity	Noncontrolling interests	Total equity
	Shares	Amount	Shares	Amount		income (loss)				Shares	Amount			
<b>Balance, December 31, 2008</b>	8	\$	297,253	\$ 149	\$ 6,073,957	\$ (11,106)	\$	270,180		(9,207)	\$ (527,097)	\$ 5,806,083	\$ 27,869	\$ 5,833,952
Comprehensive income:														
Net income								970,132				970,132	6,930	977,062
Unrealized gains recognized on securities available for sale:														
Unrealized gains recognized during the period, net of tax of \$4,136								7,191				7,191		7,191
Less:														
reclassification adjustment for gains included in net income, net of tax of \$3,756								(6,396)				(6,396)		(6,396)
Unrealized gains (losses) on securities available for sale, net of tax of \$380								795				795		795
Unrealized gains on foreign currency forward contracts:														
Unrealized gains recognized during the period, net of tax of \$254								1,452				1,452		1,452
Less:														
reclassification adjustment for losses included in net income, net of tax of \$3,836								40,216				40,216		40,216
Unrealized gains on foreign currency forward contracts, net of tax of \$3,582								41,668				41,668		41,668

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Unrealized gains on pension benefit obligation, net of tax of \$67						501					501		501
Translation adjustment						18,638				18,638	1,197		19,835
Total comprehensive income										1,031,734	8,127		1,039,861
Distributions to noncontrolling interests											(2,832)		(2,832)
Capital contributions from noncontrolling interests											7,188		7,188
Repurchase of common stock for Treasury, at cost							(15,982)	(751,170)		(751,170)			(751,170)
Retirement of common stock pursuant to the 2009 share repurchase plan		(8,759)	(5)	(422,415)			8,759	422,420					
Issuance of treasury stock under stock option and stock purchase plans							(27,191)	1,181	75,001	47,810			47,810
Issuance of treasury stock under stock award plans							(144,231)	1,610	100,926	(43,305)			(43,305)
Compensation expense related to share-based payments						167,207				167,207			167,207
Tax benefit from share-based payments						(36,829)				(36,829)			(36,829)
<b>Balance, December 31, 2009</b>	8	\$	288,494	\$ 144	\$ 5,781,920	\$ 50,496	\$ 1,068,890	(13,639)	\$ (679,920)	\$ 6,221,530	\$ 40,352		\$ 6,261,882

See accompanying notes to these consolidated financial statements.



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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

***Business Overview***

Biogen Idec is a global biotechnology company that discovers, develops, manufactures and markets therapies for the treatment of neurodegenerative diseases, hemophilia and autoimmune disorders. Patients worldwide benefit from our leading multiple sclerosis therapies, and the company generates \$5 billion in annual revenues.

***Consolidation***

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

In determining whether we are the primary beneficiary of an entity, 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 determine whether we consolidate companies or entities with which we have collaborative or other arrangements. Determination about whether an enterprise should consolidate a variable interest entity is required to be made continuously 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 consolidated financial statements in accordance with U.S. GAAP requires management to make estimates, judgments, and assumptions that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments and methodologies, including those related to revenue recognition and related allowances, our collaborative relationships, clinical trial expenses, the consolidation of variable interest entities, the valuation of contingent consideration resulting from a business combination, the valuation of acquired intangible assets including in-process research and development, inventory, impairment and amortization of long-lived assets including intangible assets, impairments of goodwill, share-based compensation, income taxes including the valuation allowance for deferred tax assets, the valuation of investments, derivatives and hedging activities, contingencies, litigation, and restructuring charges. 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.

***Revenue Recognition***

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

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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Product Revenues*

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

*Reserves for Discounts and Allowances*

We establish reserves for trade term discounts, wholesaler incentives, Medicaid rebates, Veterans Administration (VA) and Public Health Service (PHS) discounts, managed care rebates, product returns and other governmental rebates or applicable allowances, including those associated with the implementation of pricing actions in certain of the international markets in which we operate. Reserves established for these discounts and allowances are classified as reductions of accounts receivable (if the amount is payable to our direct customer) or a liability (if the amount is payable to a party other than our customer). These reserves are based on estimates of the amounts earned or to be claimed on the related sales. Our estimates take into consideration our historical experience, current contractual and statutory requirements, specific known market events and trends, and forecasted customer buying patterns. Actual amounts may ultimately differ from our estimates. If actual results vary, we will need to adjust these estimates, which could have an effect on earnings in the period of adjustment. The estimates we make with respect to these allowances represent the most significant judgments with regard to revenue recognition.

Product revenue reserves are categorized as follows: discounts, contractual adjustments and returns.

Discount reserves include trade term discounts and wholesaler incentives. Trade term discounts and wholesaler incentive reserves primarily relate to estimated obligations for credits to be granted to wholesalers for remitting payment on their purchases within established incentive periods and credits to be granted to wholesalers for compliance with various contractually-defined inventory management practices, respectively. We determine these reserves based on our experience, including the timing of customer payments.

Contractual adjustment reserves primarily relate to Medicaid and managed care rebates, VA and PHS discounts and other governmental rebates or applicable allowances.

Medicaid rebate reserves relate to our estimated obligations to states under established reimbursement arrangements. Rebate accruals are recorded in the same period the related revenue is recognized resulting in a reduction of product revenue and the establishment of a liability which is included in other current liabilities. Our liability for Medicaid rebates consists of estimates for claims that a state will make for the current quarter, claims for prior quarters that have been estimated for which an invoice has not been received, invoices received for claims from the prior quarters that have not been paid, and an estimate of potential claims that will be made for inventory that exists in the distribution channel at period end.

VA rebates or chargeback reserves represent our estimated obligations resulting from contractual commitments to sell products to qualified healthcare providers at prices lower than the list prices we charge to wholesalers which provide those products. The wholesaler charges us for the difference between what the wholesaler pays for the products and the ultimate selling price to the qualified healthcare providers. Rebate and chargeback reserves are established in the same period as the related revenue is recognized resulting in a reduction in product revenue and accounts receivable. Chargeback amounts are generally determined at the time of resale to the qualified healthcare provider from the wholesaler, and we generally issue credits for such amounts within a few weeks of the wholesaler notifying us about the resale. Our reserves for VA and chargebacks consists of amounts that we expect to

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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

issue for inventory that exists at the wholesalers that we expect will be sold to qualified healthcare providers and chargebacks that wholesalers have claimed for which we have not issued a credit.

Managed care rebate reserves represent our estimated obligations to third parties, primarily pharmacy benefit managers. Rebate accruals are recorded in the same period the related revenue is recognized resulting in a reduction of product revenue and the establishment of a liability which is included in accrued expenses and other current liabilities. These rebates result from performance-based goals that are primarily based on attaining contractually specified sales volumes and growth. The calculation of the accrual for these rebates is based on an estimate of the customer's buying patterns and the resulting applicable contractual rebate rate(s) to be earned over a contractual period.

Other governmental rebates or applicable allowances primarily relate to mandatory rebates and discounts in markets where government-sponsored healthcare systems are the primary payers for healthcare.

Product return reserves are established for returns expected to be made by wholesalers and are recorded in the period the related revenue is recognized, resulting in a reduction to product sales. In accordance with contractual terms, wholesalers are permitted to return product for reasons such as damaged or expired product. The majority of wholesaler returns are due to product expiration. Expired product return reserves are estimated through a comparison of historical return data to their related sales on a production lot basis. Historical rates of return are determined for each product and are adjusted for known or expected changes in the marketplace specific to each product.

In addition to the discounts and rebates described above and classified as a reduction of revenue, we also maintain certain customer service contracts with distributors and other customers in the distribution channel that provide us with inventory management and distribution services. We have established the fair value of these services and classified these customer service contracts as sales and marketing expense. If we had concluded that we did not receive a separate identifiable benefit or have sufficient evidence that the fair value did not exist for these services, we would have been required to classify these costs as a reduction of revenue.

In countries where we expect to collect receivables greater than one year, at the time of sale, we have discounted our revenues over the period of time that we estimate those amounts will be paid using our estimate of the country's borrowing rate. The related receivables are classified at the time of sale as long-term assets. We will accrete interest income on these receivables, which will be recognized as a component of other income (expense), net within our consolidated statement of income.

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

*Revenues from Unconsolidated Joint Business*

We collaborate with Genentech on the development and commercialization of RITUXAN. Revenues from unconsolidated joint business consist of (1) our share of pre-tax co-promotion profits in the U.S.; (2) reimbursement of our selling and development expense in the U.S.; and (3) revenue on sales of RITUXAN in the rest of world, which consists of our share of pre-tax co-promotion profits in Canada and royalty revenue on sales of RITUXAN outside the U.S. and Canada by F. Hoffmann-La Roche Ltd. (Roche) and its sublicensees. Pre-tax co-promotion profits are calculated and paid to us by Genentech in the U.S. and by Roche in Canada. Pre-tax co-promotion profits consist of U.S. and Canadian sales of RITUXAN to third-party customers net of discounts and allowances less the cost to manufacture RITUXAN, third-party royalty expenses, and distribution, selling and marketing, and joint development expenses incurred by Genentech, Roche and us. We record our share of the pretax co-promotion profits in Canada and royalty revenues on sales of RITUXAN outside the U.S. on a cash basis. Additionally, our share of the pretax co-promotion profits in the U.S. includes estimates made by Genentech and those estimates are subject to change. Actual results may ultimately differ from our estimates.



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**BIOMED INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Royalty Revenues*

We receive royalty revenues on sales by our licensees of other products covered under patents that we own. We do not have future performance obligations under these license arrangements. We record these revenues based on estimates of the sales that occurred during the relevant period. The relevant period estimates of sales are based on interim data provided by licensees and analysis of historical royalties that have been paid to us, adjusted for any changes in facts and circumstances, as appropriate. We maintain regular communication with our licensees in order to assess the reasonableness of our estimates. Differences between actual royalty revenues and estimated royalty revenues are adjusted for in the period in which they become known, typically the following quarter. Historically, adjustments have not been material when compared to actual amounts paid by licensees. If we are unable to accurately estimate revenue, then we record revenues on a cash basis.

*Milestone Revenues*

We execute collaborative and other agreements which may contain milestone payments. Revenues from milestones, if they are considered substantive, are recognized upon successful accomplishment of the milestones. Determining whether a milestone is substantive involves judgment, including an assessment of our involvement in achieving the milestones and whether the amount of the payment is commensurate to our performance. If not considered substantive, milestones are initially deferred and recognized over the remaining performance obligation.

*Multiple-Element Revenue Arrangements*

We may, from time to time, enter into transactions that involve the sale of products and related services under multiple element arrangements. In accounting for these transactions, we allocate revenue to the various elements based on their fair value. The fair value of a revenue generating element can be based on current selling prices offered by us or another party for current products or management's best estimate of a selling price for future products. Revenue allocated to an individual element is recognized when all other revenue recognition criteria are met for that element.

***Fair Value Measurements***

We have certain financial assets and liabilities recorded at fair value which have been classified as Level 1, 2 or 3 within the fair value hierarchy as described in the accounting standards for fair value measurements.

*Level 1* Fair values are determined utilizing quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access;

*Level 2* Fair values are determined by utilizing quoted prices for identical or similar assets and liabilities in active markets or other market observable inputs such as interest rates, yield curves and foreign currency spot rates; and

*Level 3* Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

*Valuation of Investments*

We validate the prices provided by our third party pricing services by reviewing their pricing methods and matrices, obtaining market values from other pricing sources, analyzing pricing data in certain instances and confirming that the relevant markets are active. After completing our validation procedures, we did not adjust or override any fair value measurements provided by our pricing services as of December 31, 2011 and 2010, respectively.

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**BIOMGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

The majority of our financial assets and liabilities have been classified as Level 2. Our financial assets and liabilities (which include our cash equivalents, derivative contracts, marketable debt securities, and plan assets for deferred compensation) have been initially valued at the transaction price and subsequently valued, at the end of each reporting period, typically utilizing third party pricing services or other market observable data. The pricing services utilize industry standard valuation models, including both income and market based approaches and observable market inputs to determine value. These observable market inputs include reportable trades, benchmark yields, credit spreads, broker/dealer quotes, bids, offers, current spot rates and other industry and economic events.

We also maintain venture capital investments classified as Level 3 whose fair value is initially measured at transaction prices and subsequently valued using the pricing of recent financing or by reviewing the underlying economic fundamentals and liquidation value of the companies. These investments are the only investments for which we used Level 3 inputs to determine the fair value. These investments include investments in certain biotechnology oriented venture capital funds which primarily invest in small privately-owned, venture-backed biotechnology companies. The fair value of our investments in these venture capital funds has been estimated using the net asset value of the fund. The investments cannot be redeemed within the funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated. The funds and therefore a majority of the underlying assets of the funds will not be liquidated in the near future. The underlying assets in these funds are initially measured at transaction prices and subsequently valued using the pricing of recent financings or by reviewing the underlying economic fundamentals and liquidation value of the companies that the funds invest in. We apply judgments and estimates when we validate the prices provided by third parties. While we believe the valuation methodologies are appropriate, the use of valuation methodologies is highly judgmental and changes in methodologies can have a material impact on our results of operations. Gains and losses (realized and unrealized) included in earnings for the period are reported in other income (expense), net.

*Valuation of Contingent Consideration Resulting from a Business Combination*

We record contingent consideration resulting from business combinations completed after January 1, 2009 at its fair value on the acquisition date. Each reporting period thereafter, we revalue these obligations and record increases or decreases in their fair value as an adjustment to contingent consideration expense within our consolidated statement of income. Changes in the fair value of the contingent consideration obligations can result from adjustments to the discount rates and periods, updates in the assumed achievement or timing of any development milestones or changes in the probability of certain clinical events and changes in the assumed probability associated with regulatory approval. These fair value measurements represent Level 3 measurements as they are based on significant inputs not observable in the market.

Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period. Accordingly, changes in assumptions described above, could have a material impact on the amount of contingent consideration expense we record in any given period.

*Other*

The carrying amounts reflected in the consolidated balance sheets for cash equivalents, current accounts receivable, due from unconsolidated joint business, other current assets, accounts payable, and accrued expenses and other, approximate fair value due to their short-term maturities.

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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Cash and Cash Equivalents***

We consider only those investments which are highly liquid, readily convertible to cash and that mature within three months from date of purchase to be cash equivalents. As of December 31, 2011 and 2010, cash equivalents were comprised of money market funds and commercial paper, repurchase agreements, and other debt securities with maturities less than 90 days.

***Accounts Receivable***

The majority of our accounts receivable arise from product sales and primarily represent amounts due from our wholesale distributors, public hospitals and other government entities. 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, such losses have not exceeded management's estimates.

***Concentration of Credit Risk***

Financial instruments that potentially subject us to concentrations of credit risk include cash and cash equivalents, investments, derivatives, and accounts receivable. We attempt to minimize the risks related to cash and cash equivalents and investments by using highly-rated financial institutions that invest in a broad and diverse range of financial instruments as previously defined by us. We have established guidelines relative to credit ratings and maturities intended to safeguard principal balances and maintain liquidity. Our investment portfolio is maintained in accordance with our investment policy, which defines allowable investments, specifies credit quality standards and limits the credit exposure of any single issuer. We minimize credit risk resulting from derivatives instruments by choosing only highly rated financial institutions as counterparties.

Concentrations of credit risk with respect to receivables, 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 arise from product sales in the United States and Europe and have standard payment terms which are generally between 30 and 90 days. We continue to monitor economic conditions, including the volatility associated with international economies, and associated impacts on the relevant financial markets and our business, especially in light of the global economic downturn. For additional information related to this concentration of credit risk, please read Note 5, *Accounts Receivable* to these consolidated financial statements.

As of December 31, 2011 and 2010, one wholesale distributor accounted for approximately 14.1% and 11.5% of consolidated receivables, respectively.

***Inventory***

Inventories are stated at the lower of cost or market with cost determined in a manner that approximates the first-in, first-out (FIFO) method. Included in inventory are raw materials used in the production of pre-clinical and clinical products, which are expensed as research and development costs when consumed.

***Capitalization of Inventory Costs***

We capitalize inventory costs associated with our products prior to regulatory approval, when, based on management's judgment, future commercialization is considered probable and the future economic benefit is expected to be realized. We consider numerous attributes in evaluating whether the costs to manufacture a particular product should be capitalized as an asset. We assess the regulatory approval process and where the





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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

particular product stands in relation to that approval process, including any known safety or efficacy concerns, potential labeling restrictions and other impediments to approval. We evaluate our anticipated research and development initiatives and constraints relating to the product and the indication in which it will be used. We consider our manufacturing environment including our supply chain in determining logistical constraints that could hamper approval or commercialization. We consider the shelf life of the product in relation to the expected timeline for approval and we consider patent related or contract issues that may prevent or delay commercialization. We also base our judgment on the viability of commercialization, trends in the marketplace and market acceptance criteria. Finally, we consider the reimbursement strategies that may prevail with respect to the product and assess the economic benefit that we are likely to realize. We expense previously capitalized costs related to pre-approval inventory upon a change in such judgment, due to, among other potential factors, a denial or delay of approval by necessary regulatory bodies.

As of December 31, 2011 and 2010, the carrying value of our inventory did not include any significant costs associated with products that had not yet received regulatory approval.

*Obsolescence and Unmarketable Inventory*

We periodically review our inventories for excess or obsolete inventory and write-down obsolete or otherwise unmarketable inventory to its estimated net realizable value. If the actual net realizable value is less than that estimated by us, or if it is determined that inventory utilization will further diminish based on estimates of demand, additional inventory write-downs may be required. Additionally, our products are subject to strict quality control and monitoring which we perform throughout the manufacturing process. In the event that certain batches or units of product no longer meet quality specifications or become obsolete due to expiration, we will record a charge to cost of sales to write-down any obsolete or otherwise unmarketable inventory to its estimated net realizable value. In all cases product inventory is carried at the lower of cost or its estimated net realizable value. Amounts written-down to unmarketable inventory are charged to cost of sales, excluding amortization of acquired intangible assets.

*Marketable Securities and Other Investments*

*Marketable Debt Securities*

Available-for-sale debt securities are recorded at fair market value and unrealized gains and losses are included in accumulated other comprehensive income (loss) in equity, net of related tax effects, unless the security has experienced a credit loss, we have determined that we have the intent to sell the security or we have determined that it is more likely than not that we will have to sell the security before its expected recovery. Realized gains and losses are reported in other income (expense), net, on a specific identification basis.

*Strategic Investments*

As part of our business development efforts, we will, from time to time, invest in equity securities of certain biotechnology companies. These investments are known as strategic investments and are classified as available-for-sale and accounted for as marketable equity investments or as cost investments based upon our ownership percentage and other factors that suggest we have significant influence and are included in investments and other assets within our consolidated balance sheet. When assessing whether a decline in the fair value of a strategic investment below our cost basis is other-than-temporary, we consider the fair market value of the security, the duration of the security's decline, and prospects for the underlying business, including favorable or adverse clinical trial results, new product initiatives and new collaborative agreements with the companies in which we have invested.

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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Non-Marketable Equity Securities*

We also invest in equity securities of companies whose securities are not publicly traded and where fair value is not readily available. These investments are recorded using either the cost method or the equity method of accounting, depending on our ownership percentage and other factors that suggest we have significant influence. We monitor these investments to evaluate whether any decline in their value has occurred that would be other-than-temporary, based on the implied value of recent company financings, public market prices of comparable companies, and general market conditions and are included in investments and other assets within our consolidated balance sheet.

*Evaluating Investments for Other-than-Temporary Impairments*

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

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

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

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

***Property, Plant and Equipment***

Property, plant and equipment are carried at cost, subject to review for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The cost of normal, recurring, or periodic repairs and maintenance activities related to property, plant and equipment are expensed as incurred. The cost for planned major maintenance activities, including the related acquisition or construction of assets, is capitalized if the repair will result in future economic benefits.

Interest costs incurred during the construction of major capital projects are capitalized until the underlying asset is ready for its intended use, at which point the interest costs are amortized as depreciation expense over the life of the underlying asset. We also capitalize certain direct and incremental costs associated with the validation effort required for licensing by regulatory agencies of manufacturing equipment for the production of a commercially approved drug. These costs include primarily direct labor and material and are incurred in preparing the equipment for its intended use. The validation costs are amortized over the life of the related equipment.

In addition, we capitalize certain internal use computer software development costs. If the software is an integral part of production assets, these costs are included in machinery and equipment and are amortized on a straight-line basis over the estimated useful lives of the related software, which generally range from three to five years.



**Table of Contents****BIAGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

We generally depreciate or amortize the cost of our property, plant and equipment using the straight-line method over the estimated useful lives of the respective assets, which are summarized as follows:

<b>Asset Category</b>	<b>Useful Lives</b>
Land	Not depreciated
Buildings	15 to 40 years
Leasehold Improvements	Lesser of the useful life or the term of the respective lease
Furniture and Fixtures	5 to 7 years
Machinery and Equipment	5 to 20 years
Computer Software and Hardware	3 to 5 years

When we dispose of property, plant and equipment, we remove the associated cost and accumulated depreciation from the related accounts on our consolidated balance sheet and include any resulting gain or loss in our consolidated statement of income.

***Intangible Assets***

Our intangible assets consist of patents, licenses, core developed technology, in-process research and development acquired after January 1, 2009, trademarks, trade names, assembled workforce and other distribution rights. The majority of our intangible assets were recorded in connection with the merger of Biogen, Inc. and IDEC Pharmaceuticals Corporation in 2003. Our intangible assets are recorded at fair value at the time of their acquisition and are stated within our consolidated balance sheets net of accumulated amortization and impairments.

We amortize intangible assets over their estimated useful lives using the economic use method if anticipated future cash flows can be reasonably estimated; the straight-line method is used when cash flows cannot be reasonably estimated. Our amortization policy reflects the pattern that the economic benefits of the intangible assets are consumed. The useful lives of our intangible assets are primarily based on the legal or contractual life of the underlying patent or contract, which does not include additional years for the potential extension or renewal of the contract or patent. Intangible assets related to patents, licenses, core developed technology, assembled workforce, and other distribution rights are amortized over their remaining estimated useful lives. Intangible assets related to trademarks, trade names and in-process research and development prior to commercialization are not amortized because they have indefinite lives, but they are subject to review for impairment. We review our intangible assets with indefinite lives for impairment annually, as of October 31, and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

Our most significant intangible asset is the core technology related to our AVONEX product. Our amortization policy reflects our belief that the economic benefit of our core technology is consumed as revenue is generated from AVONEX. We refer to this amortization methodology as the economic consumption model, which involves calculating a ratio of actual current period sales to total anticipated sales for the life of the product and applying this ratio to the carrying amount of the intangible asset. An analysis of the anticipated lifetime revenue of AVONEX is performed at least annually during our long range planning cycle, and this analysis serves as the basis for the calculation of our economic consumption amortization model. We believe this process has allowed us to reliably determine the best estimate of the pattern in which we will consume the economic benefits of our core technology intangible asset.

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

Acquired IPR&D represents the fair value assigned to research and development assets that we acquire that have not been completed at the date of acquisition. The value assigned to acquired IPR&D is determined by estimating the costs to develop the acquired technology into commercially viable products, estimating the

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**BIAGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

resulting revenue from the projects, and discounting the net cash flows to present value. The revenue and costs projections used to value acquired IPR&D were, as applicable, reduced based on the probability of developing a new drug. Additionally, the projections considered the relevant market sizes and growth factors, expected trends in technology, and the nature and expected timing of new product introductions by us and our competitors. The resulting net cash flows from such projects are based on management's estimates of cost of sales, operating expenses, and income taxes from such projects. The rates utilized to discount the net cash flows to their present value were commensurate with the stage of development of the projects and uncertainties in the economic estimates used in the projections described above.

We measured acquired IPR&D in business combinations completed prior to January 1, 2009, at fair value and expensed it on acquisition date if that technology lacked an alternative future use, or capitalized it as an intangible asset if certain criteria were met; however, effective January 1, 2009, if we are purchasing a business, the acquired IPR&D is measured at fair value, capitalized as an intangible asset and tested for impairment at least annually until commercialization, after which time the IPR&D is amortized over its estimated useful life. If we acquire an asset or group of assets that do not meet the definition of a business under applicable accounting standards, then the acquired IPR&D is expensed on its acquisition date. Future costs to develop these assets are recorded to expense as they are incurred if the technology lacks alternative future uses.

We review amounts capitalized as in-process research and development for impairment at least annually, as of October 31, and whenever events or changes in circumstances indicate that the carrying value of the assets might not be recoverable. In the event the carrying value of the assets are not expected to be recovered, the assets are written down to their estimated fair values.

***Impairment of Long-Lived Assets***

Long-lived assets to be held and used, including property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets or asset group may not be recoverable.

Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the assets, the assets are written-down to their estimated fair values. Long-lived assets to be disposed of are carried at fair value less costs to sell.

***Goodwill***

Goodwill relates largely to amounts that arose in connection with the merger of Biogen, Inc. and IDEC Pharmaceuticals Corporation and represents the difference between the purchase price and the fair value of the identifiable tangible and intangible net assets when accounted for using the purchase method of accounting. Goodwill is not amortized, but is subject to periodic review for impairment. Goodwill is reviewed annually, as of October 31, and whenever events or changes in circumstances indicate that the carrying value of the goodwill might not be recoverable.

We apply a two-step impairment test. In the first step, we compare the fair value of our reporting unit to its carrying value. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of our reporting unit, then the second step of the impairment test is performed in order to determine the implied fair value of our reporting unit's goodwill. If the carrying value of our reporting unit's goodwill exceeds its implied fair value, then the company records an impairment loss equal to the difference. As described in Note 25, *Segment Information* to these consolidated financial statements, we operate in one business segment which we consider our only reporting unit.

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-08, *Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment* (ASU

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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

2011-08). This newly issued accounting standard allows an entity the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step impairment test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative two-step impairment test is required; otherwise, no further testing is required. These amendments do not change the current guidance for testing other indefinite-lived intangible assets for impairment. This ASU is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, which for Biogen Idec means January 1, 2012. Early adoption is permitted; however, we have not elected to do so. The adoption of this statement will not impact our financial position or results of operations.

***Derivative Instruments and Hedging Activities***

We recognize all derivative instruments as either assets or liabilities at fair value in our consolidated balance sheets. Changes in the fair value of derivatives are recorded each period in current earnings or accumulated other comprehensive income (loss), depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. We classify the cash flows from these instruments in the same category as the cash flows from the hedged items. We do not hold or issue derivative instruments for trading or speculative purposes.

We assess, both at inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in cash flows or fair values of the hedged items. We also assess hedge ineffectiveness on a quarterly basis and record the gain or loss related to the ineffective portion to current earnings to the extent significant. If we determine that a forecasted transaction is no longer probable of occurring, we discontinue hedge accounting for the affected portion of the hedge instrument, and any related unrealized gain or loss on the contract is recognized in current earnings.

***Translation of Foreign Currencies***

The functional currency for most of our foreign subsidiaries is their local currency. For the Company's non-U.S. subsidiaries that transact in functional currency other than the U.S. dollar, assets and liabilities are translated at current rates of exchange at the balance sheet date. Income and expense items are translated at the average foreign exchange rates for the period. Adjustments resulting from the translation of the financial statements of our foreign operations into U.S. dollars are excluded from the determination of net income and are recorded in accumulated other comprehensive income, a separate component of equity. For subsidiaries where the functional currency differs from the local currency, non-monetary assets and liabilities are translated at the rate of exchange in effect on the date assets were acquired while monetary assets and liabilities are translated at current rates of exchange as of the balance sheet date. Income and expense items are translated at the average foreign currency rates for the period. Translation adjustments of these subsidiaries are included in net income.

***Accounting for Share-Based Compensation***

Our share-based compensation programs grant awards which have included stock options, restricted stock units which vest based on stock performance known as market stock units (MSUs), performance-vested restricted stock units which will be settled in cash (CSPSs), performance-vested restricted stock units which settle in shares (PVRsUs), time-vested restricted stock units (RSUs) and shares issued under our employee stock purchase plan (ESPP). We charge the estimated fair value of awards against income 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 based on the period from the grant date to the date on which the employee is retirement eligible.

The fair values of our stock option grants are estimated as of the date of grant using a Black-Scholes option valuation model and reflect estimated forfeitures. The estimated fair values of the stock options are then expensed over the options' vesting periods.

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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The fair values of our RSUs are based on the market value of our stock on the date of grant. Compensation expense for RSUs is recognized over the applicable service period, adjusted for the effect of estimated forfeitures.

We apply an accelerated attribution method to recognize stock based compensation expense, net of estimated forfeitures, when accounting for our MSUs. The probability of actual shares expected to be earned is considered in the grant date valuation, therefore the expense will not be adjusted to reflect the actual units earned.

We apply an accelerated attribution method to recognize stock based compensation expense when accounting for our CSPSs and the fair value of the liability is remeasured at the end of each reporting period through expected cash settlement. Compensation expense associated with CSPSs is based upon the stock 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 stock price and estimated outcome of the performance-related conditions until the date results are determined and settled.

We apply an accelerated attribution method to recognize stock based compensation expense when accounting for our PVRsUs. The number of units reflected as granted represents the target number of shares that are eligible to vest in full or in part and are earned subject to the attainment of certain performance criteria established at the beginning of the performance period. Compensation expense associated with these units is initially based upon the number of shares expected to vest after assessing the probability that certain performance criteria will be met and the associated targeted payout level that is forecasted will be achieved, net of estimated forfeitures. Cumulative adjustments are recorded quarterly to reflect subsequent changes in the estimated outcome of performance-related conditions until the date results are determined.

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

***Research and Development Expenses***

Research and development expenses consist of upfront fees and milestones paid to collaborators and expenses incurred in performing research and development activities, including compensation and benefits, facilities expenses, overhead expenses, clinical trial and related clinical manufacturing expenses, fees paid to clinical research organizations (CROs) and other outside expenses. Research and development expenses are expensed as incurred. Payments we make for research and development services prior to the services being rendered are recorded as prepaid assets on our consolidated balance sheets and are expensed as the services are provided.

From time to time, we enter into development agreements in which we share expenses with a collaborative partner. We record payments received from our collaborative partners for their share of the development costs as a reduction of research and development expense, except as discussed within Note 20, *Collaborations* to these consolidated financial statements. Expenses incurred by Genentech in the development of RITUXAN are not recorded as research and development expense, but rather reduce our share of co-promotion profits recorded as a component of unconsolidated joint business revenues.



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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses are primarily comprised of compensation and benefits associated with sales and marketing, finance, human resources, legal and other administrative personnel, outside marketing, advertising and legal expenses and other general and administrative costs.

Advertising costs are expensed as incurred. For the years ended December 31, 2011, 2010 and 2009, advertising costs totaled \$45.3 million, \$35.3 million and \$26.5 million, respectively.

***Income Taxes***

The provision for income taxes includes federal, state, local and foreign taxes. Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences of temporary differences between the financial statement carrying amounts and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be recovered or settled. We evaluate the realizability of our deferred tax assets and establish a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized.

We account for uncertain tax positions using a more-likely-than-not threshold for recognizing and resolving uncertain tax positions. We evaluate uncertain tax positions on a quarterly basis and consider various factors, including, but not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity and changes in facts or circumstances related to a tax position. We also accrue for potential interest and penalties, related to unrecognized tax benefits in income tax expense.

***Contingencies***

We are currently involved in various claims and legal proceedings. We account for potential litigation losses in accordance with FASB Accounting Standards Codification (ASC) No. 450, *Contingencies* (ASC 450). Under ASC 450, loss contingency provisions are recorded if the potential loss from any claim, asserted or unasserted, or legal proceeding is considered probable and the amount can be reasonably estimated or a range of loss can be determined. These accruals represent management's best estimate of probable loss, as defined by ASC 450. Disclosure also is provided when it is reasonably possible that a loss will be incurred or when it is reasonably possible that the amount of a loss will exceed the recorded provision. On a quarterly basis, we review the status of each significant matter and assess its potential financial exposure. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, we reassess the potential liability related to pending claims and litigation and may revise our estimates. These revisions in the estimates of the potential liabilities could have a material impact on our consolidated results of operations and financial position.

***Restructuring Charges***

We have made estimates and judgments regarding the amount and timing of our restructuring expense and liability, including current and future period termination benefits and other exit costs to be incurred when related actions take place. We have also assessed the recoverability of certain long-lived assets employed in the business and, in certain instances shortened the expected useful life of the assets based on changes in their expected use. When we determine that the useful lives of assets are shorter than we had originally estimated, we record additional depreciation to reflect the assets' new shorter useful lives. Severance and other related costs and asset-related charges are reflected within our consolidated statement of income as a component of total restructuring charges incurred. Actual results may differ from these estimates. For additional information related to our recent restructuring efforts, please read Note 3, *Restructuring*, to these consolidated financial statements.

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**BIAGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Earnings per Share***

Basic earnings per share is computed using the two-class method. Under the two-class method, undistributed net income is allocated to common stock and participating securities based on their respective rights to share in dividends. We have determined that our preferred shares meet the definition of participating securities and, to the extent any are outstanding during a period, have allocated a portion of net income to our preferred shares on a pro rata basis. Net income allocated to preferred shares is excluded from the calculation of basic earnings per share. For basic earnings per share, net income available to holders of common stock is divided by the weighted average number of shares of common stock outstanding. For purposes of calculating diluted earnings per share, net income is adjusted for the after-tax amount of net income allocable to preferred shares, and the denominator includes both the weighted average number of shares of common stock outstanding and potential dilutive shares of common stock from stock options, unvested restricted stock awards, restricted stock units and other convertible securities, to the extent they are dilutive.

***New Accounting Pronouncements***

From time to time, new accounting pronouncements are issued by the 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.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* (ASU 2011-11). This newly issued accounting standard requires an entity to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions executed under a master netting or similar arrangement and was issued to enable users of financial statements to understand the effects or potential effects of those arrangements on its financial position. This ASU is required to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. As this accounting standard only requires enhanced disclosure, the adoption of this standard is not expected to have an impact on our financial position or results of operations.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (ASU 2011-05). This newly issued accounting standard (1) eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity; (2) requires the consecutive presentation of the statement of net income and other comprehensive income; and (3) requires an entity to present reclassification adjustments on the face of the financial statements from other comprehensive income to net income. The amendments in this ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income nor do the amendments affect how earnings per share is calculated or presented. In December 2011, the FASB issued ASU No. 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*, which defers the requirement within ASU 2011-05 to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. During the deferral, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect prior to the issuance of ASU 2011-05. These ASUs are required to be applied retrospectively and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, which for Biogen Idec means January 1, 2012. As these accounting standards do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income, the adoption of these standards is not expected to have an impact on our financial position or results of operations.

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**BIAGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). This newly issued accounting standard clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This ASU is effective on a prospective basis for annual and interim reporting periods beginning on or after December 15, 2011, which for Biogen Idec means January 1, 2012. The adoption of this standard is not expected to have a material impact on our financial position or results of operations.

**2. Acquisitions**

***Noncontrolling Interest in Joint Ventures***

On September 6, 2011, we completed the purchase of the noncontrolling interest in our joint venture investments in Biogen Dompé SRL and Biogen Dompé Switzerland GmbH, our respective sales affiliates in Italy and Switzerland, from our joint venture partners, Dompé Farmaceutici SpA and Dompé International SA, respectively. This transaction was funded from our existing cash on hand and has been accounted for as the acquisition of a noncontrolling interest. The purchase price of these shares was comprised of cash payments totaling \$152.9 million plus up to \$42.5 million in contingent consideration payable upon the achievement of commercial and regulatory milestones using exchange rates at the time of the transaction. As these amounts reflect payments to acquire a noncontrolling interest, these payments and the accrual of a liability related to the contingent consideration were recorded as a reduction in the noncontrolling interest for these entities with the remainder to additional paid in capital.

Upon acquisition, we recorded a liability of \$38.8 million representing the acquisition date fair value of the contingent consideration. This amount was estimated through a valuation model that incorporates probability weighted assumptions relating to the achievement of these milestones and thus the likelihood of us making payments. Subsequent changes in the fair value of this obligation will be recognized as adjustments to contingent consideration within our consolidated statements of income. For additional information related to our valuation of this obligation, please read Note 8, *Fair Value Measurements* to these consolidated financial statements.

In connection with our purchase of the noncontrolling interest in our joint venture investment in Biogen Dompé SRL, we entered into a credit assignment agreement with Dompé Farmaceutici SpA. Under the terms of this agreement, Dompé Farmaceutici SpA purchased all of Biogen Dompé SRL's outstanding receivables as of June 30, 2011, adjusted for cash received through September 5, 2011, for \$104.6 million. We have no retained interests in the receivables and have accounted for this transaction as a sale. The carrying value of these receivables exceeded their fair value, which was determined by management using significant inputs not observable in the market and thus represents a Level 3 fair value measurement, and accordingly we recognized a loss of \$1.8 million upon their disposition.

In addition, balances outstanding under Biogen Dompé SRL's credit line from Dompé Farmaceutici SpA, as described in Note 12, *Indebtedness* to these consolidated financial statements, were repaid in September 2011.

***Biogen Idec International Neuroscience GmbH***

In December 2010, we acquired 100% of the stock of Biogen Idec International Neuroscience GmbH (BIN), formerly Panima Pharmaceuticals AG, an affiliate of Neurimmune AG. The purchase price was comprised of a \$32.5 million cash payment plus up to \$395.0 million in contingent consideration payable upon the achievement of development milestones. BIN is a business involved in the discovery of antibodies designed to treat neurological disorders. Upon acquisition, we recorded a liability of \$81.2 million representing the acquisition date fair value of the contingent consideration. Subsequent changes in the fair value of this obligation are recognized as adjustments to contingent consideration within our consolidated statements of income. We allocated \$110.9 million and \$25.6 million of the total purchase price to acquired IPR&D and goodwill, respectively. The amount allocated to acquired IPR&D represented the fair value of the IPR&D programs

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**BIAGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

acquired. The goodwill recognized is primarily attributable to establishing a deferred tax liability for the acquired IPR&D asset, which is not deductible for income tax purposes. For additional information related to our valuation of our contingent consideration obligation, please read Note 8, *Fair Value Measurements* to these consolidated financial statements.

***Biogen Idec Hemophilia Inc.***

In connection with our acquisition of Biogen Idec Hemophilia Inc. (BIH), formerly Syntonix Pharmaceuticals, Inc. (Syntonix), in January 2007, we agreed to pay up to an additional \$80.0 million if certain milestone events associated with the development of BIH's lead product, long-lasting recombinant Factor IX, a product for the treatment of hemophilia B, are achieved. The first \$40.0 million contingent payment was achieved in the first quarter of 2010 upon initiation of patient enrollment in a registrational trial of Factor IX. We recorded this payment as a charge to acquired in-process research and development within our consolidated statement of income in 2010, in accordance with the accounting standards applicable to business combinations when we acquired BIH.

An additional \$20.0 million contingent payment will occur if prior to the tenth anniversary of the closing date, the FDA grants approval of a Biologic License Application for Factor IX. A second \$20.0 million contingent payment will occur if prior to the tenth anniversary of the closing date, a marketing authorization is granted by the EMA for Factor IX. These payments will be capitalized as an intangible asset when the related milestones are achieved.

**3. Restructuring**

In November 2010, we announced a number of strategic, operational, and organizational initiatives designed to provide a framework for the future growth of our business and realign our overall structure to become a more efficient and cost effective organization. As part of this initiative:

We out-licensed or terminated certain research and development programs, including those in oncology and cardiovascular medicine, that are no longer a strategic fit for us.

We completed a 13% reduction in workforce spanning our sales, research and development, and administrative functions.

We vacated and recognized the sale of the San Diego, California facility as well as consolidated certain of our Massachusetts facilities. For a more detailed description of transactions affecting our facilities, please read Note 11, *Property, Plant and Equipment* to these consolidated financial statements.

Costs associated with our workforce reduction primarily relate to employee severance and benefits. Facility consolidation costs are primarily comprised of charges associated with closing these facilities, related lease obligations and additional depreciation recognized when the expected useful lives of certain assets have been shortened due to the consolidation and closing of related facilities and the discontinuation of certain research and development programs. As of December 31, 2011, substantially all restructuring charges have been incurred and paid. We incurred \$19.0 million of these charges in 2011, of which \$12.8 million were related to our workforce reduction and \$6.2 million related to the consolidation of our facilities. During the fourth quarter of 2010, we incurred \$75.2 million of these charges, of which \$67.2 million were related to our workforce reduction and \$8.0 million were related to the consolidation of our facilities.

**Table of Contents****BIAGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the activity of our restructuring liability:

(In millions)	Workforce Reduction	Facility Consolidation	Total
Restructuring reserve as of December 31, 2010	\$ 60.6	\$ 5.8	\$ 66.4
Expense	15.8	2.4	18.2
Payments	(81.8)	(3.9)	(85.7)
Adjustments to previous estimates, net	(2.9)		(2.9)
Other adjustments	8.6	(3.2)	5.4
Restructuring reserve as of December 31, 2011	\$ 0.3	\$ 1.1	\$ 1.4

**4. Revenue Reserves*****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
<b>2011</b>				
Beginning balance	\$ 13.9	\$ 107.0	\$ 21.1	\$ 142.0
Current provisions relating to sales in current year	96.0	360.4	15.7	472.1
Adjustments relating to prior years		(14.0)	(0.9)	(14.9)
Payments/returns relating to sales in current year	(84.3)	(266.0)	(0.4)	(350.7)
Payments/returns relating to sales in prior years	(13.0)	(68.1)	(11.8)	(92.9)
Ending balance	\$ 12.6	\$ 119.3	\$ 23.7	\$ 155.6

(In millions)	Discounts	Contractual Adjustments	Returns	Total
<b>2010</b>				
Beginning balance	\$ 13.9	\$ 70.3	\$ 18.9	\$ 103.1
Current provisions relating to sales in current year	80.6	285.0	16.1	381.7
Adjustments relating to prior years	(2.7)	(2.4)	(1.8)	(6.9)
Payments/returns relating to sales in current year	(68.7)	(184.3)	(0.8)	(253.8)
Payments/returns relating to sales in prior years	(9.2)	(61.6)	(11.3)	(82.1)
Ending balance	\$ 13.9	\$ 107.0	\$ 21.1	\$ 142.0

(In millions)	Discounts	Contractual Adjustments	Returns	Total
<b>2009</b>				
Beginning balance	\$ 9.2	\$ 48.1	\$ 18.1	\$ 75.4

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Current provisions relating to sales in current year	74.0	192.5	15.8	282.3
Adjustments relating to prior years			0.8	0.8
Payments/returns relating to sales in current year	(60.8)	(124.4)	(0.6)	(185.8)
Payments/returns relating to sales in prior years	(8.5)	(45.9)	(15.2)	(69.6)
Ending balance	\$ 13.9	\$ 70.3	\$ 18.9	\$ 103.1

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**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

(In millions)	As of December 31,	
	2011	2010
Reduction of accounts receivable	\$ 40.6	\$ 36.7
Current liability	115.0	105.3
<b>Total reserves</b>	<b>\$ 155.6</b>	<b>\$ 142.0</b>

**5. 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. The majority of our accounts receivable have standard payment terms which are generally between 30 and 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, such losses have not exceeded management's estimates.

Concentrations of credit risk with respect to receivables, 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. We monitor economic conditions, including volatility associated with international economies, and related impacts on the relevant financial markets and our business, especially in light of sovereign credit issues. The credit and economic conditions within Italy, Spain, Portugal and Greece, among other members of the European Union, have continued to deteriorate. These conditions have increased, and may continue to increase, the average length of time that it takes to collect on our accounts receivable outstanding in these countries.

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

(In millions)	As of December 31, 2011		
	Current Balance Included within Accounts Receivable, net	Non-Current Balance Included within Investments and Other Assets	Total
Spain	\$ 68.5	\$ 65.5	\$ 134.0
Italy	\$ 19.4	\$ 48.7	\$ 68.1
Portugal	\$ 20.6	\$ 12.3	\$ 32.9
Greece	\$ 4.0	\$	\$ 4.0

(In millions)	As of December 31, 2010		
	Current Balance Included within Accounts	Non-Current Balance Included within Investments	Total

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	Receivable, net	and Other Assets	
Spain	\$ 70.8	\$ 29.8	\$ 100.6
Italy	\$ 103.2	\$ 14.8	\$ 118.0
Portugal	\$ 17.8	\$ 5.5	\$ 23.3
Greece	\$ 3.9	\$	\$ 3.9

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**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Approximately \$56.0 million and \$45.0 million of the aggregated balances for these countries were overdue more than one year as of December 31, 2011 and December 31, 2010, respectively. Amounts included as a component of investments and other assets within our consolidated balance sheets represent amounts that are expected to be collected beyond one year.

In connection with our purchase of the noncontrolling interest in our joint venture investments in Biogen Dompé SRL, we entered into a credit assignment agreement with Dompé Farmaceutici SpA. Under the terms of this agreement, Dompé Farmaceutici SpA purchased all of Biogen Dompé SRL's outstanding receivables as of June 30, 2011, adjusted for cash received through September 5, 2011, for \$104.6 million. We retained no interests in these receivables and accounted for this transaction as a sale recognizing a loss of \$1.8 million upon their disposition. For additional information related to these transactions, please read Note 2, *Acquisitions* to these consolidated financial statements. As of December 31, 2011, our accounts receivable balances in Italy totaled \$68.1 million, all of which resulted from sales of product subsequent to June 30, 2011.

**6. Inventory**

The components of inventory are summarized as follows:

(In millions)	As of December 31, 2011	2010
Raw materials	\$ 83.8	\$ 59.0
Work in process	169.4	142.2
Finished goods	73.6	87.9
 Total inventory	 \$ 326.8	 \$ 289.1

The components of inventory by product are summarized as follows:

(In millions)	As of December 31, 2011	2010
AVONEX	\$ 113.3	\$ 87.0
TYSABRI	114.7	117.0
Other	15.0	26.1
 Total finished goods and work in process	 243.0	 230.1
Raw materials	83.8	59.0
 Total inventory	 \$ 326.8	 \$ 289.1

Amounts written down related to excess, obsolete or unmarketable inventory are charged to cost of sales, and totaled \$25.4 million, \$11.8 million, and \$16.9 million for the years ended December 31, 2011, 2010, and 2009, respectively.

**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. 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 December 31, 2011			As of December 31, 2010		
		Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Out-licensed patents	12-23 years	\$ 578.0	\$ (391.3)	\$ 186.7	\$ 578.0	\$ (350.2)	\$ 227.8
Core developed technology	15-23 years	3,005.3	(1,801.1)	1,204.2	3,005.3	(1,636.9)	1,368.4
In-process research and development	Up to 15 years upon commercialization	110.9		110.9	110.9		110.9
Trademarks and tradenames	Indefinite	64.0		64.0	64.0		64.0
In-licensed rights and patents	6-16 years	47.2	(4.8)	42.4	3.0	(1.3)	1.7
Assembled workforce	4 years	2.1	(2.1)		2.1	(2.1)	
Distribution rights	2 years	12.7	(12.7)		12.7	(12.7)	
Total intangible assets		\$ 3,820.2	\$ (2,212.0)	\$ 1,608.2	\$ 3,776.0	\$ (2,003.2)	\$ 1,772.8

Total intangible assets was unchanged as of December 31, 2011 compared to December 31, 2010, excluding the impact of amortization and amounts recorded in connection with the license agreements for FAMPYRA and the JC virus assay described below. In December 2010, we completed our acquisition of BIN and allocated a \$110.9 million of the purchase price to acquired IPR&D. For additional information related to this transaction, please read Note 2, *Acquisitions* to these consolidated financial statements.

Amortization of acquired intangible assets totaled \$208.6 million, \$208.9 million, and \$289.8 million for the years ended December 31, 2011, 2010 and 2009, respectively. Amortization for acquired intangible assets is expected to be in the range of approximately \$160.0 million to \$200.0 million annually through 2016.

***AVONEX Core Technology Asset***

Our most significant intangible asset is the core technology related to our AVONEX product. The net book value of this asset as of December 31, 2011 was \$1,192.1 million. Amortization of our core acquired intangible asset related to AVONEX is expected to be in the range of approximately \$100.0 million to \$150.0 million annually through 2016.

***FAMPYRA***

In July 2011, the European Commission (EC) granted a conditional marketing authorization for FAMPYRA in the E.U., which triggered a \$25.0 million milestone payment. This payment was made to Acorda Therapeutics, Inc. (Acorda) in the third quarter of 2011 and was capitalized as an intangible asset.

Under the terms of our 2009 collaboration and license agreement, we will pay Acorda additional milestones based on new indications and ex-U.S. net sales. The next expected milestone would be \$15.0 million, due when ex-U.S. net sales reach \$100.0 million over a period of four consecutive quarters. We will capitalize these milestones upon achievement as an intangible asset. Amortization will utilize an economic consumption



**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

model that will be based on an estimate of all of the probable payments we expect to make as contingent consideration, such as sales-based milestones, for entering into the license agreement.

For additional information related to our collaboration with Acorda, please read Note 20, *Collaborations* to these consolidated financial statements.

*JC Virus Assay*

In the first quarter of 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. Under the terms of this license, we expect to make payments totaling approximately \$58.9 million through 2016. These payments include upfront and milestone payments as well as the greater of an annual maintenance fee or usage-based royalty payment. As of December 31, 2011, we recognized an intangible asset in the amount of \$19.2 million, reflecting the total of upfront payments made and other time-based milestone payments. We will further capitalize additional payments due under this arrangement as an intangible asset upon achievement. Amortization will utilize an economic consumption model that will be based on an estimate of all of the probable payments we expect to make in relation to the total number of JCV assay tests performed through 2016.

***Goodwill***

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

(In millions)	As of December 31,	
	2011	2010
Beginning balance	\$ 1,146.3	\$ 1,138.6
Goodwill acquired during the year		25.6
Other		(17.9)
Ending balance	\$ 1,146.3	\$ 1,146.3

As of December 31, 2011, we had no accumulated impairment losses related to goodwill.

In December 2010, we completed our acquisition of BIN and allocated a \$25.6 million of the purchase price to goodwill. For additional information related to this transaction, please read Note 2, *Acquisitions* to these consolidated financial statements. During 2010, we also recorded a decrease to goodwill of \$17.9 million to establish a deferred tax asset that existed at the time of the merger of Biogen, Inc. and IDEC Pharmaceuticals Corporation in 2003.

**8. Fair Value Measurements**

The tables below present information about our assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2011 and December 31, 2010, and indicate the fair value hierarchy of the valuation techniques we utilized to determine such fair value:

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<b>(In millions)</b>	<b>As of December 31, 2011</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Assets:</b>				
Cash equivalents	\$ 399.8	\$	\$ 399.8	\$
<b>Marketable debt securities:</b>				
Corporate debt securities	602.6		602.6	
Government securities	1,716.5		1,716.5	
Mortgage and other asset backed securities	273.8		273.8	
Strategic investments	0.1	0.1		
Venture capital investments	23.5			23.5
Derivative contracts	39.5		39.5	
Plan assets for deferred compensation	11.6		11.6	
<b>Total</b>	<b>\$ 3,067.4</b>	<b>\$ 0.1</b>	<b>\$ 3,043.8</b>	<b>\$ 23.5</b>
<b>Liabilities:</b>				
Derivative contracts	\$ 0.5	\$	\$ 0.5	\$
Contingent consideration	151.0			151.0
<b>Total</b>	<b>\$ 151.5</b>	<b>\$</b>	<b>\$ 0.5</b>	<b>\$ 151.0</b>

<b>(In millions)</b>	<b>As of December 31, 2010</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Assets:</b>				
Cash equivalents	\$ 651.8	\$	\$ 651.8	\$
<b>Marketable debt securities:</b>				
Corporate debt securities	313.0		313.0	
Government securities	785.3		785.3	
Mortgage and other asset backed securities	92.9		92.9	
Strategic investments	44.8	44.8		
Venture capital investments	20.8			20.8
Derivative contracts	1.3		1.3	
Plan assets for deferred compensation	13.0		13.0	
<b>Total</b>	<b>\$ 1,922.9</b>	<b>\$ 44.8</b>	<b>\$ 1,857.3</b>	<b>\$ 20.8</b>
<b>Liabilities:</b>				
Derivative contracts	\$ 12.2	\$	\$ 12.2	\$
Contingent consideration	81.2			81.2

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Total	\$	93.4	\$	\$	12.2	\$	81.2
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There were no transfers between fair value measurement levels during the years ended December 31, 2011 and 2010, respectively.

Our strategic investments represent investments in publicly traded equity securities and are the only investments for which we used Level 1 inputs to determine their fair value. Our venture capital investments are comprised of investments in certain biotechnology oriented venture capital funds which primarily invest in small privately-owned, venture-backed biotechnology companies. Our venture capital investments are the only investments for which we used Level 3 inputs to determine their fair value and represented approximately 0.3%

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**Table of Contents****BIAGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

of total assets of December 31, 2011 and 2010, respectively. The following table provides a roll forward of the fair value of our venture capital investments, which are all Level 3 assets:

(In millions)	As of December 31,	
	2011	2010
Beginning balance	\$ 20.8	\$ 21.9
Unrealized gains included in earnings	2.4	
Unrealized losses included in earnings	(1.4)	(2.1)
Purchases	1.7	2.1
Settlements		(1.1)
Ending balance	\$ 23.5	\$ 20.8

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

(In millions)	As of December 31,	
	2011	2010
Credit line from Dompé	\$ 8.1	\$ 8.1
Notes payable to Fumedica	22.4	24.2
6.0% Senior Notes due 2013	474.1	485.5
6.875% Senior Notes due 2018	663.9	618.0
Total fair value	\$ 1,160.4	\$ 1,135.8

The fair values of Biogen Dompé SRL's credit line from us and Dompé Farmaceutici SpA and our note payable to Fumedica were estimated using market observable inputs, including current interest and foreign currency exchange rates. The fair value of our Senior Notes was determined through market, observable, and corroborated sources.

Balances outstanding under Biogen Dompé SRL's credit line were repaid in connection with our recent purchase of the noncontrolling interest in our joint venture investment in Biogen Dompé SRL. For additional information related to this transaction, please read Note 2, *Acquisitions* to these consolidated financial statements.

***Contingent Consideration Resulting from a Business Combination***

We revalue the contingent consideration obligation for acquisitions completed after January 1, 2009 on a recurring basis each reporting period. Changes in the fair value of our contingent consideration obligations are recognized as a fair value adjustment of contingent consideration within our consolidated statements of income. These fair value measurements are based on significant inputs not observable in the market and therefore represent Level 3 measurements. The following table provides a roll forward of the changes in fair value of our contingent consideration obligations:

(In millions)	As of December 31,	
	2011	2010
Fair value as of beginning of period	\$ 81.2	\$

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Acquisition date fair value of contingent consideration obligations related to acquisitions	38.8	81.2
Changes in the fair value of contingent consideration obligations	36.0	
Payments of contingent consideration obligations	(5.0)	
Fair value as of end of period	\$ 151.0	\$ 81.2

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**Table of Contents****BIAGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Upon completion of our purchase of the noncontrolling interest in our joint venture investments in Biogen Dompé SRL and Biogen Dompé Switzerland GmbH in September 2011, we recorded a contingent consideration obligation of \$38.8 million. As of December 31, 2011, the fair value of this contingent consideration obligation was \$31.9 million, of which \$3.9 million was reflected as a component of accrued expenses and other, and \$28.0 million was reflected as a component of other long-term liabilities within our consolidated balance sheet. Our most recent valuation was determined based upon probability weighted net cash outflow projections of \$42.5 million, discounted using a rate of 3.8%, which is the cost of debt financing for market participants. The decrease in the fair value of this obligation, of \$6.9 million since the acquisition date, was primarily due to changes in the discount rate and in the probability and expected timing related to the achievement of certain cumulative sales-based and developmental milestones.

In connection with our acquisition of BIN in the fourth quarter of 2010, we recorded a liability of \$81.2 million, representing the acquisition date fair value of the contingent consideration. There was no significant change in the valuation of this liability from the acquisition date through December 31, 2010. As of December 31, 2011, the fair value of this contingent consideration obligation was \$119.1 million, of which \$6.9 million was reflected as a component of accrued expenses and other, and \$112.2 million was reflected as a component of other long-term liabilities within our consolidated balance sheet. Our most recent valuation was determined based upon probability weighted net cash outflow projections of \$390.0 million, discounted using a rate of 5.2%, which is the cost of debt financing for market participants. The increase in the fair value of this obligation, of \$37.9 million since December 31, 2010, was primarily due to changes in the discount rate and in the probability and expected timing related to the achievement of certain remaining developmental milestones, offset by the payment of a \$5.0 million developmental milestone.

**9. Financial Instruments*****Marketable Securities, including Strategic Investments***

The following tables summarize our marketable securities and strategic investments:

<b>As of December 31, 2011 (In millions):</b>	<b>Fair Value</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Amortized Cost</b>
<b><i>Available-for-sale</i></b>				
<b>Corporate debt securities:</b>				
Current	\$ 155.0	\$ 0.2	\$ (0.1)	\$ 154.9
Non-current	447.6	1.2	(1.5)	447.9
<b>Government securities:</b>				
Current	1,021.0	0.4		1,020.6
Non-current	695.5	0.9	(0.2)	694.8
<b>Mortgage and other asset backed securities:</b>				
Current	0.1			0.1
Non-current	273.7	0.5	(1.3)	274.5
<b>Total available-for-sale securities</b>	<b>\$ 2,592.9</b>	<b>\$ 3.2</b>	<b>\$ (3.1)</b>	<b>\$ 2,592.8</b>
<b><i>Other Investments</i></b>				
Strategic investments, non-current	\$ 0.1	\$	\$ (0.1)	\$ 0.2

**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost
<b>As of December 31, 2010 (In millions):</b>				
<i>Available-for-sale</i>				
Corporate debt securities:				
Current	\$ 93.2	\$ 0.1	\$	\$ 93.1
Non-current	219.8	2.1	(0.5)	218.2
Government securities:				
Current	352.8	0.2		352.6
Non-current	432.5	0.6	(0.6)	432.5
Mortgage and other asset backed securities:				
Current	2.1			2.1
Non-current	90.8	0.5	(0.2)	90.5
Total available-for-sale securities	\$ 1,191.2	\$ 3.5	\$ (1.3)	\$ 1,189.0
<i>Other Investments</i>				
Strategic investments, non-current	\$ 44.8	\$ 17.5	\$	\$ 27.3

In the tables above, as of December 31, 2011 and 2010, government securities included \$214.0 million and \$163.5 million, respectively, of Federal Deposit Insurance Corporation (FDIC) guaranteed senior notes issued by financial institutions under the Temporary Liquidity Guarantee Programs.

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

(In millions)	As of December 31,	
	2011	2010
Commercial paper	\$	\$ 4.0
Repurchase agreements	8.8	26.0
Short-term debt securities	391.0	621.8
Total	\$ 399.8	\$ 651.8

The carrying values of our commercial paper, including accrued interest, 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 securities, excluding strategic investments, available-for-sale by contractual maturity are summarized as follows:

(In millions)	As of December 31, 2011		As of December 31, 2010	
	Estimated Fair	Amortized Cost	Estimated Fair	Amortized Cost

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	Value		Value	
Due in one year or less	\$ 1,176.1	\$ 1,175.6	\$ 448.1	\$ 447.8
Due after one year through five years	1,251.6	1,251.4	664.1	662.4
Due after five years	165.2	165.8	79.0	78.8
Total available-for-sale securities	\$ 2,592.9	\$ 2,592.8	\$ 1,191.2	\$ 1,189.0

The average maturity of our marketable securities as of December 31, 2011 and 2010 was 14 months and 11 months, respectively.

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**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Proceeds from Maturities and Sales of Marketable Securities, excluding Strategic Investments***

The proceeds from maturities and sales of marketable securities, excluding strategic investments and cash equivalents, and resulting realized gains and losses are summarized as follows:

(In millions)	For the Years Ended December 31,		
	2011	2010	2009
Proceeds from maturities and sales	\$ 2,276.7	\$ 2,668.7	\$ 3,319.0
Realized gains	\$ 3.9	\$ 18.8	\$ 19.8
Realized losses	\$ 2.3	\$ 2.5	\$ 4.0

Proceeds were generally reinvested. Realized losses for the year ended December 31, 2011, primarily relate to sales of government and corporate securities. Realized losses for the year ended December 31, 2010, primarily relate to the sale of agency mortgage-backed securities and corporate debt securities. Realized losses for the year ended December 31, 2009, primarily relate to losses on the sale of non-agency mortgage-backed securities and corporate debt securities.

***Strategic Investments***

Strategic investments are included in investments and other assets on the accompanying consolidated balance sheets. In 2011, we sold four strategic investments for \$40.6 million, which resulted in a net gain of \$13.5 million. In 2010, we sold one strategic investment for \$1.8 million, which resulted in an insignificant loss. In 2009 we sold two strategic investments for \$5.9 million, which resulted in a \$3.0 million gain.

In addition to the strategic investments and venture capital investments noted in Note 8, *Fair Value Measurements* to these consolidated financial statements, we hold other investments in equity securities of certain privately-owned biotechnology companies and biotechnology oriented venture capital funds accounted for using the cost method. The carrying value of these securities as of December 31, 2011 and 2010 was \$39.2 million and \$35.0 million, respectively. These securities are also included in investments and other assets on the accompanying consolidated balance sheets.

***Impairments***

Prior to the adoption of new accounting standards for the recognition, measurement and presentation of other-than-temporary impairments in April 2009 for debt securities, we recognized all other-than-temporary impairment amounts related to our marketable debt securities in earnings as required under the previously effective guidance which required that management assert that it had the ability and intent to hold a debt security until maturity or until we recovered the cost of our investment.

In 2011, we recognized \$11.5 million in charges for the impairment of our publicly-held strategic investments, investments in venture capital funds and investments in privately-held companies.

In 2010, we recognized \$21.3 million in charges for the other-than-temporary impairment of our publicly held strategic investments, investments in venture capital funds and investments in privately held companies. The increase over amounts recognized in 2009 was primarily the result of one of our strategic investments, executing an equity offering at a price below our cost basis during the first quarter of 2010.

In 2009, we recognized impairment losses of \$7.0 million on our publicly-held strategic investments and non-marketable securities and an additional \$3.6 million in charges for the other-than-temporary impairment on our marketable debt securities.



**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. Derivative Instruments*****Foreign Currency Forward Contracts***

Due to the global nature of our operations, portions of our revenues are earned in currencies other than the U.S. dollar. The value of revenues measured in U.S. dollars is therefore subject to changes in 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 December 31, 2011 and 2010 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.

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 December 31,	
	2011	2010
Euro	\$ 496.4	\$ 460.3
Canadian dollar	22.9	24.0
Swedish krona	13.0	9.9
Total foreign currency forward contracts	\$ 532.3	\$ 494.2

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 \$36.5 million and losses of \$11.0 million as of December 31, 2011 and 2010, 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 obligations under the contract. As of December 31, 2011 and 2010, respectively, credit risk did not materially change the fair value of our foreign currency forward contracts.

In relation to our foreign currency forward contracts, we recognized in other income (expense) net losses of \$3.9 million, net gains of \$0.4 million, and net losses of \$1.1 million for the years ended December 31, 2011, 2010 and 2009, respectively, due to hedge ineffectiveness.

In addition, we recognized in product revenue \$36.9 million of net losses, \$45.7 million of net gains, and net losses of \$49.7 million, for the years ended December 31, 2011, 2010 and 2009, respectively, for the settlement of certain effective cash flow hedge instruments. These settlements were recorded in the same period as the related forecasted revenues.

***Summary of Derivatives Designated as Hedging Instruments***

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

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(In millions)	Balance Sheet Location	Fair Value As of December 31, 2011
<i>Foreign Currency Contracts</i>		
Asset derivatives	Other current assets	\$ 32.6
Liability derivatives	Accrued expenses and other	\$

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## BIOGEN IDEC INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions)	Balance Sheet Location	Fair Value As of December 31, 2010
<i>Foreign Currency Contracts</i>		
Asset derivatives	Other current assets	\$
Liability derivatives	Accrued expenses and other	\$ 11.0

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

For the Years Ended (In millions)	Amount Recognized in Accumulated Other Comprehensive Income (Loss) on Derivative Gain/(Loss) (Effective Portion)	Income Statement Location (Effective Portion)	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) into Income Gain/(Loss) (Effective Portion)	Income Statement Location (Ineffective Portion)	Amount of Gain/(Loss) Recorded (Ineffective Portion)
<b>December 31, 2011:</b>					
Foreign currency contracts	\$ 36.5	Revenue	\$ (36.9)	Other income (expense)	\$ (3.9)
<b>December 31, 2010:</b>					
Foreign currency contracts	\$ (11.0)	Revenue	\$ 45.7	Other income (expense)	\$ 0.4
<b>December 31, 2009:</b>					
Foreign currency contracts	\$ 1.2	Revenue	\$ (49.7)	Other income (expense)	\$ (1.1)
<i>Other Derivatives</i>					

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 our outstanding foreign currency contracts was \$263.7 million and \$160.8 million as of December 31, 2011 and 2010, respectively. The fair value of these contracts was a net asset of \$6.4 million as of December 31, 2011 compared to a net asset of \$0.1 million as of December 31, 2010. Net gains of \$12.1 million and \$6.0 million related to these contracts were recognized as a component of other income (expense), net, for years ended December 31, 2011 and 2010, respectively.



**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Property, Plant and Equipment**

Property, plant and equipment are recorded at historical cost, net of accumulated depreciation. Components of property, plant and equipment, net are summarized as follows:

(In millions)	As of December 31,	
	2011	2010
Land	\$ 51.9	\$ 107.6
Buildings	597.9	670.2
Leasehold improvements	102.7	100.8
Machinery and equipment	570.1	576.0
Computer software and hardware	439.7	392.8
Furniture and fixtures	37.6	54.5
Construction in progress	553.6	506.9
Total cost	2,353.5	2,408.8
Less: accumulated depreciation	(782.1)	(767.2)
Total property, plant and equipment, net	\$ 1,571.4	\$ 1,641.6

Our construction in progress balances are primarily related to the construction of our large-scale biologics manufacturing facility in Hillerød, Denmark, where we plan to manufacture TYSABRI drug substance. As of December 31, 2011 and 2010, the construction in progress balance related to this facility totaled \$474.0 million and \$440.2 million, respectively.

For 2011, 2010 and 2009, we capitalized interest costs related to construction in progress totaling approximately \$32.6 million, \$28.6 million and \$28.5 million, respectively. Capitalized interest costs are primarily related to the development of our large-scale biologics manufacturing facility in Hillerød, Denmark.

Depreciation expense totaled \$143.9 million, \$144.9 million and \$137.9 million for 2011, 2010 and 2009, respectively.

***New Cambridge Leases***

In July 2011, we executed leases for two office buildings to be built in Cambridge, Massachusetts with a planned occupancy during the second half of 2013. Construction of these facilities began in late 2011. These buildings, totaling approximately 500,000 square feet, will serve as the future location of our corporate headquarters and commercial operations. These buildings will also provide additional general and administrative and research and development office space. The leases both have 15 year terms and we have options to extend the term of each lease for two additional five-year terms. Future minimum rental commitments under these leases will total approximately \$340.0 million over the initial 15 year lease terms. In addition to rent, the leases require us to pay additional amounts for taxes, insurance, maintenance and other operating expenses

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, for accounting purposes, of these properties during the construction period. Accordingly, we will record an asset along with a corresponding financing obligation on our consolidated balance sheet for the amount of total project costs incurred related to the construction in progress for these buildings through completion of the construction period. Upon completion of the buildings, we will assess and determine if the assets and corresponding liabilities should be derecognized. As of December 31, 2011, cost incurred in relation to the construction of these buildings totaled approximately \$2.2 million.



**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As a result of our decision to relocate our corporate headquarters and centralize our campus in Cambridge, Massachusetts, we expect to vacate our Weston, Massachusetts facility upon completion of the new buildings. Based upon our most recent estimates, we expect to incur a charge of approximately \$35.0 million upon vacating this facility when the new Cambridge buildings have been completed. This amount represents our remaining Weston lease obligation, net of our estimate of sublease income expected to be recovered.

***San Diego Facility***

On October 1, 2010, we sold the San Diego facility for cash proceeds, net of transaction costs, of approximately \$127.0 million. As part of this transaction, we agreed to lease back the San Diego facility for a period of 15 months. We accounted for this transaction as a financing arrangement as we determined that the transaction did not qualify as a sale due to our continuing involvement under the leaseback terms. Accordingly, we recorded an obligation for the proceeds received in October 2010 and the facility assets remained classified as held for use with the carrying value of the facility continued to be reflected as a component of property, plant and equipment, net within our consolidated balance sheets.

In the first quarter of 2011, we entered into an agreement to terminate our 15 month lease of the San Diego facility effective August 31, 2011. We have had no continuing involvement or remaining obligation after August 31, 2011 and have accounted for this transaction as a sale of property as of that date. No significant gain on sale was recognized and we did not recognize any impairment charges related to the San Diego facility.

**12. Indebtedness**

Our indebtedness is summarized as follows:

(In millions)	As of December 31,	
	2011	2010
Current portion:		
Note payable to Fumedica	\$ 3.3	\$ 3.3
Credit line from Dompé		8.0
Financing arrangement for the sale of the San Diego facility		125.9
Current portion of notes payable, line of credit and other financing arrangements	\$ 3.3	\$ 137.2
Non-current portion:		
6.0% Senior notes due 2013	\$ 449.9	\$ 449.8
6.875% Senior notes due 2018	592.3	597.9
Note payable to Fumedica	16.4	18.7
Financing arrangement for the construction of the Cambridge facilities	2.2	
Non-current portion of notes payable, line of credit and other financing arrangements	\$ 1,060.8	\$ 1,066.4

The following is a summary description of our principal indebtedness as of December 31, 2011:

***Senior Notes***

On March 4, 2008, we issued \$450.0 million aggregate principal amount of 6.0% Senior Notes due March 1, 2013 and \$550.0 million aggregate principal amount of 6.875% Senior Notes due March 1, 2018 that were originally priced at 99.886% and 99.184% of par, respectively. The discount is amortized as additional interest expense over the period from issuance through maturity. These notes are senior unsecured

obligations. Interest on the notes is payable March 1 and September 1 of each year. The notes may be redeemed at our option at any

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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

time at 100% of the principal amount plus accrued interest and a specified make-whole amount. The notes contain a change of control provision that may require us to purchase the notes under certain circumstances. There is also an interest rate adjustment feature that requires us to pay interest at an increased rate on the notes if the credit rating on the notes declines below investment grade.

Upon the issuance of the debt we entered into interest rate swap contracts where we received a fixed rate and paid a variable rate, as further described in Note 10, *Derivative Instruments* to these consolidated financial statements. These contracts were terminated in December 2008. Upon termination of these swaps, the carrying amount of the 6.875% Senior Notes due in 2018 was increased by \$62.8 million and is being amortized using the effective interest rate method over the remaining life of the Senior Notes and is being recognized as a reduction of interest expense. As of December 31, 2011, \$45.4 million remains to be amortized.

***Revolving Credit Facility***

We have a \$360.0 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 various covenants, including financial covenants that require us to not exceed a maximum leverage ratio and, under certain circumstances, an interest coverage ratio. This facility terminates in June 2012. No borrowings have been made under this credit facility and as of December 31, 2011 and 2010 we were in compliance with all applicable covenants.

***Notes Payable to Fumedica***

In connection with our 2006 distribution agreement with Fumedica, we issued notes totaling 61.4 million Swiss Francs which were payable to Fumedica in varying amounts from June 2008 through June 2018. Our remaining note payable to Fumedica had a present value of 18.6 million Swiss Francs (\$19.7 million) and 20.7 million Swiss Franc (\$22.0 million) as of December 31, 2011 and 2010, respectively.

***Credit Line from Dompé***

On September 6, 2011, we completed the purchase of all the remaining outstanding shares of our joint venture investment in Biogen Dompé SRL, our sales affiliate in Italy, from our joint venture partner, Dompé Farmaceutici SpA. Balances outstanding under Biogen Dompé SRL's credit line from us and Dompé Farmaceutici SpA were repaid in connection with this transaction. For additional information related to this transaction, please read Note 2, *Acquisitions* to these consolidated financial statements.

***Financing Arrangements***

During 2011 we recorded a financing obligation in relation to the construction of the two office buildings in Cambridge, Massachusetts, which will serve as the future location of our corporate headquarters and provide office space for our commercial operations, research and development and general and administrative functions. As of December 31, 2011, the financing obligation related to cost incurred in construction of these buildings totaled approximately \$2.2 million.

During 2010 we also recorded a financing obligation in connection with our sale and subsequent lease back of the San Diego facility. We have had no continuing involvement or remaining obligation related to the San Diego facility after August 31, 2011.

For additional information related to these transactions, please read Note 11, *Property, Plant & Equipment* to these consolidated financial statements.

**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Debt Maturity***

Our total debt, excluding amounts related to our financing arrangements, mature as follows:

<b>(In millions)</b>	<b>As of December 31, 2011</b>
2012	\$ 3.4
2013	453.4
2014	3.4
2015	3.4
2016	3.4
2017 and thereafter	556.7
<b>Total</b>	<b>\$ 1,023.7</b>

The fair value of our debt is disclosed in Note 8, *Fair Value Measurements* to these consolidated financial statements.

**13. Equity*****Preferred Stock***

The following table describes the number of shares authorized, issued and outstanding of our preferred stock as of December 31, 2011 and 2010:

<b>(In thousands)</b>	<b>As of December 31, 2011</b>			<b>As of December 31, 2010</b>		
	<b>Authorized</b>	<b>Issued</b>	<b>Outstanding</b>	<b>Authorized</b>	<b>Issued</b>	<b>Outstanding</b>
Series A	1,750			1,750	8	8
Series X junior participating	1,000			1,000		
Undesignated	5,250			5,250		
<b>Total preferred stock</b>	<b>8,000</b>			<b>8,000</b>	<b>8</b>	<b>8</b>

We have 8,000,000 shares of Preferred Stock authorized, of which 1,750,000 shares have been designated as Series A Preferred Stock and 1,000,000 shares have been designated as Series X Junior Participating Preferred Stock. The shares may be issued without a vote or action of stockholders from time to time in classes or series with the designations, powers, preferences, and the relative, participating, optional or other special rights of the shares of each such class or series and any qualifications, limitations or restrictions thereon as set forth in the instruments governing such shares. Any such Preferred Stock may rank prior to common stock as to dividend rights, liquidation preference or both, and may have full or limited voting rights and may be convertible into shares of common stock.

There were 8,221 shares of Series A Preferred Stock issued and outstanding as of December 31, 2010. In March 2011, the remaining 8,221 shares of our Series A Preferred Stock were converted into 493,260 shares of common stock by the holder pursuant to the conversion terms of the Series A Preferred Stock. As of December 31, 2011, there are no shares of preferred stock issued and outstanding.

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## *Common Stock*

The following table describes the number of shares authorized, issued and outstanding of our common stock as of December 31, 2011 and 2010:

(In thousands)	As of December 31, 2011			As of December 31, 2010		
	Authorized	Issued	Outstanding	Authorized	Issued	Outstanding
Common stock	1,000,000	255,633	242,115	1,000,000	248,200	240,538

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**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Share Repurchases***

In February 2011, our Board of Directors authorized the repurchase of up to 20.0 million shares of our common stock. We expect to use this repurchase program principally to offset common stock issued under our share-based compensation plans. This repurchase program does not have an expiration date. Under this authorization, we repurchased approximately 6.0 million shares of our common stock at a cost of \$498.0 million during 2011. These repurchases were recorded as repurchases of Treasury Stock.

From January 1, 2012 through January 31, 2012, we repurchased approximately 3.5 million shares of our common stock at a total cost of approximately \$401.5 million under our 2011 stock repurchase authorization. As of January 31, 2012, approximately 10.5 million shares of our common stock remain available to repurchase under this program.

During 2010, we repurchased approximately 40.3 million shares of our common stock at a cost of approximately \$2.1 billion under our 2010 and 2009 stock repurchase authorizations. We retired all of these shares as they were acquired. In connection with this retirement, we recorded a reduction in additional paid-in-capital of approximately \$2.1 billion. The 2010 and 2009 share repurchase programs were completed during 2010.

**14. Accumulated Other Comprehensive Income (Loss)**

Accumulated other comprehensive income (loss) consisted of the following:

(In millions)	As of December 31,	
	2011	2010
Translation adjustments	\$ (50.3)	\$ (24.4)
Unrealized gains (losses) on securities available for sale		12.4
Unrealized gains (losses) on foreign currency forward contracts	32.8	(9.8)
Unfunded status of pension and postretirement benefit plans	(9.0)	0.2
Accumulated other comprehensive income (loss)	\$ (26.5)	\$ (21.6)

Unrealized holding gains on securities available for sale is shown net of tax of \$0.1 million and \$7.3 million as of December 31, 2011 and 2010, respectively. Unrealized gains (losses) on foreign currency forward contracts are shown net of tax of \$3.6 million and \$1.3 million as of December 31, 2011 and 2010, respectively. The unfunded status of pension and retirement benefit plans is shown net of tax as of December 31, 2011 and 2010. Tax amounts in both years were immaterial. For discussion of the unfunded status of pension and retirement benefit plans, please read Note 24, *Employee Benefit Plans* to these consolidated financial statements.

Amounts comprising noncontrolling interests, as reported in our consolidated statements of equity as of December 31, 2011 and 2010 included accumulated translation adjustments of \$5.1 million and \$0.2 million, respectively.

Comprehensive income (loss) and its components are presented in the consolidated statements of equity.



**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****15. Earnings per Share**

Basic and diluted earnings per share are calculated as follows:

(In millions)	For the Years Ended December 31,		
	2011	2010	2009
<b>Numerator:</b>			
Net income attributable to Biogen Idec Inc.	\$ 1,234.4	\$ 1,005.3	\$ 970.1
Adjustment for net income allocable to preferred stock	(0.5)	(2.0)	(1.7)
Net income used in calculating basic and diluted earnings per share	\$ 1,233.9	\$ 1,003.3	\$ 968.4
<b>Denominator:</b>			
Weighted average number of common shares outstanding	242.4	252.3	287.4
<b>Effect of dilutive securities:</b>			
Stock options and employee stock purchase plan	1.0	0.9	0.6
Time-vested restricted stock units	1.3	1.6	1.4
Market stock units	0.3	0.1	
Performance-vested restricted stock units settled in shares			0.1
Dilutive potential common shares	2.6	2.6	2.1
Shares used in calculating diluted earnings per share	245.0	254.9	289.5

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

(In millions)	For the Years Ended December 31,		
	2011	2010	2009
<b>Numerator:</b>			
Net income allocable to preferred stock	\$ 0.5	\$ 2.0	\$ 1.7
<b>Denominator:</b>			
Stock options		4.6	8.5
Time-vested restricted stock units		0.1	2.1
Market stock units			
Performance-vested restricted stock units settled in shares			0.2
Convertible preferred stock	0.1	0.5	0.5
Total	0.1	5.2	11.3

Earnings per share for the years ended December 31, 2011 and 2010 reflects, on a weighted average basis, the repurchase of 6.0 million shares and 40.3 million shares, respectively, of our common stock under our share repurchase authorizations.



**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****16. Share-based Payments*****Share-based Compensation Expense***

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

(In millions)	For the Years Ended December 31,		
	2011	2010	2009
Research and development	\$ 62.0	\$ 62.7	\$ 60.8
Selling, general and administrative	88.7	123.6	106.4
Restructuring charges	(0.6)	6.8	
Subtotal	150.1	193.1	167.2
Capitalized share-based compensation costs	(4.5)	(3.5)	(6.3)
Share-based compensation expense included in total cost and expenses	145.6	189.6	160.9
Income tax effect	(44.6)	(60.3)	(49.4)
Share-based compensation expense included in net income attributable to Biogen Idec Inc.	\$ 101.0	\$ 129.3	\$ 111.5

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

(In millions)	For the Years Ended December 31,		
	2011	2010	2009
Stock options	\$ 5.9	\$ 26.1	\$ 21.6
Market stock units	14.6	10.0	
Time-vested restricted stock units	89.6	129.4	133.7
Performance-vested restricted stock units settled in shares	1.0	5.3	4.6
Cash settled performance shares	32.7	15.0	
Employee stock purchase plan	6.3	7.3	7.3
Subtotal	150.1	193.1	167.2
Capitalized share-based compensation costs	(4.5)	(3.5)	(6.3)
Share-based compensation expense included in total cost and expenses	\$ 145.6	\$ 189.6	\$ 160.9

Windfall tax benefits from vesting of stock awards, exercises of stock options and ESPP participation were \$50.6 million, \$13.1 million and \$3.4 million in 2011, 2010 and 2009, respectively. These amounts have been calculated under the alternative transition method in accordance with U.S. GAAP.

As of December 31, 2011, unrecognized compensation cost related to unvested share-based compensation was approximately \$124.3 million, net of estimated forfeitures. We expect to recognize the cost of these unvested awards over a weighted-average period of 1.3 years.



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**BIAGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Share-Based Compensation Plans***

We have three share-based compensation plans pursuant to which awards are currently being made: (1) the Biogen Idec Inc. 2006 Non-Employee Directors Equity Plan (2006 Directors Plan); (2) the Biogen Idec Inc. 2008 Omnibus Equity Plan (2008 Omnibus Plan); and (3) the Biogen Idec Inc. 1995 Employee Stock Purchase Plan (ESPP). We have six share-based compensation plans under which there are outstanding awards, but from which no further awards can or will be made: (i) the IDEC Pharmaceuticals Corporation 1993 Non-Employee Directors Stock Option Plan; (ii) the IDEC Pharmaceuticals Corporation 1988 Stock Option Plan; (iii) the Biogen, Inc. 1985 Non-Qualified Stock Option Plan; (iv) the Biogen, Inc. 1987 Scientific Board Stock Option Plan; (v) the Biogen Idec Inc. 2003 Omnibus Equity Plan (2003 Omnibus Plan); and (vi) the Biogen Idec Inc. 2005 Omnibus Equity Plan (2005 Omnibus Plan). We have not made any awards pursuant to the 2005 Omnibus Plan since our stockholders approved the 2008 Omnibus Plan and do not intend to make any awards pursuant to the 2005 Omnibus Plan in the future, except that unused shares under the 2005 Omnibus Plan have been carried over for use under the 2008 Omnibus Plan.

***Directors Plan***

In May 2006, our stockholders approved the 2006 Directors Plan for share-based awards to our directors. Awards granted from the 2006 Directors Plan may include stock options, shares of restricted stock, restricted stock units, stock appreciation rights and other awards in such amounts and with such terms and conditions as may be determined by a committee of our Board of Directors, subject to the provisions of the plan. We have reserved a total of 1.6 million shares of common stock for issuance under the 2006 Directors Plan. The 2006 Directors Plan provides that awards other than stock options and stock appreciation rights will be counted against the total number of shares reserved under the plan in a 1.5-to-1 ratio.

***Omnibus Plans***

In June 2008, our stockholders approved the 2008 Omnibus Plan for share-based awards to our employees. Awards granted from the 2008 Omnibus Plan may include stock options, shares of restricted stock, restricted stock units, performance shares, shares of phantom stock, stock appreciation rights and other awards in such amounts and with such terms and conditions as may be determined by a committee of our Board of Directors, subject to the provisions of the plan. Shares of common stock available for issuance under the 2008 Omnibus Plan consist of 15.0 million shares reserved for this purpose, plus shares of common stock that remained available for issuance under the 2005 Omnibus Plan on the date that our stockholders approved the 2008 Omnibus Plan, plus shares that are subject to awards under the 2005 Omnibus Plan which remain unissued upon the cancellation, surrender, exchange or termination of such awards. The 2008 Omnibus Equity Plan provides that awards other than stock options and stock appreciation rights will be counted against the total number of shares available under the plan in a 1.5-to-1 ratio.

***Stock Options***

All stock option grants to employees are for a ten-year term and generally vest one-fourth per year over four years on the anniversary of the date of grant, provided the employee remains continuously employed with us. Stock option grants to directors are for ten-year terms and generally vest as follows: (1) grants made on the date of a director's initial election to our Board of Directors vest one-third per year over three years on the anniversary of the date of grant and (2) grants made for service on our Board of Directors vest on the first anniversary of the date of grant, provided in each case that the director continues to serve on our Board of Directors through the vesting date. Options granted under all plans are exercisable at a price per share not less than the fair market value of the underlying common stock on the date of grant. The estimated fair value of options, including the effect of estimated forfeitures, is recognized over the options' vesting periods. The fair

**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

value of the stock options granted in 2010 and 2009 was estimated as of the date of grant using a Black-Scholes option valuation model that uses the following weighted-average assumptions:

	<b>For the Years Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Expected option life (in years)	**	4.5	4.7
Expected stock price volatility	**	30.8%	39.3%
Risk-free interest rate	**	2.0%	1.9%
Expected dividend yield	**	0.0%	0.0%
Per share grant-date fair value	**	\$ 16.52	\$ 18.00

\*\* There were no grants of stock options made in 2011.

The expected life of options granted is derived using assumed exercise rates based on historical exercise patterns and represents the period of time that options granted are expected to be outstanding. Expected stock price volatility is based upon implied volatility for our exchange-traded options and other factors, including historical volatility. After assessing all available information on either historical volatility, implied volatility, or both, we have concluded that a combination of both historical and implied volatility provides the best estimate of expected volatility. The risk-free interest rate used is determined by the market yield curve based upon risk-free interest rates established by the Federal Reserve, or non-coupon bonds that have maturities equal to the expected term. The dividend yield of zero is based upon the fact that we have not historically granted cash dividends, and do not expect to issue dividends in the foreseeable future. Stock options granted prior to January 1, 2006 were valued based on the grant date fair value of those awards, using the Black-Scholes option pricing model, as previously calculated for pro-forma disclosures.

The following table summarizes our stock option activity:

	<b>Shares</b>	<b>Weighted Average Exercise Price</b>
Outstanding at December 31, 2010	7,167,000	\$ 55.43
Granted		\$
Exercised	(5,235,000)	\$ 56.40
Cancelled	(241,000)	\$ 53.30
Outstanding at December 31, 2011	1,691,000	\$ 52.75

The total intrinsic values of options exercised in 2011, 2010 and 2009 totaled \$149.0 million, \$50.5 million, and \$6.7 million, respectively. The aggregate intrinsic values of options outstanding as of December 31, 2011 totaled \$96.8 million. The weighted average remaining contractual term for options outstanding as of December 31, 2011 was 4.9 years.

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Of the options outstanding, 1.3 million were exercisable as of December 31, 2011. The exercisable options had a weighted-average exercise price of \$52.35. The aggregate intrinsic value of options exercisable as of December 31, 2011 was \$73.6 million. The weighted average remaining contractual term for options exercisable as of December 31, 2011 was 4.1 years.

A total of 1.6 million vested and expected to vest options were outstanding as of December 31, 2011. These vested and expected to vest options had a weighted average exercise price of \$52.74 and an aggregated intrinsic value of \$94.3 million. The weighted average remaining contractual term of vested and expected to vest options as of December 31, 2011 was 4.8 years.

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**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the amount of tax benefit realized for stock options and cash received from the exercise of stock options:

(In millions)	For the Years Ended December 31,		
	2011	2010	2009
Tax benefit realized for stock options	\$ 47.5	\$ 16.0	\$ 1.5
Cash received from the exercise of stock options	\$ 291.9	\$ 160.0	\$ 25.2

***Market Stock Units (MSUs)***

MSUs awarded to employees vest in four equal annual increments beginning on the anniversary of the grant date. The vesting of these awards is subject to the respective employee's continued employment. The number of MSUs granted represents the target number of units that are eligible to be earned based on the attainment of certain market-based criteria involving our stock price. The number of MSUs earned is calculated at each annual anniversary from the date of grant over the respective vesting periods, resulting in multiple performance periods. Participants may ultimately earn between 0% and 150% of the target number of units granted based on actual stock performance. Accordingly, additional MSUs may be issued or currently outstanding MSUs may be cancelled upon final determination of the number of awards earned. Compensation expense, including the effect of forfeitures, is recognized over the applicable service period.

The following table summarizes our MSU activity:

	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2010	398,000	\$ 61.87
Granted (a)	398,000	\$ 74.19
Vested	(119,000)	\$ 59.89
Forfeited	(96,000)	\$ 65.37
Unvested at December 31, 2011	581,000	\$ 69.49

- (a) MSUs granted in 2011, includes approximately 26,000 additional MSUs issued in 2011 based upon the attainment of performance criteria set for 2010 in relation to shares granted in 2010. The remainder of the MSUs granted in 2011 represents the target number of shares eligible to be earned at the time of grant. These grants were made in conjunction with the hiring of employees and our annual awards made in February 2011.

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

	For the Years Ended December 31,	
	2011	2010
Expected dividend yield	0%	0%
Range of expected stock price volatility	25.7% - 33.4%	28.3% - 38.8%



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Range of risk-free interest rates	0.3% - 1.9%	0.3% - 2.0%
60 calendar day average stock price on grant date	\$66.78 - \$101.16	\$49.08 - \$54.12
Weighted-average per share grant date fair value	\$ 74.19	\$ 61.87

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**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Cash Settled Performance Shares (CSPSs)***

CSPSs awarded to employees vest in three equal annual increments beginning on the anniversary of the grant date. The vesting of these awards is subject to the respective employee's continued employment with such awards settled in cash. The number of CSPSs granted represents the target number of units that are eligible to be earned based on the attainment of certain performance measures established at the beginning of the performance period, which ends on December 31<sup>st</sup> of each year. Participants may ultimately earn between 0% and 200% of the target number of units granted based on the degree of actual performance metric achievement. Accordingly, additional CSPSs may be issued or currently outstanding CSPSs may be cancelled upon final determination of the number of units earned. CSPSs are settled in cash based on the 60 calendar day average closing stock price through each vesting date once the actual vested and earned number of units is known. Since no shares are issued, these awards will not dilute equity. Compensation expense, including the effect of forfeitures, is recognized over the applicable service period.

The following table summarizes our CSPS activity:

<b>(In thousands)</b>	<b>Shares</b>
Unvested at December 31, 2010	370,000
Granted (a)	490,000
Vested	(187,000)
Forfeited	(111,000)
Unvested at December 31, 2011	562,000

- (a) CSPSs granted in 2011 includes approximately 95,000 additional CSPSs issued in 2011 based upon the attainment of performance criteria set for 2010 in relation to shares granted in 2010. The remainder of the CSPSs granted in 2011 represents the target number of shares eligible to be earned at the time of grant. These grants were made in conjunction with the hiring of employees and our annual awards made in February 2011.

During 2011, we paid \$13.4 million of cash in settlement of CSPS awards upon vesting.

***Time-Vested Restricted Stock Units (RSUs)***

RSUs awarded to employees generally vest no sooner than one-third per year over three years on the anniversary of the date of grant, or upon the third anniversary of the date of the grant, provided the employee remains continuously employed with us, except as otherwise provided in the plan. Shares of our common stock will be delivered to the employee upon vesting, subject to payment of applicable withholding taxes. RSUs awarded to directors for service on our Board of Directors vest on the first anniversary of the date of grant, provided in each case that the director continues to serve on our Board of Directors through the vesting date. Shares of our common stock will be delivered to the director upon vesting and are not subject to any withholding taxes. The fair value of all RSUs is based on the market value of our stock on the date of grant. Compensation expense, including the effect of forfeitures, is recognized over the applicable service period.

The following table summarizes our RSU activity:

	<b>Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Unvested at December 31, 2010	4,223,000	\$ 53.26
Granted	1,398,000	\$ 70.01
Vested	(1,980,000)	\$ 53.72
Forfeited	(717,000)	\$ 54.20
Unvested at December 31, 2011	2,924,000	\$ 60.72

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**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

RSUs granted in 2010 and 2009 had weighted average grant date fair values of \$54.79 and \$48.93, respectively.

***Performance-Vested Restricted Stock Units (PVRsUs)***

The following table summarizes our PVRsU activity:

	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2010	154,000	\$ 49.24
Granted (a)	1,000	\$ 53.64
Vested	(75,000)	\$ 49.51
Forfeited	(33,000)	\$ 48.61
Unvested at December 31, 2011	47,000	\$ 49.34

- (a) PVRsUs granted in 2011 represents additional shares earned for performance criteria set for 2010 in relation to shares granted in 2010. No other grants of PVRsUs were made in 2011.

***Grant Activity***

In 2010 and 2009, approximately 4,000 and 325,000 PVRsUs were granted with weighted average grant date fair values of \$53.64 and \$49.42 per share, respectively. The number of PVRsUs reflected as granted represents the target number of shares that are eligible to vest in full or in part and are earned subject to the attainment of certain performance criteria established at the beginning of the performance period, which ended December 31, 2009. Participants may ultimately earn up to 200% of the target number of shares granted in the event that the maximum performance thresholds are attained. Accordingly, additional PVRsUs may be issued upon final determination of the number of awards earned.

Once the earned number of performance-vested awards has been determined, the earned PVRsUs will then vest in three equal increments on (1) the later of the first anniversary of the grant date or the date of results determination; (2) the second anniversary of the grant date; and (3) the third anniversary of the grant date. The vesting of these awards is also subject to the respective employees' continued employment. Compensation expense associated with these PVRsUs is initially based upon the number of shares expected to vest after assessing the probability that certain performance criteria will be met and the associated targeted payout level that is forecasted will be achieved, net of estimated forfeitures. Cumulative adjustments are recorded quarterly to reflect subsequent changes in the estimated outcome of performance-related conditions until the date results are determined.

***Employee Stock Purchase Plan (ESPP)***

The following table summarizes our ESPP activity:

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(In millions)	For the Years Ended December 31,		
	2011	2010	2009
Shares issued under ESPP	0.4	0.6	0.6
Cash received under ESPP	\$ 22.8	\$ 23.5	\$ 22.6

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**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Other***

As part of the employee severance and benefits packages offered to employees affected by our workforce reduction made in connection with our 2010 restructuring initiative, we agreed to settle certain existing equity awards in cash, which resulted in an incremental charge of approximately \$6.8 million recognized in the fourth quarter of 2010. This charge is reflected within our consolidated statement of income as a component of our total restructuring charge incurred in 2010.

In accordance with the transition agreement entered into with James C. Mullen who retired as our President and Chief Executive Officer on June 8, 2010, we agreed with Mr. Mullen, amongst other provisions, to vest all of Mr. Mullen's then-unvested equity awards on the date of his retirement and allow Mr. Mullen to exercise his vested stock options until June 8, 2013 or their expiration, whichever is earlier. The modifications to Mr. Mullen's existing stock options, RSUs and PVRs resulted in an incremental charge of approximately \$18.6 million, which was recognized evenly over the service period from January 4, 2010 to June 8, 2010 as per the terms of the transition agreement.

**17. Income Taxes*****Income Tax Expense***

Income before income tax provision and the income tax expense consist of the following:

(In millions)	For the Years Ended December 31,		
	2011	2010	2009
<i>Income before income taxes (benefit):</i>			
Domestic	\$ 1,408.9	\$ 846.4	\$ 1,073.8
Foreign	302.3	383.5	258.9
Total	\$ 1,711.2	\$ 1,229.9	\$ 1,332.7
<i>Income tax expense (benefit):</i>			
Current			
Federal	\$ 231.7	\$ 357.7	\$ 439.9
State	15.1	19.6	3.1
Foreign	44.1	35.4	50.0
Total	\$ 290.9	\$ 412.7	\$ 493.0
Deferred			
Federal	\$ 160.9	\$ (70.6)	\$ (94.8)
State	(8.1)	(6.6)	(39.0)
Foreign	0.8	(4.2)	(3.6)
Total	153.6	(81.4)	(137.4)
Total income tax expense	\$ 444.5	\$ 331.3	\$ 355.6



**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Deferred Tax Assets and Liabilities***

Significant components of our deferred tax assets and liabilities are summarized as follows:

(In millions)	As of December 31,	
	2011	2010
<i>Deferred tax assets</i>		
Tax credits	\$ 60.0	\$ 47.6
Inventory, other reserves, and accruals	104.1	203.1
Capitalized costs	5.3	6.7
Intangibles, net	75.8	61.8
Net operating loss	22.9	35.3
Share-based compensation	54.7	64.4
Other	45.7	70.3
Valuation allowance	(10.8)	(10.8)
Total deferred tax assets	\$ 357.7	\$ 478.4
<i>Deferred tax liabilities</i>		
Purchased intangible assets	\$ (384.8)	\$ (446.1)
Unrealized gain on investments and cumulative translation adjustment	(3.5)	(6.6)
Inventory	(76.8)	
Depreciation, amortization and other	(133.1)	(114.4)
Total deferred tax liabilities	\$ (598.2)	\$ (567.1)

***Tax Rate***

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

	For the Years Ended December 31,		
	2011	2010	2009
Statutory rate	35.0%	35.0%	35.0%
State taxes	1.7	1.7	(0.1)
Taxes on foreign earnings	(5.9)	(10.7)	(5.0)
Credits and net operating loss utilization	(4.4)	(3.0)	(3.8)
Purchased intangible assets	1.3	1.9	2.0
IPR&D		5.0	
Permanent items	(1.2)	(2.0)	(1.3)
Contingent consideration	0.7		



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Other	(1.2)	(1.0)	(0.1)
Effective tax rate	26.0%	26.9%	26.7%

As of December 31, 2011, we had net operating losses and general business credit carry forwards for federal income tax purposes of approximately \$27.2 million and \$1.9 million, respectively, which begin to expire in 2022. Additionally, for state income tax purposes, we had net operating loss carry forwards of approximately \$57.1 million, which begin to expire in 2012. For state income tax purposes, we also had research and investment credit carry forwards of approximately \$101.6 million, of which approximately \$0.9 million begin to expire in 2012.

In assessing the realizability of our deferred tax assets, we have considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax

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**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In making this determination, under the applicable financial reporting standards, we are allowed to consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. Our estimates of future taxable income take into consideration, among other items, our estimates of future income tax deductions related to the exercise of stock options. Based upon the level of historical taxable income and income tax liability and projections for future taxable income over the periods in which the deferred tax assets are utilizable, we believe it is more likely than not that we will realize the benefits of the deferred tax assets of our wholly owned subsidiaries. At December 31, 2011, we have a full valuation allowance on the deferred tax assets of a variable interest entity which we consolidate, based on uncertainties related to the realization of some of those assets. These assets totalling \$10.8 million are excluded from our credit and loss carryforwards described above. In the event that actual results differ from our estimates or we adjust our estimates in future periods, we may need to establish a valuation allowance, which could materially impact our financial position and results of operations.

As of December 31, 2011, undistributed foreign earnings of non-U.S. subsidiaries included in consolidated retained earnings and other basis differences aggregated approximately \$2.7 billion. We intend to reinvest these earnings indefinitely in operations outside the U.S. The residual U.S. tax liability, if such amounts were remitted, would be approximately \$600 million to \$700 million as of December 31, 2011.

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

A reconciliation of the beginning and ending amount of our unrecognized tax benefits is summarized as follows:

<b>(In millions)</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Balance at January 1,	\$ 121.5	\$ 147.1	\$ 249.6
Additions based on tax positions related to the current period	2.2	3.6	14.4
Additions for tax positions of prior periods	48.6	13.3	77.4
Reductions for tax positions of prior periods	(75.8)	(18.5)	(88.7)
Statute expirations	(2.3)	(3.7)	
Settlements	(29.8)	(20.3)	(105.6)
Balance at December 31,	\$ 64.4	\$ 121.5	\$ 147.1

We and our subsidiaries are routinely examined by various taxing authorities. We file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal tax examination for years before 2010 or state, local, or non-U.S. income tax examinations by tax authorities for years before 2004. During the year, we adjusted our unrecognized tax benefits to reflect new information arising during our ongoing audit examinations.

In October 2011, in conjunction with our examination, the IRS has proposed a disallowance of approximately \$130 million in deductions for tax years 2007, 2008 and 2009 related to payments for services from our Danish contract manufacturing affiliate. We believe that these deductions represent valid deductible business expenses and will vigorously defend our position.

Included in the balance of unrecognized tax benefits as of December 31, 2011, 2010, and 2009 are \$31.3 million, \$26.2 million, and \$42.8 million (net of the federal benefit on state issues), respectively, of unrecognized tax benefits that, if recognized, would affect the effective income tax rate in future periods. We recognize potential interest and penalties accrued related to unrecognized tax benefits in income tax expense.

We do not anticipate any significant changes in our positions in the next twelve months other than expected settlements which have been classified as current liabilities within the accompanying balance sheet.



**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

We recognize potential interest and penalties accrued related to unrecognized tax benefits in income tax expense. In 2011, as we settled certain uncertain tax positions, we recognized a net interest benefit of \$12.9 million. During 2010, we recognized net interest expense of \$0.7 million. In 2009, we recognized a net interest benefit of approximately \$3.1 million. We have accrued approximately \$3.9 million and \$29.4 million for the payment of interest as of December 31, 2011 and 2010, respectively.

*Contingencies*

In 2006, the Massachusetts Department of Revenue (DOR) issued a Notice of Assessment against Biogen Idec MA Inc. (BIMA), one of our wholly-owned subsidiaries, for \$38.9 million of corporate excise tax for 2002, which includes associated interest and penalties. The assessment asserted that the portion of sales attributable to Massachusetts (sales factor), the computation of BIMA's research and development credits and certain deductions claimed by BIMA were not appropriate, resulting in unpaid taxes for 2002. We filed an abatement application with the DOR seeking abatements for 2001, 2002 and 2003. Our abatement application was denied and on July 25, 2007, we filed a petition with the Massachusetts Appellate Tax Board (the Massachusetts ATB) seeking, among other items, abatements of corporate excise tax for 2001, 2002 and 2003 and adjustments in certain credits and credit carry forwards for 2001, 2002 and 2003. On August 18, 2011, we reached a settlement with the DOR under which we agreed to pay \$7.0 million in taxes, plus \$5.0 million of interest, and agreed on the nature and amount of tax credits carried forward into 2004. This resolution did not have a significant impact on our results of operations, is related only to the 2001, 2002 and 2003 tax years, and does not resolve matters in dispute for subsequent periods.

On June 8, 2010, we received Notices of Assessment from the DOR against BIMA for \$103.5 million of corporate excise tax, including associated interest and penalties, related to our 2004, 2005 and 2006 tax filings.

We filed an abatement application with the DOR seeking abatement for 2004, 2005 and 2006. Our abatement application was denied in December 2010, and we filed a petition appealing the denial with the ATB on February 3, 2011. For all periods under dispute, we believe that positions taken in our tax filings are valid and believe that we have meritorious defenses in these disputes. We are contesting these matters vigorously.

The audits of our tax filings for 2007 and 2008 have not yet been completed but have been prepared in a manner consistent with prior filings which may result in an assessment for those years. Due to tax law changes effective January 1, 2009, the computation and deductions at issue in previous tax filings have not been part of our tax filings in Massachusetts starting in 2009.

We believe that these assessments do not impact the level of liabilities for income tax contingencies. However, there is a possibility that we may not prevail in defending all of our assertions with the DOR. If these matters are resolved unfavorably in the future, the resolution could have a material adverse impact on the effective tax rate and our results of operations.

**18. Other Consolidated Financial Statement Detail***Supplemental Cash Flow Information*

Supplemental disclosure of cash flow information for the years ended December 31, 2011, 2010 and 2009 is as follows:

(In millions)	For the Years Ended December 31,		
	2011	2010	2009
Cash paid during the year for:			
Interest	\$ 66.7	\$ 68.1	\$ 68.1
Income taxes	\$ 332.7	\$ 394.7	\$ 745.4

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**Table of Contents****BIAGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In September 2011, upon completion of our acquisition of the noncontrolling interest in our joint venture investments in Biogen Dompé SRL and Biogen Dompé Switzerland GmbH, we recorded a contingent consideration liability of \$38.8 million.

In connection with the construction of the new Cambridge facilities that will be leased by us when the construction is completed, we have recorded an asset along with a corresponding financing obligation on our consolidated balance sheet as of December 31, 2011 totaling approximately \$2.2 million. For additional information related to these transactions, please read Note 11, *Property, Plant & Equipment* to these consolidated financial statements.

In December 2010, upon completion of our acquisition of BIN, we recorded \$110.9 million of in-process research and development and \$25.6 million of goodwill. In addition, we also assumed a contingent consideration liability of \$81.2 million and a deferred tax liability of \$23.7 million.

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

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

(In millions)	For the Years Ended December 31,		
	2011	2010	2009
Interest income	\$ 19.2	\$ 22.3	\$ 48.5
Interest expense	(33.0)	(36.1)	(35.8)
Impairments on investments	(11.5)	(21.3)	(10.6)
Gain (loss) on sales of investments, net	17.4	16.3	22.8
Foreign exchange gains (losses), net	(6.3)	(3.5)	11.4
Other, net	0.7	3.3	1.0
<b>Total other income (expense), net</b>	<b>\$ (13.5)</b>	<b>\$ (19.0)</b>	<b>\$ 37.3</b>

***Other Current Assets***

Other current assets consist of the following:

(In millions)	As of December 31,	
	2011	2010
Deferred tax assets	\$ 8.1	\$ 112.2
Derivative assets	39.5	1.3
Prepaid taxes	15.2	31.4
Receivable from collaborations	11.4	7.3
Interest receivable	6.5	4.9
Other prepaid expenses	45.5	47.9
Other	18.4	10.8

Total other current assets	\$ 144.6	\$ 215.8
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**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Accrued Expenses and Other***

Accrued expenses and other consists of the following:

(In millions)	As of December 31, 2011	2010
Employee compensation and benefits	\$ 176.3	\$ 159.7
Revenue-related rebates	115.0	105.3
Deferred revenue	69.6	41.3
Royalties and licensing fees	47.4	45.1
Collaboration expenses	44.2	31.6
Clinical development expenses	40.8	24.4
Construction in progress accrual	22.8	16.4
Interest payable	21.6	21.6
Current portion of contingent consideration	10.8	11.9
Restructuring charges	1.4	66.4
Derivative liabilities	0.5	12.2
Other	126.8	130.0
<b>Total accrued expenses and other</b>	<b>\$ 677.2</b>	<b>\$ 665.9</b>

For a discussion of restructuring charges accrued as of December 31, 2011 and 2010, please read Note 3, *Restructuring* to these consolidated financial statements.

**19. Investments in Variable Interest Entities*****Consolidated Variable Interest Entities***

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

***Investments in Joint Ventures***

On September 6, 2011, we completed the purchase of the noncontrolling interest in our joint venture investments in Biogen Dompé SRL and Biogen Dompé Switzerland GmbH, our respective sales affiliates in Italy and Switzerland, from our joint venture partners, Dompé Farmaceutici SpA and Dompé International SA, respectively. Prior to this transaction, our consolidated financial statements reflected 100% of the operations of these joint venture investments and we recorded net income (loss) attributable to noncontrolling interests in our consolidated statements of income based on the percentage of ownership interest retained by our joint venture partners as we retained the power to direct the activities which most significantly and directly impacted their economic performance. We have continued to consolidate the operations of these entities following our purchase of the noncontrolling interest; however, as of September 6, 2011, we no longer allocate 50% of the earnings of these affiliates to net income (loss) attributable to noncontrolling interests as Biogen Dompé SRL and Biogen Dompé Switzerland GmbH became wholly-owned subsidiaries of the Company.

Until we completed our purchase of the noncontrolling interests, the assets of these joint ventures were restricted, from the standpoint of Biogen Idec, in that they were not available for our general business use outside the context of each joint venture. The joint ventures' most significant assets were accounts receivable from the ordinary course of business. The holders of the liabilities of each joint venture, including the credit line



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from Dompé Farmaceutici SpA to Biogen Dompé SRL, had no recourse to Biogen Idec. Balances outstanding under Biogen Dompé SRL's credit line were repaid in connection with this transaction. In addition, Dompé

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**Table of Contents****BIAGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Farmaceutici SpA purchased all of Biogen Dompé SRL's outstanding receivables as of June 30, 2011, adjusted for cash received through September 5, 2011. For additional information related to this transaction, please read Note 2, *Acquisitions* to these consolidated financial statements.

*Knopp*

In August 2010, we entered into a license agreement with Knopp Neurosciences, Inc. (Knopp), a subsidiary of Knopp Holdings, LLC, for the development, manufacture and commercialization of dexamipexole, an orally administered small molecule in clinical development for the treatment of amyotrophic lateral sclerosis (ALS). We are responsible for all development activities and, if successful, we will also be responsible for the manufacture and global commercialization of dexamipexole. Under the terms of the license agreement we made a \$26.4 million upfront payment and agreed to pay Knopp up to an additional \$265.0 million in development and sales-based milestone payments, as well as royalties on future commercial sales. In addition, we also purchased 30.0% of the Class B common shares of Knopp for \$60.0 million.

Due to the terms of the license agreement and our investment in Knopp, we determined that we are the primary beneficiary of Knopp as we have the power to direct the activities that most significantly impact Knopp's economic performance. As such, we consolidate the results of Knopp. As the license agreement with Knopp only gives us access to the underlying intellectual property of dexamipexole and we did not acquire any employees or other processes, we determined that this transaction was an acquisition of an asset rather than a business. Therefore, we recorded an IPR&D charge of approximately \$205.0 million upon the initial consolidation of Knopp, which is included within our consolidated statement of income for 2010. The amount allocated to IPR&D represents the fair value of the intellectual property of Knopp, which as of the effective date of the agreement, had not reached technological feasibility and had no alternative future use. This charge was determined using internal models based on projected revenues and development costs and adjusted for industry-specific probabilities of success. We attributed approximately \$145.0 million of the IPR&D charge to the noncontrolling interest.

In March 2011, we dosed the first patient in a registrational study for dexamipexole. The achievement of this milestone resulted in a \$10.0 million payment due to Knopp. As we consolidate Knopp, we recognized this payment as a charge to noncontrolling interests in the first quarter of 2011.

Although we have assumed responsibility for the development of dexamipexole, we may also be required to reimburse certain Knopp expenses directly attributable to the license agreement. Any additional amounts incurred by Knopp that we reimburse will be reflected within total cost and expenses in our consolidated statements of income. Future development and sales-based milestone payments will also be reflected within our consolidated statements of income as a charge to noncontrolling interests, when such milestones are achieved.

A summary of activity related to this collaboration, excluding the initial accounting for the consolidation of Knopp, is as follows:

(In millions)	For the Years Ended December 31,	
	2011	2010
Total upfront payments made to Knopp	\$	\$ 26.4
Milestone payments made to Knopp	\$ 10.0	\$
Total development expense incurred by the collaboration excluding upfront and milestone payments	\$ 44.8	\$ 5.0
Biogen Idec's share of expense reflected within our consolidated statements of income	\$ 54.8	\$ 31.4
Collaboration expense attributed to noncontrolling interests, net of tax	\$ 8.6	\$

**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A summary of activity related to this collaboration since inception, along with an estimate of additional future development expenses expected to be incurred by us, is as follows:

(In millions)	As of December 31, 2011
Total upfront and milestone payments made to Knopp	\$ 36.4
Total development expense incurred by Biogen Idec, excluding upfront and milestone payments	\$ 49.8
Estimate of additional amounts to be incurred by us in development of dextramipexole	\$ 260.0

The assets and liabilities of Knopp are not significant to our financial position or results of operations. We have provided no financing to Knopp other than previously contractually required amounts disclosed above.

*Neurimmune SubOne AG*

In 2007, we entered into a collaboration agreement with Neurimmune SubOne AG (Neurimmune), a subsidiary of Neurimmune AG, for the development and commercialization of antibodies for the treatment of Alzheimer's disease. Neurimmune conducts research to identify potential therapeutic antibodies and we are responsible for the development, manufacturing and commercialization of all products. Based upon our current development plans, we may pay Neurimmune up to \$345.0 million in remaining milestone payments, as well as royalties on sales of any resulting commercial products.

We determined that we are the primary beneficiary of Neurimmune because we have the power through the collaboration to direct the activities that most significantly impact the entity's economic performance and are required to fund 100% of the research and development costs incurred in support of the collaboration agreement.

Amounts that are incurred by Neurimmune for research and development expenses incurred in support of the collaboration that we reimburse are reflected in research and development expense in our consolidated statements of income. In April 2011, we submitted an Investigational New Drug application for BIIB037 (human anti-Amyloid  $\beta$  mAb) a beta-amyloid removal therapy, which triggered a \$15.0 million milestone payment due to Neurimmune. BIIB037 is being developed for the treatment of Alzheimer's disease. As we consolidate Neurimmune, we recognized this payment as a charge to noncontrolling interests in the second quarter of 2011. Future milestone payments will be reflected within our consolidated statements of income as a charge to the noncontrolling interest, net of tax, when such milestones are achieved.

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

(In millions)	For the Years Ended December 31,		
	2011	2010	2009
Milestone payments made to Neurimmune	\$ 15.0	\$	\$ 7.5
Total development expense incurred by the collaboration, excluding upfront and milestone payments	\$ 9.0	\$ 15.5	\$ 9.0
Biogen Idec's share of expense reflected within our consolidated statements of income	\$ 24.0	\$ 15.5	\$ 16.5
Collaboration expense attributed to noncontrolling interests, net of tax	\$ 14.7	\$ 1.0	\$

**Table of Contents****BIAGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A summary of activity related to this collaboration since inception, along with an estimate of additional future development expenses expected to be incurred by us, is as follows:

(In millions)	As of December 31, 2011
Total upfront and milestone payments made to Neurimmune	\$ 35.0
Total development expense incurred by Biogen Idec, excluding upfront and milestone payments	\$ 40.0
Estimate of additional amounts to be incurred by us in development of the lead compound	\$ 800.0

The assets and liabilities of Neurimmune are not significant to our financial position or results of operations as it is a research and development organization. We have provided no financing to Neurimmune other than previously contractually required amounts.

In December 2010, we completed our acquisition of BIN from Neurimmune AG, a related party to this collaboration. For additional information related to this transaction, please read Note 2, *Acquisitions* to these consolidated financial statements.

***Unconsolidated Variable Interest Entities***

We have relationships with other variable interest entities which we do not consolidate as we lack the power to direct the activities that significantly impact the economic success of these entities. These relationships include investments in certain biotechnology companies and research collaboration agreements. For additional information related to our significant collaboration arrangements with unconsolidated variable interest entities, please read Note 20, *Collaborations* to these consolidated financial statements.

As of December 31, 2011, the total carrying value of our investments in biotechnology companies that we have determined to be variable interest entities is \$14.6 million. Our maximum exposure to loss related to these variable interest entities is limited to the carrying value of our investments.

We have entered into research collaborations with certain variable interest entities where we are required to share or fund certain development activities. These development activities are included in research and development expense within our consolidated statements of income, as they are incurred. Depending on the collaborative arrangement, we may record funding receivables or payable balances with our partners, based on the nature of the cost-sharing mechanism and activity within the collaboration. As of December 31, 2011, we had no significant receivables or payables related to cost sharing arrangements with unconsolidated variable interest entities at December 31, 2011 and 2010, respectively.

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

***Samsung Biosimilar Agreement***

On December 5, 2011, we entered into an agreement with Samsung BioLogics Co. Ltd. (Samsung) to establish an entity to develop, manufacture and market biosimilar pharmaceuticals. Under the terms of the agreement, Samsung will contribute approximately \$255.0 million for an 85 percent stake in the entity and Biogen Idec will contribute approximately \$45.0 million for the remaining 15 percent ownership interest. Our investment will initially be limited to this initial contribution as we have no obligation to provide any additional funding; however, we maintain an option to purchase additional stock in the entity in order to increase our ownership percentage up to 49.9 percent. The exercise of this option is within our control.

Samsung will retain the contractual power to direct the activities of the entity which will most significantly and directly impact its economic performance. We will account for this investment under the equity method of

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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

accounting as we maintain the ability to exercise significant influence over the entity through a presence on the entity's Board of Directors and our contractual relationship. Therefore, we will reflect our percentage of the entity's income or loss within our consolidated statements of income.

Completion of the transaction is subject to customary closing conditions.

**20. Collaborations**

In connection with our business strategy, we have entered into various collaboration agreements which provide us with rights to develop, produce and market products using certain know-how, technology and patent rights maintained by our collaborative partners. Terms of the various collaboration agreements may require us to make milestone payments upon the achievement of certain product research and development objectives and pay royalties on future sales, if any, of commercial products resulting from the collaboration.

***Genentech (Roche Group)***

We collaborate with Genentech, Inc., a wholly-owned member of the Roche Group, on the development and commercialization of RITUXAN and other anti-CD20 products. Our collaboration rights are limited to the U.S. and our rights to products licensed by Genentech are dependent upon Genentech's underlying license rights.

Our collaboration agreement does not have a fixed term and will continue in effect until we mutually agree to terminate the collaboration, except that if we undergo a change in control, as defined in the collaboration agreement, Genentech has the right to present an offer to buy the rights to RITUXAN and we must either accept Genentech's offer or purchase Genentech's rights on the same terms as its offer. Genentech will also be deemed concurrently to have purchased our rights to the other anti-CD20 products now in development in exchange for a royalty. Our collaboration with Genentech was created through a contractual arrangement and not through a joint venture or other legal entity.

In October 2010, we amended our collaboration agreement with Genentech with regard to the development of ocrelizumab and agreed to terms for the development of GA101, as summarized below. This amendment did not have an impact on our share of the co-promotion operating profits of RITUXAN in either 2011 or 2010.

**Ocrelizumab**

Genentech is now solely responsible for the further development and commercialization of ocrelizumab and funding future costs. Genentech cannot develop ocrelizumab in CLL, NHL or RA without our consent. We will receive tiered royalties between 13.5% and 24% on U.S. sales of ocrelizumab. Commercialization of ocrelizumab will not impact the percentage of the co-promotion profits we receive for RITUXAN.

**GA101**

We will pay 35% of the development and commercialization expenses of GA101 and will receive between 35% and 39% of the profits of GA101 based upon the achievement of certain sales milestones. Before the October 2010 amendment and restatement of our collaboration agreement, we had paid 30% of the GA101 development expenses. During the fourth quarter of 2010, we paid approximately \$10.0 million to compensate Genentech for our increased share of such previously incurred expenses. Commercialization of GA101 will impact our percentage of the co-promotion profits for RITUXAN, as summarized in the table below.

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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**RITUXAN**

While Genentech is responsible for the worldwide manufacturing of RITUXAN, development and commercialization rights and responsibilities under this collaboration are divided as follows:

*U.S.*

We share with Genentech co-exclusive rights to develop, commercialize and market RITUXAN in the U.S. For 2010 and 2009, we contributed to the marketing and continued development of RITUXAN by maintaining a limited sales force dedicated to RITUXAN and performing limited development activity. However, during the fourth quarter of 2010, we agreed with Genentech to eliminate our current RITUXAN oncology and rheumatology sales force, with Genentech assuming sole responsibility for the U.S. sales and marketing of RITUXAN.

*Canada*

We and Genentech have assigned our rights under our collaboration agreement with respect to Canada to Roche.

*Outside the U.S. and Canada*

We have granted Genentech exclusive rights to develop, commercialize and market RITUXAN outside the U.S. and Canada. Under the terms of separate sublicense agreements between Genentech and Roche, development and commercialization of RITUXAN outside the U.S. and Canada is the responsibility of Roche and its sublicensees. We do not have any direct contractual arrangements with Roche or its sublicensees.

Under the terms of the collaboration agreement, we will be paid royalties between 10% and 12% on sales of RITUXAN outside the U.S. and Canada, with the royalty period lasting 11 years from the first commercial sale of RITUXAN on a country-by-country basis. The royalty periods for substantially all of the remaining royalty-bearing sales of RITUXAN in the rest of world markets will expire in 2012. As a result of these expirations, we expect royalty revenues on sales of RITUXAN in the rest of world to continue to decline in 2012. After 2012, we expect revenue on sales of RITUXAN in the rest of world will primarily be limited to our share of pre-tax co-promotion profits in Canada.

**Co-promotion Profit-sharing Formula**

Our current pretax co-promotion profit-sharing formula for RITUXAN, which resets annually, provides for a 30% share of co-promotion profits on the first \$50.0 million of co-promotion operating profit with our share increasing to 40% if co-promotion operating profits exceed \$50.0 million. Under the amended agreement, our share of the co-promotion profits for RITUXAN will change, as summarized in the table below, upon the following events:

**First New Product FDA Approval:** the FDA's first approval of an anti-CD20 product other than ocrelizumab and GA101 that is acquired or developed by Genentech and is subject to the collaboration agreement (New Product).

**First Non-CLL GA101 FDA Approval:** the FDA's first approval of GA101 in an indication other than CLL.

**GA101 CLL Sales Trigger:** the first day of the quarter after U.S. gross sales of GA101 in any consecutive 12 month period reach \$500.0 million.



**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Our share of the co-promotion operating profits for RITUXAN is calculated as follows:

	After First New Product FDA Approval	Before First New Product FDA Approval First Non-CLL GA101 FDA Approval Occurs First	GA101 CLL Sales Trigger Occurs First
<b>Co-promotion Operating Profits</b>			
I. First \$50.0 million	30%	30%	30%
II. Above \$50.0 million			35%
A. Until First GA101 Threshold Date	38%	39%	
B. After First GA101 Threshold Date			
1(a). Until First Threshold Date	37.5%		
1(b). After First Threshold Date and until Second Threshold Date	35%		
1(c). After Second Threshold Date	30%		
2. Until Second GA101 Threshold Date		37.5%	
C. After Second GA101 Threshold Date		35%	

First GA101 Threshold Date means the earlier of (1) the date of the First Non-CLL GA101 FDA Approval if U.S. gross sales of GA101 for the preceding consecutive 12 month period were at least \$150.0 million or (2) the first day of the calendar quarter after the date of the First Non-CLL GA101 FDA Approval that U.S. gross sales of GA101 within any consecutive 12 month period have reached \$150.0 million.

Second GA101 Threshold Date means the first day of the calendar quarter after U.S. gross sales of GA101 within any consecutive 12 month period have reached \$500.0 million.

First Threshold Date means the earlier of (1) the GA101 CLL Sales Trigger, (2) the Second GA101 Threshold Date and (3) the later of (a) the first date that U.S. gross sales of New Products in any calendar year reach \$150.0 million and (b) January 1 of the calendar year following the calendar year in which the First New Product FDA Approval occurs if gross sales of New Products reached \$150.0 million within the same calendar year in which the First New Product FDA Approval occurred.

Second Threshold Date means the later of (1) the first date that U.S. gross sales of New Products in any calendar year reach \$350.0 million and (2) January 1 of the calendar year following the calendar year in which the First Threshold Date occurs.

Our collaboration agreement also provides that we will be paid low single digit royalties on sales outside the U.S. and Canada of new anti-CD20 products developed or licensed by Genentech or controlled by us. These royalties will be payable for a period of 11 years from the first commercial sale of such products on a country-by-country basis.

**Unconsolidated Joint Business Revenues**

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



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**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

pretax co-promotion profits in Canada and royalty revenues on sales of RITUXAN outside the U.S. on a cash basis. Additionally, our share of the pre-tax co-promotion profits in the U.S. includes estimates made by Genentech and those estimates are subject to change. Actual results may ultimately differ from our estimates.

In June 2011, the collaboration recognized a charge of approximately \$125.0 million, representing an estimate of compensatory damages and interest that might be awarded to Hoechst GmbH (Hoechst), in relation to an intermediate decision by the arbitrator in Genentech's ongoing arbitration with Hoechst. As a result of this charge to the collaboration, our share of RITUXAN revenues from unconsolidated joint business was reduced by approximately \$50.0 million in the second quarter of 2011. This \$50.0 million amount reflects the estimate of the loss that we may incur in the event of a final arbitration award unfavorable to Genentech. The actual amount of our share of any damages may vary from this estimate depending on the nature or amount of any damages awarded to Hoechst, or if the arbitrator's final decision is successfully challenged by Genentech. For additional information related to this matter, please read Note 21, *Litigation* to these consolidated financial statements.

Revenues from unconsolidated joint business are summarized as follows:

(In millions)	For the Years Ended December 31,		
	2011	2010	2009
Biogen Idec's share of pre-tax co-promotion profits in the U.S.	\$ 872.7	\$ 848.0	\$ 773.6
Reimbursement of our selling and development expenses in the U.S.	6.1	58.3	65.6
Revenue on sales of RITUXAN in the rest of world	117.8	170.9	255.7
Total unconsolidated joint business revenues	\$ 996.6	\$ 1,077.2	\$ 1,094.9

In 2011, 2010, and 2009, the 40% co-promotion profit-sharing threshold was met during the first quarter.

Currently, we record our share of the expenses incurred by the collaboration for the development of anti-CD20 products in research and development expense in our consolidated statements of income. We incurred \$26.9 million, \$50.6 million, and \$62.5 million in development expense for the years ended December 31, 2011, 2010, and 2009, respectively. After an anti-CD20 product is approved, we will record our share of the development expenses related to that product as a reduction of our share of pre-tax co-promotion profits in revenues from unconsolidated joint business. As a result of the October 2010 amendment of our collaboration agreement with Genentech, we are no longer responsible for any development costs for ocrelizumab.

**Elan**

We collaborate with Elan on the development, manufacture and commercialization of TYSABRI. Under the terms of our collaboration agreement, we manufacture TYSABRI and collaborate with Elan on the product's marketing, commercial distribution and ongoing development activities. The agreement is designed to effect an equal sharing of profits and losses generated by the activities of our collaboration. Under the agreement, however, once sales of TYSABRI exceeded specific thresholds, Elan was required to make milestone payments to us in order to continue sharing equally in the collaboration's results. As of December 31, 2010, Elan has made milestone payments to us of \$75.0 million in the third quarter of 2008 and \$50.0 million in the first quarter of 2009. These amounts were recorded as deferred revenue upon receipt and are recognized as revenue in our consolidated statements of income based on the ratio of units shipped in the current period over the total units expected to be shipped over the remaining term of the collaboration. No additional milestone payments are required under the agreement to maintain the current profit sharing split and as of December 31, 2011, \$100.6 million remains to be amortized. The term of our collaboration agreement extends until November 2019. Each of Biogen Idec and Elan has the option to buy the other party's rights to TYSABRI upon expiration of the term or if the other party undergoes a change of control (as defined in the collaboration agreement). In addition,

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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

each of Biogen Idec and Elan can terminate the agreement for convenience or material breach by the other party, in which case, among other things, certain licenses, regulatory approvals and other rights related to the manufacture, sale and development of TYSABRI are required to be transferred to the party that is not terminating for convenience or is not in material breach of the agreement.

In the U.S., we sell TYSABRI to Elan who sells the product to third party distributors. Our sales price to Elan in the U.S. is set prior to the beginning of each quarterly period to effect an approximate equal sharing of the gross margin between Elan and us. We recognize revenue for sales in the U.S. of TYSABRI upon Elan's shipment of the product to the third party distributors, at which time all revenue recognition criteria have been met. As of December 31, 2011 and 2010, we had deferred revenue of \$23.8 million and \$20.8 million, respectively, for shipments to Elan that remained in Elan's ending inventory pending shipment of the product to the third party distributors. We incur manufacturing and distribution costs, research and development expenses, commercial expenses, and general and administrative expenses related to TYSABRI. We record these expenses to their respective line items within our consolidated statements of income when they are incurred. Research and development and sales and marketing expenses are shared equally with Elan and the reimbursement of these expenses is recorded as reductions of the respective expense categories. During the years ended December 31, 2011, 2010, and 2009, we recorded \$47.5 million, \$49.8 million and \$25.3 million, respectively, as reductions of research and development expense for reimbursements from Elan. In addition, for the years ended December 31, 2011, 2010, and 2009, we recorded \$77.3 million, \$68.5 million and \$62.5 million, respectively, as reductions of selling, general and administrative expense for reimbursements from Elan.

In the rest of world, we are responsible for distributing TYSABRI to customers and are primarily responsible for all operating activities. Generally, we recognize revenue for sales of TYSABRI in the rest of world at the time of product delivery to our customers. Payments are made to Elan for their share of the rest of world net operating profits to effect an equal sharing of collaboration operating profit. These payments also include the reimbursement for our portion of third-party royalties that Elan pays on behalf of the collaboration relating to rest of world sales. As rest of world sales of TYSABRI increase, our collaboration profit sharing expense is expected to increase. These amounts are reflected in the collaboration profit sharing line in our consolidated statements of income. For the years ended December 31, 2011, 2010 and 2009, \$317.8 million, \$258.1 million and \$215.9 million, respectively, was reflected in the collaboration profit sharing line for our collaboration with Elan.

***Acorda***

In 2009, we entered into a collaboration and license agreement with Acorda Therapeutics, Inc. (Acorda) to develop and commercialize products containing fampridine in markets outside the U.S. We also have responsibility for regulatory activities and the future clinical development of related products in those markets. The \$110.0 million upfront payment made on July 1, 2009 to Acorda was recorded as research and development expense during the second quarter 2009 as the product candidate had not received regulatory approval.

In July 2011, the European Commission (EC) granted a conditional marketing authorization for fampridine in the E.U., under the trade name FAMPYRA, which triggered a \$25.0 million milestone payment. This payment was made to Acorda Therapeutics, Inc. (Acorda) in the third quarter of 2011 and was capitalized as an intangible asset. FAMPYRA is an oral compound indicated as a treatment to improve walking ability in adult patients with MS who have walking disability. As part of the conditions of the conditional marketing authorization for FAMPYRA, we will provide additional data from on-going clinical studies regarding FAMPYRA's benefits and safety in the long term. A conditional marketing authorization is renewable annually and is granted to a medicinal product with a positive benefit/risk assessment that fulfills an unmet medical need when the benefit to public health of immediate availability outweighs the risk inherent in the fact that additional data are still required.

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FAMPYRA was commercially launched in Australia, Denmark, Germany, Norway, and the UK in 2011. In 2012, we plan to launch FAMPYRA in Austria, Canada, Finland, France, Greece, Italy, Ireland, the Netherlands, Sweden and other markets. The exact timing of these launches remains subject to our ability to obtain reimbursement approval within the respective markets.

We have a license from Acorda to develop and commercialize FAMPYRA in all markets outside the U.S. Under the terms of the collaboration and license agreement, we will pay Acorda tiered royalties based on the level of ex-U.S. net sales. We may pay up to \$375.0 million of additional milestone payments to Acorda, based on the successful achievement of certain regulatory and commercial milestones. The next expected milestone would be \$15.0 million, due when ex-U.S. net sales reach \$100.0 million over a period of four consecutive quarters. We will capitalize these additional milestones as intangible assets upon achievement of the milestone and will be amortized utilizing an economic consumption model. Royalty payments will be recognized as a cost of goods sold.

In connection with the collaboration and license agreement, we have also entered into a supply agreement with Acorda for the commercial supply of FAMPYRA. This agreement is a sublicense arrangement of an existing agreement between Acorda and Elan whereby Elan is responsible for the manufacture of the commercial supply of FAMPYRA. In 2011, Alkermes acquired Elan Drug Technologies, the manufacturing unit of Elan. Alkermes has assumed responsibility for the manufacture and commercial supply of FAMPYRA.

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

(In millions)	For the Years Ended December 31,		
	2011	2010	2009
Upfront and milestones payments made to Acorda	\$ 25.0	\$	\$ 110.0
Total expense incurred by Biogen Idec excluding upfront and milestones payments	\$ 22.3	\$ 22.8	\$ 4.7
Total expense reflected within our statements of income	\$ 22.3	\$ 22.8	\$ 114.7
Total capitalized as an intangible asset	\$ 25.0	\$	\$

A summary of activity related to this collaboration since inception, along with an estimate of additional future development expense expected to be incurred by us, is as follows:

(In millions)	As of December 31, 2011	
Total upfront and milestone payments made to Acorda	\$	135.0
Total expense incurred by Biogen Idec, excluding upfront and milestone payments	\$	49.9

We expect that we may incur approximately \$50.0 million of additional cost associated with meeting the requirements of the conditional marketing authorization.

***Portola Pharmaceuticals, Inc.***

On October 26, 2011, we entered into an exclusive, worldwide collaboration and license agreement with Portola Pharmaceuticals, Inc. (Portola) under which both companies will develop and commercialize highly selective, novel oral Syk inhibitors for the treatment of various autoimmune and inflammatory diseases, including rheumatoid arthritis and systemic lupus erythematosus. The collaboration's lead molecule, PRT062607, is currently in Phase 1 studies.

Under the terms of the agreement, we provided Portola with an upfront payment of \$36.8 million in cash and purchased \$8.2 million in Portola equity, with potential additional payments of up to \$508.5 million based on the achievement of certain development and regulatory milestones. We will lead the global development and



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commercialization efforts for the Syk inhibitor program in major indications such as rheumatoid arthritis and lupus, while Portola will lead U.S. development and commercialization efforts for select smaller indications as well as discovery efforts for follow-on Syk inhibitors. Portola retains an option to co-promote alongside us in the U.S. in major indications. Worldwide costs and profits will be split by us and Portola 75% and 25%, respectively.

A summary of collective activity related to these programs is as follows:

(In millions)	For the Years Ended December 31,		
	2011	2010	2009
Total expense incurred by the collaboration	\$ 1.1	\$	\$
Total expense reflected within our consolidated statements of income, excluding upfront and milestone payments	\$ 0.9	\$	\$
A summary of activity related to this collaboration since inception, along with an estimate of additional future development expense expected to be incurred by us, is as follows:			

(In millions)	As of December 31, 2011	
	\$	
Total upfront payments paid to Portola	\$	36.8
Total development expense incurred by Biogen Idec Inc., excluding upfront and milestone payments	\$	0.9
Estimate of additional amounts to be incurred by Biogen Idec in development of PRT062607	\$	675.0

***Swedish Orphan Biovitrum***

In January 2007, we acquired 100% of the stock of Syntonix. Syntonix had previously entered into a collaboration agreement with Swedish Orphan Biovitrum (Sobi) to jointly develop and commercialize Factor VIII and Factor IX hemophilia products. In February 2010, we restructured the collaboration agreement and assumed full development responsibilities and costs, as well as manufacturing rights. In addition, the cross-royalty rates were reduced and commercial rights for certain territories were changed. As a result, we now have commercial rights for North America (the Biogen North America Territory) and for rest of the world markets outside of Europe, Russia, Turkey and certain countries in the Middle East (the Biogen Direct Territory). Subject to the exercise of an option right, Sobi will have commercial rights in Europe, Russia, Turkey and certain countries in the Middle East (the Sobi Territory).

Under the terms of the option right, Sobi may, following our submission of a marketing authorization application to the EMA for each product developed under the collaboration, opt to take over final regulatory approval, pre-launch and commercialization activities in the Sobi Territory by making a payment into escrow of \$10.0 million per product. Upon EMA regulatory approval of each such product, Sobi will be liable to reimburse us 50% of the sum of all shared manufacturing and development expenses incurred by us from October 1, 2009 through the date on which Sobi is registered as the marketing authorization holder for the applicable product, as well as 100% of certain development expenses incurred exclusively for the benefit of the Sobi Territory (the Opt-In Consideration). To effect Sobi's reimbursement to us for the Opt-In Consideration exceeding the escrow payment for each product, the cross-royalty structure for direct sales in each company's respective territories will be adjusted until the Opt-In Consideration is paid in full (the Reimbursement Period). The mechanism for reimbursement is outlined in the table below.

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Under the amended agreement amounts are payable as follows:

Royalty and Net Revenue Share Rates:	Method	Rate prior to 1st commercial sale in the Sobi Territory:	Rates should Sobi exercise its option right <sup>(3)</sup>	
			Base Rate following 1st commercial sale in the Sobi Territory:	Rate during the Reimbursement Period:
Sobi rate to Biogen on net sales in the Sobi Territory	Royalty	N/A	10 to 12%	Base Rate plus 5%
Biogen rate to Sobi on net sales in the Biogen North America Territory	Royalty	2%	10 to 12%	Base Rate less 5%
Biogen rate to Sobi on net sales in the Biogen Direct Territory	Royalty	2%	15 to 17%	Base Rate less 5%
Biogen rate to Sobi on net revenue <sup>(1)</sup> from the Biogen Distributor Territory <sup>(2)</sup>	Net Revenue Share	10%	50%	Base Rate less 15%

(1) Net revenue represents Biogen Idec's pre-tax receipts from third-party distributors, less expenses incurred by Biogen Idec in the conduct of commercialization activities supporting the distributor activities.

(2) The Biogen Distributor Territory represents Biogen territories where sales are derived utilizing a third-party distributor.

(3) A credit will be issued to Sobi against its reimbursement of the Opt-in Consideration in an amount equal to the difference in the rate paid by Biogen Idec to Sobi on sales in the Biogen territories for certain periods prior to the first commercial sale in the Sobi Territory versus the rate that otherwise would have been payable on such sales.

If the reimbursement of the opt-in consideration has not been achieved within six years of the first commercial sale of such product, we maintain the right to require Sobi to pay any remaining balances due to us within 90 days of the six year anniversary date of the first commercial sale.

Should Sobi not exercise its option right with respect to one or both products or should Sobi terminate the agreement with respect to one or both products we will obtain full worldwide development and commercialization rights for such affected products and we will be obligated to pay royalties to Sobi subject to separate terms, as defined under the restructured collaboration agreement. In addition, if EMA approval for any product is not granted within 18 months of the applicable EMA filing date, Sobi shall have the right to require that the escrow payment be refunded and revoke its option right for such product.

Amounts incurred by us in the development of long-lasting recombinant Factor VIII and Factor IX are reflected as research and development expenses in our consolidated statements of income. Prior to the restructuring of our collaboration agreement, our research and development expenses reflected reimbursement from Sobi in accordance with a cost-sharing agreement then in effect. Following the restructuring of our collaboration agreement, amounts incurred by us in the development of long-lasting recombinant Factor VIII and Factor IX are reflected as research and development expenses in our consolidated statements of income which include reimbursement of certain ongoing Sobi development expenses. A summary of collective activity related to these programs is as follows:

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(In millions)	For the Years Ended December 31,		
	2011	2010	2009
Total expense incurred by collaboration	\$ 129.6	\$ 78.9	\$ 44.9
Total expense reflected within our consolidated statements of income	\$ 129.6	\$ 78.5	\$ 22.5

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**Table of Contents****BIAGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A summary of activity related to this collaboration since inception, along with an estimate of additional future development expense expected to be incurred by us, is as follows:

<b>(In millions)</b>	<b>As of December 31, 2011</b>
Total upfront and milestone payments received from Sobi	\$ 5.0
Total development expense incurred by Biogen Idec Inc., excluding upfront and milestone payments	\$ 262.7
Estimate of additional amounts expected to be incurred by Biogen Idec in development of Factors VIII and IX	\$ 420.0

***Abbott Biotherapeutics Corp. (formerly Facet Biotech)***

We have a collaboration agreement with Abbott Biotherapeutics Corp. (Abbott) aimed at advancing the development and commercialization of daclizumab in MS. Under the agreement, development and commercialization costs and profits are shared equally. In January 2010, we agreed with our collaborator, Abbott, to assume the manufacture of daclizumab.

Based upon our current development plans, we may incur up to an additional \$60.0 million of payments upon achievement of development and commercial milestones related to the development of daclizumab.

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

<b>(In millions)</b>	<b>For the Years Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Total expense incurred by the collaboration	\$ 104.4	\$ 74.8	\$ 40.8
Biogen Idec's share of expense reflected within our consolidated statements of income	\$ 52.2	\$ 37.4	\$ 20.4
Total expense incurred by the collaboration in 2010, reflects the \$30.0 milestone paid to Abbott in May 2010 upon initiation of patient enrollment in a Phase 3 trial of daclizumab in relapsing MS. A summary of activity related to this collaboration since inception, along with an estimate of additional future development expense expected to be incurred by us, is as follows:			

<b>(In millions)</b>	<b>As of December 31, 2011</b>
Total upfront and milestone payments made to Abbott	\$ 80.0
Total development expense incurred by Biogen Idec, excluding upfront and milestone payments	\$ 212.1
Estimate of additional amounts to be incurred by us in development of current indications of daclizumab	\$ 280.0

***Vernalis***

In April 2011, we agreed to terminate our collaboration with Vernalis plc (Vernalis) for the development and commercialization of an adenosine A2a receptor antagonist for treatment of Parkinson's disease effective April 11, 2011. Under the terms of the agreement, we have returned the program to Vernalis and have no further license to or continuing involvement in the development of, this compound and its related intellectual property. In exchange, we will receive a royalty on future net sales if this compound is ultimately commercialized. We funded development costs through the termination date and have no other remaining development obligations after that date. Development expense incurred by this collaboration in 2011 was insignificant.

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**BIAGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**21. Litigation**

***Massachusetts Department of Revenue***

On June 8, 2010, we received Notices of Assessment from the DOR against BIMA for \$103.5 million of corporate excise tax, including associated interest and penalties, related to our 2004, 2005 and 2006 tax filings. We filed an abatement application with the DOR seeking abatements for 2004, 2005, and 2006. Our abatement application was denied on December 15, 2010 and we filed a petition appealing the denial with the Massachusetts ATB on February 3, 2011. For all periods under dispute, we believe that positions taken in our tax filings are valid and believe that we have meritorious defenses in these disputes. We are contesting these matters vigorously.

***Hoechst Genentech Arbitration***

On October 24, 2008, Hoechst GmbH (Hoechst), predecessor to Sanofi-Aventis Deutschland GmbH (Sanofi), filed with the ICC International Court of Arbitration (Paris) a request for arbitration against Genentech, claiming a breach of a license agreement (the Hoechst License) between Hoechst's predecessor and Genentech that was entered as of January 1, 1991 and terminated by Genentech effective October 27, 2008. The Hoechst License granted Genentech certain rights with respect to later-issued U.S. Patents 5,849,522 ( '522 patent) and 6,218,140 ( '140 patent) and related patents outside the U.S. The Hoechst License provided for potential royalty payments of 0.5% on net sales of certain products defined by the agreement. Although we are not a party to the arbitration, we expect that any damages that may be awarded to Hoechst may be a cost charged to our collaboration with Genentech.

In June 2011, the arbitrator issued an intermediate decision suggesting that RITUXAN is covered by the Hoechst License and ordering Genentech to provide certain RITUXAN sales information for the period from December 15, 1998 to October 27, 2008. Based on our understanding of the arbitrator's intermediate decision, in the second quarter of 2011 our share of RITUXAN revenues from unconsolidated joint business was reduced by approximately \$50.0 million to reflect our share of the approximately \$125.0 million compensatory damages and interest that Genentech estimated might be awarded to Hoechst. Hoechst has since claimed it is due damages of approximately EUR153.0 million for the period from December 15, 1998 to September 30, 2008 as well as additional royalties for later periods in an amount to be determined at a future hearing.

In July 2011, Genentech filed a Declaration of Appeal with the Court of Appeal in Paris to vacate the arbitrator's intermediate decision. The arbitrator declined to stay further proceedings until the Declaration of Appeal was decided and informed the parties that the underlying issue of liability with respect to RITUXAN under the Hoechst License has not yet been decided. In October 2011, the arbitrator scheduled a hearing on liability and damages for spring 2012, and a decision could follow in late summer 2012. In view of these developments, Genentech did not pursue the Declaration of Appeal.

In light of the arbitrator's ruling scheduling a hearing on liability and damages, the \$50.0 million reduction of our share of RITUXAN revenues from unconsolidated joint business made in the second quarter of 2011 reflects the estimate of the loss that we may incur as a result of a final arbitration award unfavorable to Genentech. The actual amount of our share of any damages may vary from this estimate depending on the nature or amount of any damages awarded to Hoechst, or if any final decision awarding damages is successfully challenged by Genentech.

***Sanofi '522 and '140 Patent Litigation***

On October 27, 2008, Sanofi, successor to Hoechst, filed suit against Genentech and Biogen Idec in federal court in Texas (E.D. Tex.) (Texas Action) claiming that RITUXAN and certain other Genentech products infringe the '522 patent and the '140 patent. The patents are due to expire in December 2015. Sanofi seeks

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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

preliminary and permanent injunctions, compensatory and exemplary damages, and other relief. The same day Genentech and Biogen Idec filed a complaint against Sanofi in federal court in California (N.D. Cal.) (California Action) seeking a declaratory judgment that RITUXAN and other Genentech products do not infringe the 522 patent or the 140 patent and a declaratory judgment that those patents are invalid. The Texas Action was ordered transferred to the federal court in the Northern District of California and consolidated with the California Action and we refer to the two actions together as the Consolidated Sanofi Patent Actions. Certain damages that may be awarded to Sanofi in the Consolidated Sanofi Patent Actions may be a cost charged to our collaboration with Genentech.

On April 21, 2011, the court entered a separate and final judgment that the manufacture and sale of RITUXAN do not infringe the 522 patent or the 140 patent and stayed the trial of the remaining claims, including Biogen Idec's and Genentech's invalidity claims. Sanofi has appealed from the court's non-infringement ruling to the U.S. Court of Appeals for the Federal Circuit and the appeal is scheduled for oral argument in February, 2012. We have not formed an opinion that a decision in favor of Sanofi in its appeal of the non-infringement ruling, or an unfavorable outcome on the now stayed invalidity claims in the Consolidated Sanofi Patent Actions, is either probable or remote. We believe that we have good and valid defenses and are vigorously defending against Sanofi's allegations.

In the event that we and Genentech are found liable we estimate that the range of any potential loss could extend to a royalty of up to 0.5% of net sales of RITUXAN, based on, among other things, the royalty rate set forth in the terminated Hoechst License and an analysis of royalty rates charged for comparable technologies. We believe that Sanofi would seek a substantially higher royalty rate, and we will continue to vigorously oppose its claims and position.

We expect any damage award in the Consolidated Sanofi Patent Actions for damages incurred prior to the filing of litigation to be limited to the period running from October 27, 2002 to October 27, 2008 (six years before Sanofi filed the Texas Action). In addition, in the event that Genentech is ordered to pay royalties on RITUXAN sales under the Hoechst License described above, we do not anticipate that we or Genentech would be subject to any damages award in the Consolidated Sanofi Patent Actions for any period as to which Genentech is ordered to pay royalties in the arbitration.

***755 Patent Litigation***

On September 15, 2009, we were issued U.S. Patent No. 7,588,755 (755 Patent), which claims the use of interferon beta for immunomodulation or treating a viral condition, viral disease, cancers or tumors. This patent, which expires in September 2026, covers, among other things, the treatment of MS with our product AVONEX. On May 27, 2010, Bayer Healthcare Pharmaceuticals Inc. (Bayer) filed a lawsuit against us in the U.S. District Court for the District of New Jersey seeking a declaratory judgment of patent invalidity and non-infringement and seeking monetary relief in the form of attorneys' fees, costs and expenses. On May 28, 2010, BIMA filed a lawsuit in the U.S. District Court for the District of New Jersey alleging infringement of the 755 Patent by EMD Serono, Inc. (manufacturer, marketer and seller of REBIF), Pfizer, Inc. (co-marketer of REBIF), Bayer (manufacturer, marketer and seller of BETASERON and manufacturer of EXTAVIA), and Novartis Pharmaceuticals Corp. (marketer and seller of EXTAVIA) and seeking monetary damages, including lost profits and royalties. The court has consolidated the two lawsuits, and we refer to the two actions as the Consolidated 755 Patent Actions.

Bayer, Pfizer, Novartis and EMD Serono have all filed counterclaims in the Consolidated 755 Patent Actions seeking declaratory judgments of patent invalidity and noninfringement, and seeking monetary relief in the form of costs and attorneys' fees, and EMD Serono and Bayer have each filed a counterclaim seeking a declaratory judgment that the 755 Patent is unenforceable based on alleged inequitable conduct. Bayer has also

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**BIAGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

amended its complaint to seek such a declaration. No trial date has yet been ordered, but we expect that the trial of the Consolidated 755 Patent Actions will take place in 2013.

On August 16, 2010, BIMA amended its complaint to add Ares Trading S.A. (Ares), an affiliate of EMD Serono, as a defendant, and to seek a declaratory judgment that a purported nonsuit and option agreement between Ares and BIMA dated October 12, 2000, that provides Ares an option to obtain a license to the 755 Patent, is not valid and enforceable. Ares moved to compel arbitration of the claims against it and on February 2, 2012 an arbitration panel ruled that the nonsuit and option agreement and Ares' option to license the 755 patent remain in force.

***GSK 612 Patent Litigation***

On March 23, 2010, we and Genentech were issued U.S. Patent No. 7,682,612 (612 Patent) relating to a method of treating CLL using an anti-CD20 antibody. The patent which expires in November 2019 covers, among other things, the treatment of CLL with RITUXAN. On March 23, 2010, we and Genentech filed a lawsuit in federal court in the Southern District of California against Glaxo Group Limited and GlaxoSmithKline LLC (collectively, GSK) alleging infringement of that patent based upon GSK's manufacture, marketing and sale, offer to sell, and importation of ARZERRA. We seek damages, including a royalty and lost profits, and injunctive relief. GSK has filed a counterclaim seeking a declaratory judgment of patent invalidity, noninfringement, unenforceability, and inequitable conduct, and seeking monetary relief in the form of costs and attorneys' fees.

In October, 2011, the court entered a claim construction order adverse to certain of Biogen Idec's and Genentech's arguments. In order to conserve judicial and party resources, and to allow Biogen Idec and Genentech to file an appeal prior to the full disposition of the case, the parties jointly moved for the entry of separate and final judgment in favor of GSK on Biogen Idec's and Genentech's claims, and in favor of GSK on GSK's counterclaim for non-infringement. The court entered separate and final judgment on November 15, 2011, and stayed all further proceedings pending the outcome on appeal. Biogen Idec and Genentech filed a notice of appeal in the United States Court of Appeals for the Federal Circuit on December 5, 2011, and the appeal is pending.

***Novartis V&D 688 Patent Litigation***

On January 26, 2011, Novartis Vaccines and Diagnostics, Inc. (Novartis V&D) filed suit against us in federal district court in Delaware, alleging that TYSABRI infringes U.S. Patent No. 5,688,688 Vector for Expression of a Polypeptide in a Mammalian Cell (688 Patent), which was granted in November 1997 and expires in November 2014. Novartis V&D seeks a declaration of infringement, a finding of willful infringement, compensatory damages, treble damages, interest, costs and attorneys' fees. We have not formed an opinion that an unfavorable outcome is either probable or remote, and are unable to estimate the magnitude or range of any potential loss. We believe that we have good and valid defenses to the complaint and will vigorously defend against it. A trial has been set for January 2014.

***Italian National Medicines Agency***

In the fourth quarter of 2011, Biogen Idec SRL received a notice from the Italian National Medicines Agency (Agenzia Italiana del Farmaco or AIFA) stating that sales of TYSABRI for the period from February 2009 through February 2011 exceeded by Euro 30.7 million a reimbursement limit established pursuant to a Price Determination Resolution (Price Resolution) granted by AIFA in February 2007. The Price Resolution set the initial price for the sale of TYSABRI in Italy and limited the amount of government reimbursement for the first

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**BIAGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

24 months of TYSABRI sales. As the basis for the claim, the AIFA notice referred to a 2001 Decree that provides for an automatic 24-month renewal of the terms of all such resolutions that are not renegotiated prior to the expiration of their term.

On November 17, 2011, Biogen Idec SRL responded to AIFA that the reimbursement limit in the Price Resolution by its terms relates only to the first 24 months of TYSABRI sales, which began in February 2007. On December 23, 2011, we filed an appeal in the Regional Administrative Tribunal of Lazio (Ecc.mo Tribunale Amministrativo Regionale per il Lazio) in Rome against AIFA, seeking a ruling that our interpretation of the Price Resolution is valid and that the position of the AIFA is unenforceable. We have not formed an opinion that an unfavorable outcome is either probable or remote. While we believe that we have good and valid grounds for our appeal, an unfavorable outcome could negatively impact our results of operations.

***Average Manufacturer Price Litigation***

On September 6, 2011, we and several other pharmaceutical companies were served with a complaint originally filed under seal on October 28, 2008 in the United States District Court for the Eastern District of Pennsylvania by Ronald Streck (the relator) on behalf of himself and the United States, and the states of New Jersey, California, Rhode Island, Michigan, Montana, Wisconsin, Massachusetts, Tennessee, Oklahoma, Texas, Indiana, New Hampshire, North Carolina, Florida, Georgia, New Mexico, Illinois, New York, Virginia, Delaware, Hawaii, Louisiana, Connecticut, and Nevada, (collectively the States), and the District of Columbia, alleging violations of the False Claims Act, 31 U.S.C. § 3729 et seq. and state and District of Columbia statutory counterparts. In May 2011, the United States notified the court that it was not intervening at that time as to one defendant, and was declining to intervene as to all other defendants, including Biogen Idec; the District of Columbia notified the court that it was not intervening at that time; and the states notified the court that they were declining to intervene as to all defendants. The complaint was subsequently unsealed and served, and then amended. The amended complaint alleges that Biogen Idec and other defendants underreport Average Manufacturer Price information to the Centers for Medicare and Medicaid Services, thereby causing Biogen Idec and other defendants to underpay rebates under the Medicaid Drug Rebate Program. The relator alleges that the underreporting has occurred because Biogen Idec and other defendants improperly consider various payments or price concessions that they made to drug wholesalers to be discounts under applicable federal law. We and the other defendants filed a motion to dismiss the complaint on December 9, 2011, and the motion is pending. We have not formed an opinion that an unfavorable outcome is either probable or remote, or as to the magnitude or range of any potential loss. We believe that we have good and valid defenses and intend vigorously to defend against the allegations.

***Government Review of Sales and Promotional Practices***

Biogen Idec has learned that state and federal governmental authorities are investigating its sales and promotional practices. Biogen Idec has not received any requests for information in connection with this inquiry. We expect to cooperate fully with the government.

***Canada Lease Dispute***

On April 18, 2008, First Real Properties Limited filed suit against Biogen Idec Canada Inc. (BI Canada) in the Superior Court of Justice in London, Ontario alleging breach of an offer for lease of property signed by BI Canada in 2007 and an unsigned proposed lease for the same property. The plaintiff's complaint seeks \$7.0 million in damages, but the plaintiff recently submitted an expert report estimating the plaintiff's damages to be \$2.5 million after mitigation. The plaintiff also seeks costs of approximately \$0.4 million and interest. A trial has been scheduled for March 2012. We have not formed an opinion that an unfavorable outcome is either probable or remote.

**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Product Liability and Other Legal Proceedings***

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

**22. Commitments and Contingencies*****Leases***

We rent laboratory and office space and certain equipment under non-cancelable operating leases. These lease agreements contain various clauses for renewal at our option and, in certain cases, escalation clauses typically linked to rates of inflation. Rental expense under these leases, which terminate at various dates through 2028, amounted to \$46.2 million in 2011, \$44.8 million in 2010 and \$36.4 million in 2009. In addition to rent, the leases may require us to pay additional amounts for taxes, insurance, maintenance and other operating expenses.

As of December 31, 2011, minimum rental commitments under non-cancelable leases, net of income from subleases, for each of the next five years and total thereafter were as follows:

(In millions)	2012	2013	2014	2015	2016	Thereafter	Total
Minimum lease payments (1)	\$ 33.9	\$ 42.5	\$ 54.3	\$ 49.3	\$ 44.6	\$ 450.5	\$ 675.1
Less: income from subleases	(0.5)	(0.5)	(0.4)				(1.4)
Net minimum lease payments	\$ 33.4	\$ 42.0	\$ 53.9	\$ 49.3	\$ 44.6	\$ 450.5	\$ 673.7

- (1) Includes future minimum rental commitments related to leases executed for two office buildings to be built in Cambridge, Massachusetts with a planned occupancy during the second half of 2013. The leases both have 15 year terms and we have options to extend the term of each lease for two additional five-year terms. Future minimum rental commitments under these leases will total approximately \$340.0 million over the initial 15 year lease terms.

Balances also include remaining total minimum lease payments through 2025, totaling approximately \$240.0 million, related to our current principal executive offices in Weston, Massachusetts, which we expect to vacate upon completion of the two new buildings in Cambridge Massachusetts.

For additional information related to these transactions, please read Note 11, *Property, Plant and Equipment* to these consolidated financial statements.

Under certain of our lease agreements, we are contractually obligated to return leased space to its original condition upon termination of the lease agreement. At the inception of a lease with such conditions, we record an asset retirement obligation liability and a corresponding capital asset in an amount equal to the estimated fair value of the obligation. In subsequent periods, for each such lease, we record interest expense to accrete the asset retirement obligation liability to full value and depreciate each capitalized asset retirement obligation asset, both over the term of the associated lease agreement. Our asset retirement obligations were not significant as of December 31, 2011 or 2010.

***Tax Related Obligations***

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We exclude liabilities pertaining to uncertain tax positions from our summary of contractual obligations as we cannot make a reliable estimate of the period of cash settlement with the respective taxing authorities. As of December 31, 2011, we have approximately \$58.4 million of liabilities associated with uncertain tax positions.

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**BIAGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Other Funding Commitments***

As of December 31, 2011, we have funding commitments of up to approximately \$14.5 million as part of our investment in biotechnology oriented venture capital funds.

As of December 31, 2011, we have several ongoing clinical studies in various clinical trial stages. Our most significant clinical trial expenditures are to clinical research organizations (CROs). The contracts with CROs are generally cancellable, with notice, at our option. We have recorded accrued expenses of \$25.0 million on our consolidated balance sheet for expenditures incurred by CROs as of December 31, 2011. We have approximately \$475.0 million in cancellable future commitments based on existing CRO contracts as of December 31, 2011.

***Contingent Milestone Payments***

Based on our development plans as of December 31, 2011, we have committed to make potential future milestone payments to third parties of up to approximately \$1.9 billion as part of our various collaborations, including licensing and development programs. Payments under these agreements generally become due and payable only upon achievement of certain development, regulatory or commercial milestones. Because the achievement of these milestones had not occurred as of December 31, 2011, such contingencies have not been recorded in our financial statements.

***Contingent Consideration***

In connection with our purchase of the noncontrolling interests in our joint venture investments in Biogen Dompé SRL and Biogen Dompé Switzerland GmbH and our acquisitions of Biogen Idec International Neuroscience GmbH, Biogen Idec Hemophilia Inc., and Fumapharm AG, we agreed to make additional payments based upon the achievement of certain milestone events. Amounts related to contingent milestone payments are not considered contractual obligations as they are contingent on the successful achievement of certain development, regulatory approval and commercial milestones. These milestones may not be achieved.

As the acquisitions of the noncontrolling interests in our joint venture investments and our acquisition of Biogen Idec International Neuroscience GmbH occurred after January 1, 2009, we record contingent consideration liabilities at their fair value on the acquisition date and revalue these obligations each reporting period. For additional information related to these transactions please read Note 2, *Acquisitions*, to these consolidated financial statements.

In connection with our acquisition of Biogen Idec Hemophilia Inc. (BIH), formerly Syntonix Pharmaceuticals, Inc., in January 2007, we agreed to pay up to an additional \$80.0 million if certain milestone events associated with the development of BIH's lead product, long-lasting recombinant Factor IX are achieved. The first \$40.0 million contingent payment was achieved in the first quarter of 2010. An additional \$20.0 million contingent payment will occur if prior to the tenth anniversary of the closing date, the FDA grants approval of a Biologic License Application for Factor IX. A second \$20.0 million contingent payment will occur if prior to the tenth anniversary of the closing date, a marketing authorization is granted by the EMA for Factor IX. For additional information related to these transactions please read Note 2, *Acquisitions* to these consolidated financial statements.

In 2006, we acquired Fumapharm AG. As part of this acquisition we acquired FUMADERM and BG-12 (together, Fumapharm Products). We paid \$220.0 million upon closing of the transaction and will pay an additional \$15.0 million if a Fumapharm Product is approved for MS in the U.S. or E.U. We may also make additional milestone payments to Fumapharm AG based on the attainment of certain sales levels of Fumapharm Products, less certain costs as defined in the acquisition agreement. These milestone payments are considered

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**BIAGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

contingent consideration and will be accounted for as an increase to goodwill as incurred, in accordance with the accounting standard applicable to business combinations when we acquired Fumapharm.

**23. Guarantees**

As of December 31, 2011 and 2010, we did not have significant liabilities recorded for guarantees.

We enter into indemnification provisions under our agreements with other companies in the ordinary course of business, typically with business partners, contractors, clinical sites and customers. Under these provisions, we generally indemnify and hold harmless the indemnified party for losses suffered or incurred by the indemnified party as a result of our activities. These indemnification provisions generally survive termination of the underlying agreement. The maximum potential amount of future payments we could be required to make under these indemnification provisions is unlimited. However, to date we have not incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. As a result, the estimated fair value of these agreements is minimal. Accordingly, we have no liabilities recorded for these agreements as of December 31, 2011 and 2010.

**24. Employee Benefit Plans**

We sponsor various retirement and pension plans. Our estimates of liabilities and expenses for these plans incorporate a number of assumptions, including expected rates of return on plan assets and interest rates used to discount future benefits.

***401(k) Savings Plan***

We maintain a 401(k) Savings Plan which is available to substantially all regular employees in the U.S. over the age of 21. Participants may make voluntary contributions. We make matching contributions according to the 401(k) Savings Plan's matching formula. Beginning in January 2008, all past and current matching contributions will vest immediately. Previously, the matching contributions vested over four years of service by the employee. Participant contributions vest immediately. The 401(k) Savings Plan also holds certain transition contributions on behalf of participants who previously participated in the Biogen, Inc. Retirement Plan. The expense related to our 401(k) Savings Plan primarily consists of our matching contributions.

Expense related to our 401(k) Savings Plan totaled \$24.8 million, \$26.3 million and \$27.9 million for the years ended December 31, 2011, 2010 and 2009, respectively.

***Deferred Compensation Plan***

We maintain a non-qualified deferred compensation plan, known as the Supplemental Savings Plan (SSP), which allows a select group of management employees in the U.S. to defer a portion of their compensation. The SSP also provides certain credits to highly compensated U.S. employees, which are paid by the company. These credits are known as the Restoration Match. The deferred compensation amounts are accrued when earned. Such deferred compensation is distributable in cash in accordance with the rules of the SSP. Deferred compensation amounts under such plan as of December 31, 2011 and 2010 totaled approximately \$60.1 million and \$62.2 million, respectively, and are included in other long-term liabilities within the accompanying consolidated balance sheets. The SSP also holds certain transition contributions on behalf of participants who previously participated in the Biogen, Inc. Retirement Plan. Beginning in 2008, the Restoration Match vests immediately. Previously, the Restoration Match and transition contributions vested over four and seven years of service, respectively, by the employee. Participant contributions vest immediately. Distributions to participants can be either in one lump sum payment or annual installments as elected by the participants.

**Table of Contents****BIOGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Pension Plan***

Our retiree benefit plans include defined benefit plans for employees in our affiliates in Switzerland and Germany as well as other insignificant defined benefit plans in certain other countries in which we maintain an operating presence.

Our Swiss plan is a government-mandated retirement fund that provides employees with a minimum investment return. The minimum investment return is determined annually by Swiss government and was 2.0% in 2011, 2010 and 2009, respectively. Under this plan, both we and certain of our employees with annual earnings in excess of government determined amounts are required to make contributions into a fund managed by an independent investment fiduciary. Employer contributions must be in an amount at least equal to the employee's contribution. Minimum employee contributions are based on the respective employee's age, salary, and gender. As of December 31, 2011, the Plan had an unfunded net pension obligation of approximately \$10.0 million and plan assets which totaled approximately \$20.1 million. In 2011, 2010 and 2009, we recognized expense totaling \$3.6 million, \$3.0 million and \$2.4 million, respectively, related to our Swiss plan.

The obligations under the German plan are unfunded and totaled \$8.6 million and \$8.2 million as of December 31, 2011 and 2010, respectively. Net periodic pension cost related to the German plan totaled \$1.8 million, \$1.1 million and \$1.1 million for the years ended December 31, 2011, 2010 and 2009, respectively.

**25. Segment Information**

We operate as one business segment, which is the business of discovering, developing, manufacturing and marketing therapies for the treatment of neurodegenerative diseases, hemophilia and autoimmune disorders and therefore, our chief operating decision-maker manages the operations of our Company as a single operating segment. Enterprise-wide disclosures about product revenues, other revenues and long-lived assets by geographic area and information relating to major customers are presented below. Revenues are primarily attributed to individual countries based on location of the customer or licensee.

Revenue by product is summarized as follows:

(In millions)	For the Years Ended December 31,								
	United States	2011 Rest of World	Total	United States	2010 Rest of World	Total	United States	2009 Rest of World	Total
AVONEX	\$ 1,628.3	\$ 1,058.3	\$ 2,686.6	\$ 1,491.6	\$ 1,026.8	\$ 2,518.4	\$ 1,406.2	\$ 916.7	\$ 2,322.9
TYSABRI	326.5	753.0	1,079.5	252.8	647.4	900.2	231.8	544.2	776.0
Other		70.0	70.0		51.5	51.5		54.0	54.0
Total product revenues	\$ 1,954.8	\$ 1,881.3	\$ 3,836.1	\$ 1,744.4	\$ 1,725.7	\$ 3,470.1	\$ 1,638.0	\$ 1,514.9	\$ 3,152.9

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The following tables contain certain financial information by geographic area:

<b>December 31, 2011 (In millions)</b>	<b>U.S.</b>	<b>Europe<sup>(1)</sup></b>	<b>Germany</b>	<b>Asia</b>	<b>Other</b>	<b>Total</b>
Product revenues from external customers	\$ 1,954.8	\$ 1,163.3	\$ 377.5	\$ 88.7	\$ 251.8	\$ 3,836.1
Revenues from unconsolidated joint business	\$ 878.8	\$ 29.9	\$	\$ 30.7	\$ 57.2	\$ 996.6
Other revenues from external customers	\$ 187.0	\$ 28.3	\$ 0.6	\$	\$	\$ 215.9
Long-lived assets	\$ 1,012.5	\$ 816.6	\$ 1.6	\$ 5.3	\$ 2.4	\$ 1,838.4
<b>December 31, 2010 (In millions)</b>	<b>U.S.</b>	<b>Europe<sup>(1)</sup></b>	<b>Germany</b>	<b>Asia</b>	<b>Other</b>	<b>Total</b>
Product revenues from external customers	\$ 1,744.4	\$ 1,090.7	\$ 362.4	\$ 69.0	\$ 203.6	\$ 3,470.1
Revenues from unconsolidated joint business	\$ 906.3	\$ 95.3	\$	\$ 26.0	\$ 49.6	\$ 1,077.2
Other revenues from external customers	\$ 136.0	\$ 32.6	\$ 0.5	\$	\$	\$ 169.1
Long-lived assets	\$ 1,100.3	\$ 717.4	\$ 1.5	\$ 5.4	\$ 1.6	\$ 1,826.2
<b>December 31, 2009 (In millions)</b>	<b>U.S.</b>	<b>Europe<sup>(1)</sup></b>	<b>Germany</b>	<b>Asia</b>	<b>Other</b>	<b>Total</b>
Product revenues from external customers	\$ 1,638.0	\$ 913.7	\$ 374.8	\$ 47.9	\$ 178.5	\$ 3,152.9
Revenues from unconsolidated joint business	\$ 839.2	\$ 190.2	\$	\$ 24.1	\$ 41.4	\$ 1,094.9
Other revenues from external customers	\$ 102.8	\$ 26.2	\$ 0.5	\$	\$	\$ 129.5
Long-lived assets	\$ 1,092.7	\$ 705.6	\$ 1.4	\$ 3.6	\$ 2.1	\$ 1,805.4

(1) Represents amounts related to Europe less those attributable to Germany.

***Revenues from Unconsolidated Joint Business***

Approximately 20%, 23% and 25% of our total revenues in 2011, 2010 and 2009, respectively, are derived from our joint business arrangement with Genentech. For additional information related to our collaboration with Genentech, please read Note 20, *Collaborations* to these consolidated financial statements.

***Significant Customers***

We recorded revenue from two wholesale distributors accounting for 18% and 10% of gross product revenues in 2011, 18% and 11% of gross product revenue in 2010, and 18% and 12% of gross product revenues in 2009.

***Other***

As of December 31, 2011, 2010 and 2009, approximately \$668.5 million, \$644.7 million and \$665.8 million, respectively, of our long-lived assets were related to our manufacturing facilities in Denmark.

**Table of Contents****BIAGEN IDEC INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****26. Quarterly Financial Data (Unaudited)**

(In millions, except per share amounts)	First Quarter	Second Quarter (a)	Third Quarter	Fourth Quarter (b)	Total Year
<b>2011</b>					
Product revenues	\$ 907.1	\$ 956.7	\$ 975.8	\$ 996.6	\$ 3,836.1
Unconsolidated joint business revenues	\$ 256.1	\$ 216.5	\$ 266.5	\$ 257.5	\$ 996.6
Other revenues	\$ 40.1	\$ 35.5	\$ 67.7	\$ 72.6	\$ 215.9
Total revenues	\$ 1,203.3	\$ 1,208.6	\$ 1,309.9	\$ 1,326.7	\$ 5,048.6
Gross Profit	\$ 1,100.2	\$ 1,108.1	\$ 1,186.4	\$ 1,187.1	\$ 4,581.9
Net income	\$ 308.8	\$ 304.0	\$ 353.7	\$ 300.2	\$ 1,266.7
Net income attributable to Biogen Idec Inc.	\$ 294.3	\$ 288.0	\$ 351.8	\$ 300.2	\$ 1,234.4
Basic earnings per share attributable to Biogen Idec Inc.	\$ 1.22	\$ 1.19	\$ 1.45	\$ 1.24	\$ 5.09
Diluted earnings per share attributable to Biogen Idec Inc.	\$ 1.20	\$ 1.18	\$ 1.43	\$ 1.22	\$ 5.04

(In millions, except per share amounts)	First Quarter (c)	Second Quarter	Third Quarter (d)	Fourth Quarter (e)	Total Year
<b>2010</b>					
Product revenues	\$ 824.2	\$ 859.2	\$ 876.9	\$ 909.8	\$ 3,470.1
Unconsolidated joint business revenues	\$ 254.9	\$ 306.4	\$ 258.0	\$ 258.0	\$ 1,077.3
Other revenues	\$ 29.7	\$ 47.1	\$ 41.0	\$ 51.4	\$ 169.1
Total revenues	\$ 1,108.9	\$ 1,212.7	\$ 1,175.8	\$ 1,219.0	\$ 4,716.4
Gross Profit	\$ 1,011.8	\$ 1,105.7	\$ 1,079.9	\$ 1,118.8	\$ 4,316.2
Net income	\$ 220.0	\$ 294.6	\$ 112.2	\$ 271.8	\$ 898.6
Net income attributable to Biogen Idec Inc.	\$ 217.4	\$ 293.4	\$ 254.1	\$ 240.3	\$ 1,005.3
Basic earnings per share attributable to Biogen Idec Inc	\$ 0.80	\$ 1.13	\$ 1.06	\$ 1.00	\$ 3.98
Diluted earnings per share attributable to Biogen Idec Inc	\$ 0.80	\$ 1.12	\$ 1.05	\$ 0.99	\$ 3.94

Full year amounts may not sum due to rounding.

- (a) Our share of RITUXAN revenues from unconsolidated joint business was reduced by approximately \$50.0 million in the second quarter of 2011 as a result of an accrual for estimated compensatory damages (including interest) relating to Genentech's ongoing arbitration with Hoechst GmbH. For additional information related to this matter, please read Note 21, *Litigation* to these consolidated financial statements.
- (b) Net income and net income attributable to Biogen Idec Inc. for the fourth quarter of 2011 includes a charge to research and development expense of \$36.8 million related to an upfront payment made in connection with our collaboration and license agreement entered into with Portola Pharmaceuticals, Inc.
- (c) Net income and net income attributable to Biogen Idec Inc. for the first quarter of 2010 includes a charge to acquired IPR&D of \$40.0 million related to the achievement of a milestone by Biogen Idec Hemophilia, Inc. (formerly Syntonix Pharmaceuticals, Inc.).

- (d) Net income and net income attributable to Biogen Idec Inc. for the third quarter of 2010 includes a charge to acquired IPR&D of \$205.0 million incurred in connection with the license agreement entered into with Knopp Neurosciences Inc. (Knopp), which we consolidated as we determined that we are the primary beneficiary of the entity. The \$205.0 million charge was partially offset by an attribution of \$145.0 million to the noncontrolling interest.
- (e) Net income and net income attributable to Biogen Idec Inc. for the fourth quarter of 2010 includes charges totaling \$75.2 million related to our restructuring plan announced November 3, 2010.

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**BIOGEN IDEC INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**27. Subsequent Events**

***Isis Pharmaceuticals, Inc.***

On January 4, 2012, we entered into an exclusive, worldwide option and development agreement with Isis Pharmaceuticals, Inc. (Isis) under which both companies will develop and commercialize Isis antisense investigational drug, ISIS-SMN<sub>Rx</sub>, for the treatment of spinal muscular atrophy (SMA).

Under the terms of the agreement, Isis received an upfront payment of \$29.0 million and is eligible to receive up to \$45.0 million in milestone payments associated with the clinical development of ISIS-SMN<sub>Rx</sub> prior to licensing. Biogen Idec has the option to license ISIS-SMN<sub>Rx</sub> until completion of the first successful Phase 2/3 trial. Isis could receive up to another \$225.0 million in a license fee and regulatory milestone payments. Isis will be responsible for global development of ISIS-SMN<sub>Rx</sub> through the completion of Phase 2/3 trials and we will provide advice on the clinical trial design and regulatory strategy. If we exercise our option, we will assume global development, regulatory and commercialization responsibilities.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Board of Directors and Shareholders of Biogen Idec Inc.**

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, equity and cash flows present fairly, in all material respects, the financial position of Biogen Idec Inc. and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts

February 3, 2012

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**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
3.1	Amended and Restated Certificate of Incorporation, as amended. Filed as Exhibit 3.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.
3.2	Second Amended and Restated Bylaws, as amended. Filed as Exhibit 3.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.
4.1	Reference is made to Exhibit 3.1 for a description of the rights, preferences and privileges of our Series A Preferred Stock and Series X Junior Participating Preferred Stock.
4.2	Indenture between Biogen Idec and The Bank of New York Trust Company, N.A. dated as of February 26, 2008. Filed as Exhibit 4.1 to our Registration Statement on Form S-3 (File No. 333-149379).
4.3	First Supplemental Indenture between Biogen Idec and The Bank of New York Trust Company, N.A. dated as of March 4, 2008. Filed as Exhibit 4.1 to our Current Report on Form 8-K filed on March 4, 2008.
10.1	Credit Agreement among Biogen Idec, Bank of America, N.A. as administrative agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman Sachs Credit Partners L.P. as co-syndication agents, and the other lenders party thereto dated June 29, 2007. Filed as Exhibit 99.2 to our Current Report on Form 8-K filed on July 2, 2007.
10.2	Amendment No. 1 to Credit Agreement among Biogen Idec, Bank of America, N.A. as administrative agent, and the other lenders party thereto dated as of March 5, 2009. Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
10.3	Expression Technology Agreement between Biogen Idec and Genentech, Inc. dated March 16, 1995. Filed as an exhibit to Biogen Idec's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995.
10.4	Letter Agreement between Biogen Idec and Genentech, Inc. dated May 21, 1996. Filed as Exhibit 10.1 to our Current Report on Form 8-K filed on June 6, 1996.
10.5	Second Amended and Restated Collaboration Agreement between Biogen Idec and Genentech, Inc. dated as of October 18, 2010. Filed as Exhibit 10.5 to our Annual Report on Form 10-K for the year ended December 31, 2010.
10.6	Letter agreement regarding GA101 financial terms between Biogen Idec and Genentech, Inc. dated October 18, 2010. Filed as Exhibit 10.6 to our Annual Report on Form 10-K for the year ended December 31, 2010.
10.7	ANTEGREN (now TYSABRI) Development and Marketing Collaboration Agreement between Biogen Idec and Elan Pharma International Limited dated August 15, 2000. Filed as Exhibit 10.48 to Biogen, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 0-12042) and incorporated herein by reference.
10.8*	Biogen Idec Inc. 2008 Omnibus Equity Plan. Filed as Appendix A to our Definitive Proxy Statement on Schedule 14A filed on May 8, 2008.
10.9*	Amendment to Biogen Idec Inc. 2008 Omnibus Equity Plan dated October 13, 2008. Filed as Exhibit 10.19 to our Annual Report on Form 10-K for the year ended December 31, 2008.
10.10*	Form of restricted stock unit award agreement under the Biogen Idec Inc. 2008 Omnibus Equity Plan. Filed as Exhibit 10.1 to our Current Report on Form 8-K filed on August 1, 2008.
10.11*	Form of nonqualified stock option award agreement under the Biogen Idec Inc. 2008 Omnibus Equity Plan. Filed as Exhibit 10.2 to our Current Report on Form 8-K filed on August 1, 2008.
10.12*	Form of cash-settled performance shares award agreement under the Biogen Idec Inc. 2008 Omnibus Equity Plan. Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

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<b>Exhibit No.</b>	<b>Description</b>
10.13*	Form of market stock unit award agreement under the Biogen Idec Inc. 2008 Omnibus Equity Plan. Filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.
10.14*	Biogen Idec Inc. 2006 Non-Employee Directors Equity Plan, as amended. Filed as Appendix A to our Definitive Proxy Statement on Schedule 14A filed on April 28, 2010.
10.15*	Amendment to Biogen Idec Inc. 2006 Non-Employee Directors Equity Plan dated June 1, 2011. Filed as Exhibit 10.4 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.
10.16*	Biogen Idec Inc. 2005 Omnibus Equity Plan. Filed as Appendix A to our Definitive Proxy Statement on Schedule 14A filed on April 15, 2005.
10.17*	Amendment No. 1 to the Biogen Idec Inc. 2005 Omnibus Equity Plan dated April 4, 2006. Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.
10.18*	Amendment No. 2 to the Biogen Idec Inc. 2005 Omnibus Equity Plan dated February 12, 2007. Filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.
10.19*	Amendment to the Biogen Idec Inc. 2005 Omnibus Equity Plan dated April 18, 2008. Filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.
10.20*	Amendment to Biogen Idec Inc. 2005 Omnibus Equity Plan dated October 13, 2008. Filed as Exhibit 10.30 to our Annual Report on Form 10-K for the year ended December 31, 2008.
10.21*	Biogen Idec Inc. 2003 Omnibus Equity Plan. Filed as Exhibit 10.73 to our Current Report on Form 8-K filed on November 12, 2003.
10.22*	Amendment to Biogen Idec Inc. 2003 Omnibus Equity Plan. Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
10.23*	Amendment to Biogen Idec Inc. 2003 Omnibus Equity Plan dated April 18, 2008. Filed as Exhibit 10.6 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.
10.24*	Amendment to Biogen Idec Inc. 2003 Omnibus Equity Plan dated October 13, 2008. Filed as Exhibit 10.34 to our Annual Report on Form 10-K for the year ended December 31, 2008.
10.25*	Biogen Idec Inc. 1995 Employee Stock Purchase Plan as amended and restated effective April 6, 2005. Filed as Appendix B to our Definitive Proxy Statement on Schedule 14A filed on April 15, 2005.
10.26*	IDEC Pharmaceuticals Corporation 1993 Non-Employee Directors Stock Option Plan, as amended and restated through February 19, 2003. Filed as Appendix B to our Definitive Proxy Statement on Schedule 14A filed on April 11, 2003.
10.27*	Amendment to IDEC Pharmaceuticals Corporation 1993 Non-Employee Directors Stock Option Plan dated April 18, 2008. Filed as Exhibit 10.5 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.
10.28*	Amendment to IDEC Pharmaceuticals Corporation 1993 Non-Employee Directors Stock Option Plan dated June 1, 2011. Filed as Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.
10.29*	IDEC Pharmaceuticals Corporation 1988 Stock Option Plan, as amended and restated through February 19, 2003. Filed as Appendix A to our Definitive Proxy Statement on Schedule 14A filed on April 11, 2003.
10.30*	Amendment to the IDEC Pharmaceuticals Corporation 1988 Stock Option Plan dated April 16, 2004. Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
10.31*	Amendment to IDEC Pharmaceuticals Corporation 1988 Stock Option Plan dated April 18, 2008. Filed as Exhibit 10.4 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.
10.32*	Biogen, Inc. 1987 Scientific Board Stock Option Plan (as amended and restated through February 7, 2003). Filed as Exhibit 10.22 to Biogen, Inc. s Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 0-12042) and incorporated herein by reference.

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<b>Exhibit No.</b>	<b>Description</b>
10.33*	Amendment to Biogen, Inc. 1987 Scientific Board Stock Option Plan dated April 18, 2008. Filed as Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.
10.34*	Biogen, Inc. 1985 Non-Qualified Stock Option Plan, as amended and restated through April 11, 2003. Filed as Exhibit 10.22 to our Annual Report on Form 10-K for the year ended December 31, 2007.
10.35*	Amendment to Biogen, Inc. 1985 Non-Qualified Stock Option Plan dated April 18, 2008. Filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.
10.36*	Amendment to Biogen, Inc. 1985 Non-Qualified Stock Option Plan dated October 13, 2008. Filed as Exhibit 10.45 to our Annual Report on Form 10-K for the year ended December 31, 2008.
10.37*	Biogen Idec Inc. 2008 Performance-Based Management Incentive Plan. Filed as Appendix B to Biogen Idec's Definitive Proxy Statement on Schedule 14A filed on May 8, 2008.
10.38*	Voluntary Executive Supplemental Savings Plan, as amended and restated effective January 1, 2004. Filed as Exhibit 10.13 to our Annual Report on Form 10-K for the year ended December 31, 2003.
10.39*+	Supplemental Savings Plan, as amended and restated effective January 1, 2012.
10.40*+	Voluntary Board of Directors Savings Plan, as amended and restated effective January 1, 2012.
10.41*	Biogen Idec Inc. Executive Severance Policy – U.S. Executive Vice President, as amended effective October 13, 2008. Filed as Exhibit 10.51 to our Annual Report on Form 10-K for the year ended December 31, 2008.
10.42*	Biogen Idec Inc. Executive Severance Policy – International Executive Vice President, as amended effective October 13, 2008. Filed as Exhibit 10.52 to our Annual Report on Form 10-K for the year ended December 31, 2008.
10.43*	Biogen Idec Inc. Executive Severance Policy – U.S. Senior Vice President, as amended effective October 13, 2008. Filed as Exhibit 10.53 to our Annual Report on Form 10-K for the year ended December 31, 2008.
10.44*	Biogen Idec Inc. Executive Severance Policy – International Senior Vice President, as amended effective October 13, 2008. Filed as Exhibit 10.54 to our Annual Report on Form 10-K for the year ended December 31, 2008.
10.45*	Annual Retainer Summary for Board of Directors. Filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.
10.46*	Form of indemnification agreement for directors and executive officers. Filed as Exhibit 10.1 to our Current Report on Form 8-K filed on June 7, 2011.
10.47*	Employment Agreement between Biogen Idec and George A. Scangos dated as of June 28, 2010. Filed as Exhibit 10.1 to our Current Report on Form 8-K filed on July 1, 2010.
10.48*	Employment Agreement between Biogen Idec and James C Mullen dated as of June 20, 2003. Filed as Exhibit 10.2 to our Registration Statement on Form S-4 (File No. 333-107098).
10.49*	First Amendment to Employment Agreement between Biogen Idec and James C. Mullen dated February 7, 2006. Filed as Exhibit 10.1 to our Current Report on Form 8-K filed on February 10, 2006.
10.50*	Second Amendment to Employment Agreement between Biogen Idec and James C. Mullen dated as of December 4, 2008. Filed as Exhibit 10.59 to our Annual Report on Form 10-K for the year ended December 31, 2008.
10.51*	Transition Agreement between Biogen Idec and James C. Mullen dated as of January 4, 2010. Filed as Exhibit 10.50 to our Annual Report on Form 10-K for the year ended December 31, 2009.
10.52*	Letter regarding employment arrangement of Paul J. Clancy dated August 17, 2007. Filed as Exhibit 10.49 to our Annual Report on Form 10-K for the year ended December 31, 2007.

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<b>Exhibit No.</b>	<b>Description</b>
10.53*	Letter regarding employment arrangement of Francesco Granata dated January 6, 2010. Filed as Exhibit 10.55 to our Annual Report on Form 10-K for the year ended December 31, 2010.
10.54*	Amendment to letter regarding employment arrangement of Francesco Granata. Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.
10.55*	Severance Plan for EVP, Global Commercial Operations (Francesco Granata). Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.
10.56*	Separation Agreement between Biogen Idec and Francesco Granata dated September 29, 2011. Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.
10.57*+	Letter regarding employment arrangement of Douglas E. Williams dated December 7, 2010.
10.58*+	Letter regarding employment arrangement of Steven H. Holtzman dated November 19, 2010.
21+	Subsidiaries.
23+	Consent of PricewaterhouseCoopers LLP, an Independent Registered Public Accounting Firm.
31.1+	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1++	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101++	The following materials from Biogen Idec Inc. s Annual Report on Form 10-K for the year ended December 31, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statement of Equity and (v) Notes to Consolidated Financial Statements.

^ References to our filings mean filings made by Biogen Idec Inc. and filings made by IDEC Pharmaceuticals Corporation prior to the merger with Biogen, Inc. Unless otherwise indicated, exhibits were previously filed with the Securities and Exchange Commission under Commission File Number 0-19311 and are incorporated herein by reference.

\* Management contract or compensatory plan or arrangement.

Confidential treatment has been granted or requested with respect to portions of this exhibit.

+ Filed herewith.

++ Furnished herewith.