BIOGEN IDEC INC.
Form 10-Q
October 28, 2013

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

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

For the quarterly period ended September 30, 2013
OR

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

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

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

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

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

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

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

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

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

The number of shares of the issuer's Common Stock, $0.0005 par value, outstanding as of October 21, 2013, was 236,212,930 shares.

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For the Quarterly Period Ended September 30, 2013
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NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- the anticipated amount, timing and accounting of revenues, contingency payments, milestone, royalty and other payments under licensing, collaboration or acquisition agreements, tax positions and contingencies, doubtful accounts, cost of sales, research and development costs, compensation and other expenses, amortization of intangible assets, and foreign currency forward contracts;
- the impact of the commercial launch of TECFIDERA in the U.S. on sales and market share of our products, and the potential approval and launch of TECFIDERA in Europe;
- patent terms, patent term extensions, patent office actions, data protection and market exclusivity rights;
- the potential impact of increased product competition in the multiple sclerosis (MS) market, including competition from and growth of our own products and the possibility of future competition from biosimilars, generic versions or related prodrug derivatives;
- our plans to develop further risk stratification protocols for TYSABRI and the impact of such protocols;
- the timing, outcome and impact of administrative, regulatory, litigation and other proceedings related to: patents and other proprietary and intellectual property rights; tax audits, assessments and settlements; product liability and other matters;
- the costs to be incurred in connection with Genentech's arbitration with Hoechst;
- the expected timing and financial impact of the final approval of the settlement of our dispute with the Italian National Medicines Agency relating to sales of TYSABRI;
- the costs, timing, potential approval and therapeutic scope of the development and commercialization of our pipeline products;
- our expectation to exercise our put option requiring Knopp Neurosciences, Inc. (Knopp) to purchase our Class B common share ownership in Knopp;
- the potential impact of budget cuts and other measures in the U.S. and worldwide designed to reduce healthcare costs to constrain the overall level of government expenditures, including the impact of pricing actions in Europe and elsewhere;
- the impact of the continued uncertainty and deterioration of the credit and economic conditions in certain countries in Europe and our collection of accounts receivable in such countries;
- our ability to finance our operations and business initiatives and obtain funding for such activities;
- the impact of new laws and accounting standards;
- the timing and expected financial impact of relocating our corporate headquarters in Weston, Massachusetts to Cambridge, Massachusetts; and
- the drivers for growing our business, including our plans to pursue business development and research opportunities, and competitive conditions.

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

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NOTE REGARDING COMPANY AND PRODUCT REFERENCES

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

NOTE REGARDING TRADEMARKS

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

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PART I FINANCIAL INFORMATION

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues:				
Product, net	$1,453,554	$1,039,110	$3,935,251	$3,091,398
Unconsolidated joint business	303,210	287,792	856,601	856,975
Other	71,016	58,652	174,497	150,147
Total revenues	1,827,780	1,385,554	4,966,349	4,098,520
Cost and expenses:				
Cost of sales, excluding amortization of acquired intangible assets	234,696	139,358	599,173	411,666
Research and development	410,017	304,217	1,021,820	989,738
Selling, general and administrative	405,584	299,631	1,189,194	901,488
Amortization of acquired intangible assets	99,998	53,013	233,524	151,256
Collaboration profit sharing	—	75,545	85,357	239,951
(Gain) loss on fair value remeasurement of contingent consideration	(97)	9,456	(2,983)	23,573
Restructuring charges	—	803	—	2,225
Total cost and expenses	1,150,198	882,023	3,126,085	2,719,897
Gain on sale of rights	6,949	31,719	17,319	31,719
Income from operations	684,531	535,250	1,857,583	1,410,342
Other income (expense), net	(4,640)	(4,548)	(29,525)	13,546
Income before income tax expense and equity in loss of investee, net of tax	679,891	530,702	1,828,058	1,423,888
Income tax expense	186,105	131,044	410,753	334,213
Equity in loss of investee, net of tax	6,170	1,258	12,270	1,769
Net income	487,616	398,400	1,405,035	1,087,906
Net income attributable to noncontrolling interests, net of tax	—	—	—	—
Net income attributable to Biogen Idec Inc.	$487,616	$398,400	$1,405,035	$1,087,906
Net income per share:				
Basic earnings per share attributable to Biogen Idec Inc.	$2.06	$1.68	$5.93	$4.56
Diluted earnings per share attributable to Biogen Idec Inc.	$2.05	$1.67	$5.89	$4.53
Weighted-average shares used in calculating:				
Basic earnings per share attributable to Biogen Idec Inc.	237,070	236,474	237,131	238,331
Diluted earnings per share attributable to Biogen Idec Inc.	238,349	238,125	238,508	240,137

See accompanying notes to these unaudited condensed consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	$487,616	$398,400	$1,405,035	$1,087,906
Other comprehensive income:				
Unrealized gains on securities available for sale, net of tax of $3,639 and $883 for the three months ended September 30, 2013 and 2012, respectively; and $6,554 and $1,958 for the nine months ended September 30, 2013 and 2012, respectively	6,211	1,503	11,171	3,331
Unrealized losses on foreign currency forward contracts, net of tax of $298 and $3,140 for the three months ended September 30, 2013 and 2012, respectively; and $1,182 and $3,118 for the nine months ended September 30, 2013 and 2012, respectively	(14,847)	(27,354)	(5,549)	(27,457)
Unrealized gains on pension benefit obligation	892	198	3,167	590
Currency translation adjustment	33,564	25,093	17,201	(980)
Total other comprehensive income (loss), net of tax	25,820	(560)	25,990	(24,516)
Comprehensive income	513,436	397,840	1,431,025	1,063,390
Comprehensive income attributable to noncontrolling interests, net of tax	—	—	—	65
Comprehensive income attributable to Biogen Idec Inc.	$513,436	$397,840	$1,431,025	$1,063,325

See accompanying notes to these unaudited condensed consolidated financial statements.

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

	As of September 30, 2013	As of December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$427,811	$570,721
Marketable securities	240,882	1,134,989
Accounts receivable, net	891,396	686,848
Due from unconsolidated joint business, net	263,465	268,395
Inventory	614,483	447,373
Other current assets	205,635	136,011
Total current assets	2,643,672	3,244,337
Marketable securities	373,558	2,036,658
Property, plant and equipment, net	1,806,074	1,742,226
Intangible assets, net	4,580,199	1,631,547
Goodwill	1,210,718	1,201,296
Investments and other assets	636,028	274,054
Total assets	$11,250,249	$10,130,118
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of notes payable and line of credit	$3,385	$453,379
Taxes payable	144,180	20,066
Accounts payable	166,709	203,999
Accrued expenses and other	1,204,437	979,945
Total current liabilities	1,518,711	1,657,389
Notes payable and other financing arrangements	694,894	687,396
Long-term deferred tax liability	302,483	217,272
Other long-term liabilities	608,473	604,266
Total liabilities	3,124,561	3,166,323
Commitments and contingencies		
Equity:		
Biogen Idec Inc. shareholders’ equity		
Preferred stock, par value $0.001 per share	—	—
Common stock, par value $0.0005 per share	128	127
Additional paid-in capital	3,987,377	3,854,525
Accumulated other comprehensive loss	(29,315)	(55,305)
Retained earnings	5,891,829	4,486,794
Treasury stock, at cost	(1,724,927)	(1,324,618)
Total Biogen Idec Inc. shareholders’ equity	8,125,092	6,961,523
Noncontrolling interests	596	2,272
Total equity	8,125,688	6,963,795
Total liabilities and equity	$11,250,249	$10,130,118

See accompanying notes to these unaudited condensed consolidated financial statements.

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

	For the Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net income	$1,405,035	$1,087,906
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	373,357	268,772
Share-based compensation	104,851	88,378
Deferred income taxes	(166,187)	(86,858)
Other	(36,577)	6,043
Changes in operating assets and liabilities, net:		
Accounts receivable	(219,860)	18,486
Inventory	(182,814)	(82,423)
Other changes in operating assets and liabilities, net	198,268	71,686
Net cash flows provided by operating activities	1,476,073	1,371,990
Cash flows from investing activities:		
Proceeds from sales and maturities of marketable securities	5,025,218	1,913,381
Purchases of marketable securities	(2,473,609)	(2,192,343)
Acquisition of TYSABRI rights	(3,262,719)	—
Acquisitions of business, net of cash acquired	—	(72,401)
Purchases of property, plant and equipment	(167,628)	(185,511)
Other	(15,954)	(38,014)
Net cash flows used in investing activities	(894,692)	(574,888)
Cash flows from financing activities:		
Purchase of treasury stock	(400,308)	(963,171)
Proceeds from issuance of stock for share-based compensation arrangements	56,367	58,278
Repayment of borrowings under senior notes	(452,340)	—
Other	68,572	42,939
Net cash flows used in financing activities	(727,709)	(861,954)
Net increase (decrease) in cash and cash equivalents	(146,328)	(64,852)
Effect of exchange rate changes on cash and cash equivalents	3,418	2,033
Cash and cash equivalents, beginning of the period	570,721	514,542
Cash and cash equivalents, end of the period	$427,811	$451,723

See accompanying notes to these unaudited condensed consolidated financial statements.

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

1. Business

Overview

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

Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of our financial statements for interim periods in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The information included in this quarterly report on Form 10-Q should be read in conjunction with our consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2012 (2012 Form 10-K). Our accounting policies are described in the “Notes to Consolidated Financial Statements” in our 2012 Form 10-K and updated, as necessary, in this Form 10-Q. The year-end condensed consolidated balance sheet data presented for comparative purposes was derived from our audited financial statements, but does not include all disclosures required by U.S. GAAP. The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

Consolidation

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

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

Use of Estimates

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

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

2. Acquisitions

TYSABRI

On April 2, 2013, we acquired full ownership of, and strategic, commercial and decision-making rights to, TYSABRI from Elan Pharma International, Ltd (Elan), an affiliate of Elan Corporation, plc. Upon the closing of the transaction, we made an upfront payment of $3.25 billion to Elan, which was funded from our existing cash, and our collaboration agreement with Elan was terminated.

We are accounting for this transaction as the acquisition of an asset as we did not acquire any employees from Elan nor did we acquire any significant processes that we did not previously perform or manage under the collaboration agreement. Under the collaboration agreement, we manufactured TYSABRI and collaborated with Elan on the product's marketing, commercial, regulatory, distribution and ongoing development activities. The collaboration agreement was designed to effect an equal sharing of worldwide profits and losses generated by the activities of the collaboration. For additional information related to this collaboration, please read Note 21, Collaborative and Other Relationships to our consolidated financial statements included within our 2012 Form 10-K.

The $3.25 billion upfront payment was capitalized in the second quarter of 2013 as an intangible asset within our condensed consolidated balance sheet as TYSABRI has reached technological feasibility. We adjusted the value of this intangible asset by $84.4 million related to deferred revenue from two sales-based milestones previously paid by Elan as well as transaction costs. The net intangible asset capitalized was $3,178.3 million. Commencing in the second quarter of 2013, we began amortizing this intangible asset over the estimated useful life of 17 years using an economic consumption method based on actual and expected revenue generated from the sales of our TYSABRI product.

Following the April 2, 2013 closing of the transaction, we began recording 100% of U.S. revenues, cost of sales and operating expenses related to TYSABRI within our condensed consolidated statements of income. Under the terms of the acquisition agreement, we continued to share TYSABRI profits with Elan on an equal basis until April 30, 2013. We recorded this profit split for the month ended April 30, 2013 as cost of sales within our condensed consolidated statements of income as we controlled TYSABRI effective April 2, 2013. Commencing May 1, 2013 and for the first twelve months thereafter, we will make contingent payments to Elan of 12% on worldwide net sales of TYSABRI and, thereafter, 18% on annual worldwide net sales up to $2.0 billion and 25% on annual worldwide net sales that exceed $2.0 billion. In 2014, the $2.0 billion threshold will be pro-rated for the portion of 2014 remaining after the first 12 months expires. Royalty payments to Elan will be recognized as cost of sales within our condensed consolidated statements of income.

3. Accounts Receivable

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

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

these receivables, which is recognized as a component of other income (expense), net within our condensed consolidated statements of income.

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

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

(In millions)	As of September 30, 2013 Current Balance Included within Accounts Receivable, net	 Non-Current Balance Included within Investments and Other Assets	 Total
Spain	$94.1	$ 18.2	$112.3
Italy	$89.2	$ 2.5	$91.7
Portugal	$12.5	$ 18.1	$30.6

(In millions)	As of December 31, 2012 Current Balance Included within Accounts Receivable, net	 Non-Current Balance Included within Investments and Other Assets	 Total
Spain	$78.9	$ —	$78.9
Italy	$94.4	$ 10.2	$104.6
Portugal	$16.6	$ 7.4	$24.0

Approximately $40.8 million and $11.8 million of the total net accounts receivable balances for these countries were overdue more than one year as of September 30, 2013 and December 31, 2012, respectively.

Pricing of TYSABRI in Italy - AIFA

In the fourth quarter of 2011, Biogen Idec SRL, our Italian subsidiary, received a notice from the Italian National Medicines Agency (AIFA) stating that sales of TYSABRI for the period from February 2009 through February 2011 exceeded by EUR30.7 million a reimbursement limit established pursuant to a Price Determination Resolution (Price Resolution) granted by AIFA in December 2006. In December 2011, based on our interpretation that the Price Resolution by its terms only applied to the first 24 months of TYSABRI sales (which began in February 2007), we filed an appeal against AIFA in administrative court seeking a ruling that the reimbursement limit does not apply and that the position of AIFA is unenforceable. That appeal is pending.

In June 2013, Biogen Idec SRL received an additional notice from AIFA, stating that sales of TYSABRI from February 2011 through February 2013 also exceeded the same reimbursement limit in the Price Resolution. We dispute that the reimbursement limit applies to this period for the same reason that we dispute its application to the February 2009 through February 2011 period.

In July 2013, we reached an agreement in principle with the Price and Reimbursement Committee of AIFA to settle all of AIFA's existing claims relating to sales of TYSABRI in excess of the reimbursement limit for the periods between February 2009 through February 2013 for an aggregate repayment of EUR33.3 million. As part of this settlement, we also agreed that the reimbursement limit in the Pricing Resolution will no longer be in effect as of February 2013. The settlement is pending approval by the Italy Avvocatura Generale dello Stato and the board of directors of AIFA. Upon this approval and the execution of the settlement, we will dismiss our appeal.

As a result of this agreement, we recorded a liability and reduction to revenue of EUR15.4 million. That adjustment approximates 50% of the claim related to the period from February 2009 through February 2011 for which we had not recorded any amounts. We recorded the adjustment as of June 30, 2013 as the likelihood of making a payment to settle AIFA's claims for this period was now probable and the amount could be estimated.

Since being notified in the fourth quarter of 2011 that AIFA believed a reimbursement limit was in effect, we have deferred revenue on sales of TYSABRI as if the reimbursement limit were in effect. As of September 30, 2013, we have deferred an aggregate amount of $120.7 million, of which $12.7 million and $39.9 million were deferred during the three and nine months ended September 30, 2013, respectively. We will continue to defer revenue until the

settlement is approved. Upon approval of the settlement, any deferred revenue related to the periods subsequent to February 2011 that is in excess of the settlement will be recognized as revenue. At the time of sale, our net accounts receivable balances from product sales in Italy include the amount of deferred revenue discussed above as our customers pay the invoice price of the product. For additional information, please read Note 20, Litigation to these condensed consolidated financial statements.

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

4. Reserves for Discounts and Allowances

As a result of our acquisition of TYSABRI rights from Elan, we began recognizing reserves for discounts and allowances for U.S. TYSABRI revenue in the second quarter of 2013. Prior periods included reserves for discounts and allowances for rest of world TYSABRI revenue and worldwide AVONEX revenue only. In addition, following our start of U.S. commercial sales of TECFIDERA in the second quarter of 2013, we began recognizing reserves for discounts and allowances related to U.S. TECFIDERA revenue.

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

(In millions)	Discounts	Contractual Adjustments	Returns	Total
Balance, as of December 31, 2012	$15.5	$194.8	$26.8	$237.1
Current provisions relating to sales in current year	202.9	549.8	16.0	768.7
Adjustments relating to prior years	(0.8)	(7.8)	0.9	(7.7)
Payments/returns relating to sales in current year	(145.3)	(306.1)	—	(451.4)
Payments/returns relating to sales in prior years	(13.8)	(127.8)	(13.9)	(155.5)
Balance, as of September 30, 2013	$58.5	$302.9	$29.8	$391.2

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

(In millions)	As of September 30, 2013	As of December 31, 2012
Reduction of accounts receivable	$143.8	$46.1
Component of accrued expenses and other	247.4	191.0
Total reserves	$391.2	$237.1

5. Inventory

The components of inventory are summarized as follows:

(In millions)	As of September 30, 2013	As of December 31, 2012
Raw materials	$112.2	$101.8
Work in process	389.8	230.5
Finished goods	112.5	115.1
Total inventory	$614.5	$447.4

As of September 30, 2013, our inventory includes $82.4 million associated with our ELOCTATE, ALPROLIX, Serum-Free AVONEX and PLEGRIDY programs, which have been capitalized in advance of regulatory approval.

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

6. Intangible Assets and Goodwill

Intangible Assets

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

		As of September 30, 2013			As of December 31, 2012		
(In millions)	Estimated Life	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Out-licensed patents	13-23 years	$578.0	$ (443.3)	$134.7	$578.0	$ (421.0)	$157.0
AVONEX							
Core developed technology	15-23 years	3,005.3	(2,107.0)	898.3	3,005.3		