TRANSFORMING DISCOVERY INTO CARE
With passion, purpose and partnerships, we transform scientific discoveries into advances in human healthcare.

CORE VALUES

COURAGEOUS INNOVATION
We apply our knowledge, talent and resources to yield new insights and bold ideas. We confront challenge and uncertainty with zeal, tenacity and vision and seize opportunities to excel.

QUALITY, INTEGRITY, HONESTY
Our products are of the highest quality. Our personal and corporate actions are rooted in mutual trust and responsibility. We are truthful, respectful and objective in conducting business and in building relationships.

TEAM AS A SOURCE OF STRENGTH
Our company is strong because our employees are diverse, skillful and collaborative. We pursue our fullest potential as individual contributors, team members and team leaders.

COMMITMENT TO THOSE WE SERVE
We measure our success by how well we enable people to achieve and to thrive. Patients, caregivers, shareholders and colleagues deserve our best.

GROWTH, TRANSFORMATION AND RENEWAL
Consistent with our core values, we as individuals and as a corporation are dedicated to creative and constructive growth, transformation and renewal as a source of inspiration and vitality.
At Biogen Idec, PASSION for what we do energizes our business and gives us PURPOSE as we seek to transform scientific discoveries into advances in human healthcare. Our success comes not only through our own efforts but through PARTNERSHIPS with others, both the company and research organizations we work with and the physicians and patients whose needs we serve. NEUROLOGY is a major focus of our business. We are leaders in the area of multiple sclerosis and are working to extend that leadership to other important neurological conditions. In ONCOLOGY, we discovered and today co-market the leading therapy for non-Hodgkin’s lymphoma and are working to expand our cancer franchise to other blood malignancies as well as solid tumors. Moreover, the understanding of IMMUNOLOGY gained through our research is enabling us to develop much-needed treatments for rheumatoid arthritis, lupus and other inflammatory diseases.

Contents

Letter to our Shareholders
International Growth Story with Avonex
Avonex/Multiple Sclerosis
Patient Story - Janet Lambertson
Neurology Pipeline
Rituxan / Zevalin
Patient Story - Michael Picarella
Oncology Pipeline
Rituxan In Da Patient Story - Angela Jenkins
Immunology Pipeline
Science Education
Financials
Support & Resources

Corporate Information

Robert W. Pangia
Partner at Jay Capital Partners, LLC, the general partner of Jay Healthcare Capital, L.P., a private equity fund specializing in healthcare investing

The Honorable Lynn Schenk
Lawyer, former Chief of Staff to the Governor of California and former U.S. Congresswoman

Phillip A. Sharp, Ph.D.
Institute Professor, Center for Cancer Research and Department of Biology, Massachusetts Institute of Technology; Nobel Laureate and recipient of the National Medal of Science

William D. Young
Chairman and Chief Executive Officer, Monsanto Biosciences, Inc.

Executive Committee

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Chief Executive Officer and President
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Hans Peter Haeber
Senior Vice President, International Strategic Business Unit
Faheem Hussain
Senior Vice President, Oncology Strategic Business Unit
Michael D. Knowlton, Ph.D.
Senior Vice President, Pharmaceutical Operations & Technology

Annual Meeting

Thursday, May 24, 2006, at 10 a.m.
At the Four Seasons Boston, 201 Causeway Street, Boston, Massachusetts
All shareholders are welcome.

Transfer Agent

For shareholder questions regarding Lost Stock Certificates, address changes and other matters, contact Computershare Trust Company, NA at
1-800-366-9352
Our biologics news releases are usually posted within one hour of being issued and are available at no cost at www.biogenidec.com.
Our relationship with patients is a big reason why we do what we do – seek to turn scientific discoveries into new standards of care in oncology, neurology and immunology. We strive to fill an important role in their well-being and quality of life, as partners along with their physicians and caregivers.

To learn more about Marie's experience with AVONEX, please visit www.biogenidec.com.

Marie Stallbaum, AVONEX patient.
Biogen Idec is a strong, international organization with 20 affiliates in various countries and distribution partners in over 70 countries – serving patients around the world. Our global focus goes beyond marketing and sales to include clinical development, regulatory, quality control and packaging capabilities, with European manufacturing capacity under development. Our international expertise and reach is a key advantage for the development and commercialization of our own products, and also helps make us an ideal partner for others.
EMPLOYEES

Our high standards are reflected in the quality of our employees as well as our products. Our people are our greatest resource and a cornerstone of our success. We are strong because of their collaborative, positive attitude, which they bring to their work at Biogen Idec and to the communities in which we live and do business.
Partnerships are an increasingly important part of our business. They are also a key to our future growth at Biogen Idec. In 2005, we announced a strategic partnership with PDL BioPharma that added three new monoclonal antibody products to our pipeline, addressing important medical needs in multiple sclerosis, immunology and cancer.
Dear Fellow Shareholders,

TYSABRI dominated the media coverage in 2005. The business of Biogen Idec is much larger than any single product or event, and we took a series of bold and disciplined actions to position the company for continued superior growth over the long term.

Revenues grew to more than $2.42 billion in 2005 – an increase of approximately 10% over the prior year. As was the case in 2004, this revenue growth resulted primarily from the performance of AVONEX® (Interferon beta-1a) and RITUXAN® (rituximab), two therapies that continue to rank among the top 10 biotechnology products sold worldwide. Revenues for AVONEX, the number one prescribed therapy for multiple sclerosis (MS), rose 9% to $1.54 billion as compared to 2004. Co-promotion profits for RITUXAN, the world’s leading therapy for certain types of B-cell non-Hodgkin’s lymphoma (NHL), grew by 15% to $709 million. We market RITUXAN in the United States in collaboration with Genentech, Inc.

Over our long history, Biogen Idec has pioneered important new therapies that have helped address major unmet medical needs. Moreover, during this time, we have established a global business known for its strengths in clinical trial design and execution, protein sciences and manufacturing. Today, our world-class commercial organization competes effectively against some of the biggest names in specialty markets across the globe.

In the near term, our core business is anticipated to remain robust, led by sales of RITUXAN and AVONEX. Continued strong cash flow – our business generated operating cash flow of more than $800 million in 2005 – and solid balance sheet are expected to provide an excellent foundation going forward. In addition, our immediate growth prospects are promising, reflecting the introduction of RITUXAN in rheumatoid arthritis (RA), and the anticipated return of TYSABRI® (natalizumab) in MS. Finally, we are moving more than a dozen candidates forward in the immunology portfolio and several in the oncology pipeline.

As good as our prospects are expected to be for the next few years, we recognize the need to best position Biogen Idec for long-term growth and to deliver additional value for patients, shareholders and employees. Consequently, early in 2005, we began the process of looking at the scope and structure of our business, and determining how to significantly augment the number of programs in our mid- to late-stage pipeline. We considered every activity in the company and its potential to create value in the future.

In early September, we announced several initiatives to achieve economic flexibility and greater financial discipline, with the purpose of reinvesting these savings for accelerated growth through external opportunities. The initiatives included reducing our global workforce by 17%, divesting our psoriasis product AMEVIVE® (alefacept) and selling several other assets.

Importantly, we expect to commit approximately $200 million a year for business development and external research opportunities beginning in 2006, compared to the approximately $50 million we earmarked for partnerships and collaborations in 2005. With this strong financial position and our global reach in over 70 countries, we are poised to expand our business through licensing, collaborations and acquisitions.

We began to execute on the external growth strategy in the third quarter, as we formally commenced a collaboration with PDL BioPharma that encompasses the joint development and joint commercialization of three Phase II antibodies. This partnership will expand our oncology presence in solid tumors, while strengthening our position as a leader in MS research and development. The alliance enables both companies to share costs and risks of developing products that may address large market opportunities, while leveraging our respective development, manufacturing and commercial strengths. Through our very active business development efforts we hope to initiate a number of similar programs in 2006.
Biogen Idec’s resiliency was demonstrated in 2005. We opened the year with a strong market launch of TYSABRI, a new therapy for the treatment of relapsing forms of MS to reduce the frequency of clinical relapses. Within the first three months, approximately 5,000 patients were receiving the drug; another 15,000 patients were queued awaiting insurance verification and scheduling of their first dose.

However, on February 28, 2005, we and Elan, with whom we had jointly developed the product, announced the voluntarily suspension of TYSABRI from the U.S. market and all ongoing clinical trials based on two reports of progressive multifocal leukoencephalopathy (PML), a rare and potentially fatal, demyelinating disease of the central nervous system. A third case of PML was also discovered in a patient with Crohn’s disease. Until we could better understand the potential link between TYSABRI and PML, we concluded it was in the best interest of patients to suspend commercial and clinical distribution of the product.

Our companies immediately went to work with clinical investigators on a safety analysis reviewing the cases of patients involved in clinical trials in MS, Crohn’s disease and RA. Throughout the period, we worked closely with the FDA, the National Institutes of Health and the European Medicines Agency (EMEA).

By the end of the third quarter, we completed a comprehensive safety evaluation of more than 3,000 TYSABRI patients in collaboration with leading experts in PML and MS. The results yielded no new confirmed cases of PML beyond those previously reported. We then submitted to the FDA a supplemental Biologics License Application (sBLA) for TYSABRI that included two-year data from the Phase III AFFIRM monotherapy trial and SENTINEL add-on trial with AVONEX in MS, a revised label and risk-management plan and an integrated safety assessment of TYSABRI clinical trial patients. On March 8, 2006, the Peripheral and Central Nervous System Drugs Advisory Committee unanimously recommended, with a 12-0 vote, the reintroduction of TYSABRI for the treatment of relapsing forms of MS.

As indicated by the clinical studies, TYSABRI is an extraordinarily efficacious agent in MS. The two-year data from the AFFIRM trial showed a 42% reduction in risk of disability progression. These compelling efficacy data are among the many reasons we are pursuing this compound so diligently to make it available again to the MS community. At the same time, of course, it remains our paramount goal to ensure that patients and physicians understand the risks of TYSABRI treatment for MS, and know that we have a process in place for rapid recognition of any new and important safety signals once the product re-enters the commercial space.

While TYSABRI presented challenges in 2005, it did not limit the significant progress the company made in other areas. For example, we explored new indications for RITUXAN, such as RA, where B-cell-directed strategies may be applicable. Biogen Idec and our RITUXAN development partners, Genentech and F. Hoffmann-LaRoche, in November announced the successful outcome of our phase III trials for RITUXAN for patients with RA who are inadequate responders to anti-TNF therapy. The results of the trials determined that RITUXAN had highly significant efficacy, and based on these data we filed an Supplemental Biologics License Application (sBLA) in August 2005 and were granted priority review of the sBLA in the fall of 2005. On February 28, 2006, the FDA approved RITUXAN in combination with methotrexate for the treatment of adult patients with active RA who have had an inadequate response to one or more anti-TNF therapies.

Separately, in August, we filed an sBLA for use of RITUXAN in front line aggressive non-Hodgkin’s lymphoma. The FDA granted priority review status, suggesting recognition of the significant improvement in survival
that RITUXAN may offer patients with aggressive forms of lymphoma. The FDA approved RITUXAN on February 10, 2006 for the treatment of diffuse large B-cell CD20-positive NHL in combination with CHOP (cyclophosphamide, doxorubicin, vincristine and prednisone) chemotherapy or other anthracycline-based chemotherapy regimens in previously untreated patients.

Outlook for 2006 and Beyond

In 2006, we are aiming to achieve several patient milestones. First, we plan to successfully market RITUXAN in rheumatoid arthritis. Further, we hope to achieve the re-launch of TYSABRI for MS patients in the U.S. and, separately, obtain market authorization in the EU.

We also intend to advance several early-stage programs in neurology, autoimmune disease and oncology. Fifteen products currently are in clinical trials, and several more are expected to enter the clinic shortly.

At the top of our agenda for 2006 will be expanding our oncology R&D efforts, attracting top talent, developing early-stage partnerships with academic centers, entering R&D collaborations with other companies, building opportunities in the solid-tumor market and expanding our pipeline to include small molecules. Furthermore, while oncology is a market with significant competition, it is one in which the unmet need for patients is truly staggering. It is our goal to make the leap from being a top U.S. company in hematologic tumors to being viewed as a true global leader in oncology across the board – from discovery to development to commercialization.

We also expect to lay the groundwork for initial progress in areas of neurology beyond MS. There is considerable unmet need in Parkinson's disease, Alzheimer's disease, stroke and neuropathic pain.

On a final note, 2005 also marked the retirement of Bill Rastetter as Executive Chairman. Bill’s contributions have been integral to the growth and success of Biogen Idec. He was a driving force behind the merger in 2003 and, from early on, saw that combining the two companies would allow us to do more for our patients, shareholders and employees. We owe a debt of gratitude to Bill for his dedication, vision and leadership.

We welcome Bruce Ross as non-executive chairman of the Board of Directors. Bruce is president of Cancer Rx, a healthcare consulting firm and was previously Chief Executive Officer of the National Comprehensive Cancer Network, an association of 19 of the largest cancer centers in the United States.

In summary, 2005 was a complex period during which Biogen Idec made several bold decisions to drive its growth in the mid-term and beyond the current decade. The long-term growth strategy we are now implementing builds upon Biogen Idec’s core neurology and oncology franchises and our expectations that TYSABRI will also be an important contributor to the company’s next stage.

We thank you for your support.

JAMES C. MULLEN
PRESIDENT AND CHIEF EXECUTIVE OFFICER
BIOGEN IDEC
INTERNATIONAL AVONEX SALES REPRESENT OUTSTANDING GROWTH STORY; NOW PREPARING TO LAUNCH IN EUROPE

AVONEX sales growth outside of the United States was one of our greatest success stories this year. In fact, international AVONEX sales have nearly doubled since 2002, gaining market share even in the face of strong European competition. This success is a tribute to the expertise and hard work of our international marketing and medical organization, encompassing more than 3,500 employees in 21 countries as well as distribution partnerships in 70 more. Now our International Business Unit is gearing up to take an even greater role in the company’s future growth, both with respect to the global development and sales of Biogen Idec’s products and as a key element of the company’s partnering strategy.
AVONEX/MULTIPLE SCLEROSIS

Nearly a decade after its U.S. introduction, AVONEX remains a billion dollar product and the leading therapy for multiple sclerosis worldwide. We believe that AVONEX’s position as the market leader in MS therapies is due to its proven efficacy, safety and convenience. AVONEX is the only once-weekly therapy for MS and the only approved treatment for people who have experienced a first attack and have MRI features consistent with MS. AVONEX is indicated for relapsing-remitting MS and is proven to both reduce relapses and slow the progression of physical disability associated with the disease.

Biogen Idec researchers and others within the international MS community continue to generate data that support AVONEX as the therapy of choice. For example, a growing understanding of the importance of neutralizing antibodies and the negative effect they have on efficacy underscores AVONEX’s value as producing the lowest level of neutralizing antibodies of any MS therapy. Similarly, new findings regarding the importance of adherence to therapy reinforces AVONEX’s once-weekly dosing as the most conducive to long-term adherence.

At the same time, Biogen Idec is working to expand the available treatment arsenal for patients with MS. This includes efforts aimed at returning TYSABRI, our powerful monoclonal antibody therapy, to the market and explorations of RITUXAN’s use in MS. It also includes the development of potential new therapies such as Daclizumab, from our partnership with PDL BioPharma, and BG-12/Oral Fumarate, as a potential first-generation oral MS therapy.

Please keep in mind that every individual experiences therapy with TYSABRI, AVONEX, RITUXAN and ZEVALIN differently. A patient’s own experience may be different from the ones highlighted in this document.

Please see complete prescribing information, available at www.avonex.com.
As a glacier explorer and ice caver, Janot Lamberton understands the value of teamwork. For the last 15 years he has led challenging, often dangerous expeditions to the polar ice cap, Greenland and other glacier fields. Each expedition requires the close partnership of a team of researchers, ice cavers, doctors and biologists who share the experience and depend on each other for success. Janot also has MS. He relies on the support of a team of caregivers, including his wife, his neurologist and nurses, to help him maintain his adventurous lifestyle and career.

Janot says that AVONEX has generally worked well for him. The once-weekly injection enables him to live his life with relatively few restrictions. While his disease has affected his stamina, it’s in the very cold environments that he withstands his treatment and the effects of MS best. As a result, Janot has been able to continue organizing research expeditions and also to address a new mission – helping troubled teenagers to learn new discipline by introducing them to the beauty and challenges of the ice cap.

Janot Lamberton, AVONEX patient, with wife Janine.
The aftermath of Hurricane Katrina had a devastating effect on many. Among them was an AVONEX patient who was literally left wondering how she would survive. The New Orleans resident arrived at the city’s Convention Center, only to find that her cell phone could only connect with toll-free numbers. Biogen Idec’s MSActive Source Customer Service line was the only toll-free number she could remember. Thankfully, she found a lifeline in the AVONEX Customer Service team. Whether it was dispelling rumors, counseling the patient as she struggled with the terrifying situation or tracking down her relatives to assure them of her safety and help reunite the patient with her family, the Biogen Idec employees were up to the challenge. Their support continued even after the patient was reunited with her family: Biogen Idec provided her with free AVONEX during the transition to safety and her new home. While this story is exceptional, the dedication shown by Biogen Idec’s Customer Service team is not. These individuals play a key role in helping patients get started on AVONEX therapy, deal with insurance issues and solve a variety of problems related to their treatment. The overall result is a customer support program that is appreciated by patients, their families and physicians. Moreover, it is a program that has helped make and keep AVONEX the leading therapy for MS worldwide.

MAKING THE DIFFERENCE – AVONEX CUSTOMER SUPPORT

Allison McAllister, Customer Support Team Leader – RTP
Biogen Idec is a leading developer of innovative therapies for MS. Our ongoing research is extending our knowledge about AVONEX and TYSABRI, as well as creating the next generation of products for the treatment of this debilitating disease. We are also expanding our reach in neurology through new product development in areas of high medical need, such as Parkinson’s disease, stroke and spinal cord injury.
RITUXAN/ZEVALIN

In the eight years since RITUXAN was launched, more than 730,000 patients worldwide have received this leading cancer therapy and it has become a standard of care for NHL. Originally approved for the treatment of patients with relapsed or refractory, low grade or follicular, CD20-positive, B-cell NHL, a blood cell malignancy, RITUXAN continues to be studied in many other clinical settings. These include the use of RITUXAN in frontline therapy, in patients with recurrent disease or with other B-cell cancers. RITUXAN is used both as a standalone treatment and in combination with a variety of other cancer therapies.

In February 2006, RITUXAN gained FDA approval for use in previously untreated patients with intermediate grade or aggressive CD20-positive, B-cell NHL in combination with CHOP chemotherapy or certain other chemotherapy regimens. This approval was supported by several large clinical studies that showed the addition of RITUXAN to chemotherapy improved patient response rates as well as overall survival in patients with more aggressive disease. Studies of RITUXAN maintenance therapy following initial treatment also show dramatically improved progression-free survival for patients with indolent NHL, and may become a new standard of care for these patients.

Biogen Idec is also studying RITUXAN in combination with ZEVALIN (ibritumomab tiuxetan), our radioimmunotherapeutic that targets cancer-killing radiation to B-cell tumors while sparing most normal tissues. Regimens combining chemotherapy, RITUXAN and ZEVALIN may help prevent relapses in NHL patients. Moreover, the use of ZEVALIN alone earlier in the course of disease may improve response rates or extend response duration while reducing the exposure of older patients to the debilitating effects of chemotherapy.

Please see complete prescribing information, available at www.rituxan.com or www.zevalin.com.
In February 2004, 44-year-old Michael Picarella felt increasingly tired. A father of four and medical salesperson, he initially attributed his fatigue to the recent holidays. But after missing work, Michael visited his doctor, who quickly hospitalized him for further tests. There, Michael’s health deteriorated rapidly, with his white cell counts dropping precipitously and organs starting to fail. Michael was diagnosed with T-cell-rich B-cell lymphoma, an aggressive form of non-Hodgkin’s lymphoma. He received CHOP chemotherapy and RITUXAN, first in the hospital and then as an outpatient for a total of seven cycles of therapy. By July, Michael’s lymphoma was in remission, and he remains healthy today.

Michael says his treatment was relatively easy to tolerate with no side effects beyond those expected with chemotherapy alone. He comments, “My survival is a testament to the ongoing scientific advances being made in the treatment of cancer.” To help other patients, Michael volunteers with the Leukemia & Lymphoma Society as a “First Contact” mentor for newly diagnosed patients.

Inspired by his experience, as well as that of a close friend who recently died from a different cancer type, Michael recently competed in the 2005 St. Anthony’s Triathlon in St. Petersburg, Florida. He swam .9 miles, biked 25 miles and ran 6.2 miles to celebrate his health, honor the memory of his friend, and to raise money for research to help fight his disease.
Through partnerships, as well as through our own research efforts, Biogen Idec is assembling a strong, diversified product portfolio to support its future growth. We are working to build on our global leadership in Neurology. This effort goes beyond MS to broaden our focus to other serious neurological conditions such as Parkinson’s disease, Alzheimer’s disease, stroke and neuropathic pain. In oncology, our goal is to expand our focus beyond lymphomas and leukemias into solid tumors. During 2005, our partnership with PDL BioPharma brought us a potentially important product in this area, M200 (volociximab), which we plan to study in several different tumor types. Our aim is to become a true global leader in oncology, with strengths extending from discovery to development to commercialization.
Biogen Idec is working to build a strong, diversified oncology portfolio for the future. A recognized leader in the development of innovative therapies for NHL and other blood-based cancers, our goal is to broaden our focus beyond those diseases to the treatment of solid tumors.

**RITUXAN** (rituximab)
- Relapsed Indolent B-cell Non-Hodgkin’s Lymphoma
- Newly Diagnosed Aggressive Non-Hodgkin’s Lymphoma
- Newly Diagnosed Indolent Non-Hodgkin’s Lymphoma
- Relapsed Chronic Lymphocytic Leukemia
- VOLOCIXIMAB (M200)
- Solid Tumors (Renal, Pancreatic, Melanoma, NSCLC)

**ZEVALIN** (ibritumomab tiuxetan)
- Non-Hodgkin’s Lymphoma
- Diffuse Large B-cell Lymphoma

**ANTS-CD80 mAb**
- Non-Hodgkin’s B-cell Lymphoma

**ANTS-CD23 mAb**
- Chronic Lymphocytic Leukemia

**INTERFERON BETA GENE DELIVERY**
- Cancer

**ANTS-LYMPHOTOXIN BETA RECEPTOR mAb**
- Solid Tumors

**ANTS-CRIPTO**
- Solid Tumors

**ANTS-BR3 mAb**
- Chronic Lymphocytic Leukemia
RITUXAN IN RA

Rheumatoid arthritis (RA) is a progressive, debilitating autoimmune disease that affects more than two million people in the United States alone. RA occurs when the immune system inappropriately attacks joint tissue, causing painful chronic inflammation and the destruction of cartilage, tendons and bones. The result is often disability. Experts have traditionally considered RA to be a T-cell-mediated disease. However, research over the past four years has increasingly highlighted the important role of B-cells in this condition. As a result, there is increasing interest in how therapies like RITUXAN that interact with B-cells might change the way in which RA progresses.

Results of a randomized, double-blind, placebo-controlled Phase III trial known as the REFLEX study demonstrated the value of RITUXAN in RA for patients who had failed to benefit from currently approved biologic therapies known as anti-TNF inhibitors. In this study, patients who received a single course of two infusions of RITUXAN with a stable dose of methotrexate (MTX) displayed a significant improvement in symptoms measured at 24 weeks, compared to those receiving placebo and MTX. Additional clinical studies of RITUXAN in RA are underway to evaluate that treatment in patients who are inadequately responding to MTX and have failed prior treatment with one or more disease-modifying therapies (DMARDs).

Please see complete prescribing information, available at www.rituxan.com.
Angela Jenkins had been experiencing episodes of pain and swelling in her shoulder and joints since 1999. These episodes occasionally provoked emergency room visits, where she was told they were just “inflammation” and probably related to her job. Finally, when an unrelated health problem revealed abnormal blood counts, her physician referred Angela to a nephrologist. As her pain and swelling became worse, her condition was finally diagnosed as rheumatoid arthritis.

Angela began treatment with methotrexate and various other therapies including TNF-inhibitors, which had little effect on her disease and were difficult for her to tolerate. Then, in 2003, she learned about and enrolled in a clinical trial for a potential new treatment for rheumatoid arthritis called RITUXAN.

Angela’s positive response to RITUXAN enabled her to put away the braces she had previously worn. Moreover, she began walking the mile to and from work and bicycling again. She experienced no swelling and had manageable residual pain from her disease, and had few side effects from the RITUXAN therapy. “Thanks to RITUXAN, I have had a fabulous past year,” Angela comments. “I’m doing so much that I never thought I could do again, and look forward to being able to continue on RITUXAN.”
In late February 2006, the FDA granted U.S. approval to a Supplemental Biologics License Application (sBLA) for RITUXAN as a treatment for patients with active, moderate to severe RA who inadequately respond to anti-TNF therapy. This approval represents the first for RITUXAN in an entirely new indication, expanding the use of this proven biologic beyond cancer into the realm of autoimmune diseases and an even larger market opportunity.

RITUXAN’s FDA approval in RA is the first example of a closely coordinated, global development strategy planned and carried out by Biogen Idec and its partners, Genentech, Inc. and F. Hoffmann-La Roche. The three partners pooled their resources in an effort designed to gain approval for RITUXAN in RA as quickly as possible in both the United States and elsewhere. The sBLA submitted to the FDA was based primarily on the positive 24-week results of the REFLEX study, which focused on patients who do not adequately respond to TNF-inhibitors and thus have no further treatment options. In addition, applications for approval have been submitted to several European Union countries, and have already received priority review designations in Switzerland and Canada. The three partner companies are also conducting additional clinical investigations of RITUXAN in RA, designed to optimize the RITUXAN profile for a broader patient population.

Biogen Idec is playing an active role in the commercialization of RITUXAN in RA. The company has formed a commercial organization that will be closely integrated with Biogen Idec’s Oncology Strategic Business Unit in San Diego, in order to gain from synergies related to RITUXAN’s use in cancer. Moreover, the company has established an experienced field force who will be selling RITUXAN to rheumatologists, with a particular focus on those who currently use biologics in their practice.
Biogen Idec, through its research, has developed an important understanding of the immune system and its role in health and disease. Many of our current and development-stage drugs work through immune system effects, making them potentially useful for a variety of immune-related conditions like rheumatoid arthritis, lupus and Crohn’s disease.

**IMMUNOLOGY**

Biogen Idec, through its research, has developed an important understanding of the immune system and its role in health and disease. Many of our current and development-stage drugs work through immune system effects, making them potentially useful for a variety of immune-related conditions like rheumatoid arthritis, lupus and Crohn’s disease.

**RITUXAN** (rituximab)
- Anti-TNF Refractory
- DMARD Refractory
- Lupus/SLE
- Oral Fumarate
- Psoriasis (Germany)

**TYSABRI** (natalizumab)
- Under Investigation for Crohn’s Disease

**FONTOLIZUMAB** (HuZaFTM)
- Rheumatoid Arthritis

**HUMANIZED ANTI-CD20**
- Rheumatoid Arthritis

**BR3-fc**
- Inflammation

**LYMPHOTOXIN BETA RECEPTOR**
- Rheumatoid Arthritis

**Anti-αVβ6**
- Fibrosis

**Fcγ-FceI**
- Allergic Asthma

**CD40L**
- SLE
DEDICATED TO IMMUNOLOGY DEVELOPMENTS

With our dedication to turning scientific discoveries into advances in patient care, the immune system is an important focus at Biogen Idec. Growing understanding about the interactions between immune system cells and their role in disease has led to new uses for existing therapies like RITUXAN, as well as potential new treatments for autoimmune and inflammatory diseases. Biogen Idec is working to expand its presence into specialty markets within the area of autoimmune and inflammatory diseases. This effort includes the development of additional treatments for RA, as well as new therapies for lupus, Crohn’s disease, ulcerative colitis and other conditions with high unmet medical need.

Sanjeev Ahuja, Senior Process Engineer - RTP
BIOGEN IDEC’S FUTURE SUCCESS RELIES ON HAVING A WORKFORCE THAT IS KNOWLEDGEABLE AND INTERESTED IN SCIENCE-RELATED JOBS, AS WELL AS A GENERAL POPULACE THAT SUPPORTS THE NEEDS OF SCIENCE-RELATED BUSINESSES.

Supporting science education is a priority for us, both through the Biogen Idec Foundation and through our Community Labs.

Biogen Idec strives to be an important partner and collaborator with patient organizations in the areas of MS and cancer, and with community-based organizations in the areas in which it does business. Through the Biogen Idec Foundation, we provide grants dedicated to education, community service, health care, culture and the arts. In 2005, the Foundation also made significant contributions to relief efforts aimed at helping those affected by Hurricane Katrina and the Southeast Asia Tsunami. Our employees further support their local communities directly through fund-raising activities, food drives, blood drives and other volunteer activities.

Science education is a major focus for Biogen Idec’s community involvement. The company has long collaborated with the educational community in Cambridge, Massachusetts, to raise the level of science literacy through its Community Lab. There, teachers and students can perform experiments to learn about biotechnology and drug development, and hear about career opportunities in the biological sciences. In 2005, we expanded this successful science education program to San Diego, with the opening of a second Community Lab on our Nobel Campus. Here, we are focusing on 7th grade classes from schools throughout San Diego County. Educators consider this a critical age for capturing and fostering their interest in science and science-related careers.
**FINANCIAL PERFORMANCE**

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<td>2003</td>
<td>679</td>
<td>1,173</td>
<td>1,852</td>
</tr>
<tr>
<td>2004</td>
<td>2,212</td>
<td>—</td>
<td>2,212</td>
</tr>
<tr>
<td>2005</td>
<td>2,423</td>
<td>—</td>
<td>2,423</td>
</tr>
</tbody>
</table>

**NOTE:**
- * The GAAP figures reflect:
  - 2004 and beyond - the combined Biogen Idec
  - 2003 - reflect a full year of IDEC Pharmaceuticals and 7 weeks of the former Biogen, Inc. (for the period 11/13/03 through 12/31/03)
  - 2001-2002 - only the former IDEC Pharmaceuticals values
- ** Adjustments consist of the revenue and R&D expense from the former Biogen, Inc. for the periods 2001-2002 and the first 45 weeks of 2003 through 11/12/03 as well as the 2004 and 2005 restructuring charges shown on page 28.
- *** The non-GAAP figures reflect the combined Biogen Idec, as if it had been a single company since the beginning of 2001.
  This is provided to enable a trend assessment over the past 5 years on a consistent basis. Management uses these measures to establish operational goals and believes that non-GAAP measures may assist investors in analyzing the underlying trends in the Company’s business over time. The presentation of this information is not meant to be considered in isolation or as a substitute for GAAP financial measures.
REVENUE GROWTH  We delivered 10% Revenue growth in 2005 with over $2.4 billion in total revenues. Our two blockbuster products, AVONEX and RITUXAN, remain the primary drivers of revenue growth. AVONEX Revenues were $1,543 million and grew 9% worldwide, including an impressive 22% growth year-over-year outside the U.S. Despite a highly competitive MS market, AVONEX remains the #1 MS therapy worldwide. We co-promote RITUXAN with Genentech in the U.S. and RITUXAN is marketed through Roche outside the U.S. Our Unconsolidated Joint Business Revenues from RITUXAN were $709 million in 2005, an increase of 15% over 2004.

FINANCIAL STRENGTH  As of December 31, 2005, we held $2.1 billion in cash and marketable securities, which provides financial flexibility to react to strategic opportunities. During 2005, we had positive cash flows from operating activities on a GAAP basis of $890 million, and after Capital Expenditure of $318 million, resulted in a net ‘free cash flow’ of $572 million (free cash flow defined as GAAP operating cash flow – capital expenditures). We anticipate that we will be both operating cash flow and free cash flow positive for future years.

We use our financial strength to support expansion of our R&D pipeline in line with our external growth strategy. This included entering into a collaboration agreement with PDL BioPharma, Inc. for the joint development, manufacture and commercialization of three Phase II antibody products. This collaboration drove upfront and milestone expenses of $50 million and the purchase of $100 million of PDL common stock.

Our share repurchase program continued with the repurchase of 7.5 million shares in 2005. The repurchased stock provides the company with treasury shares for general corporate purposes, such as stock to be issued under employee equity and stock purchase plans. The share buyback continues to be primarily funded through operating cash flow, is expected to be accretive to EPS, and is not expected to restrict our strategic flexibility.
MERGER ACCOUNTING  Generally Accepted Accounting Principles (GAAP) financial presentations include significant Purchase Accounting charges in 2003 and onward, partial year merged financials for 2003, and former IDEC only financials for years prior to 2003. As a result of these implications, trend or performance assessment of the merged Biogen Idec GAAP financials is difficult.

Accordingly, we provide a ‘non-GAAP’ perspective that removes these merger-related accounting impacts and other charges. For growth calculations, this perspective allows a comparison of 2004 versus 2003 results as if the company had been a single entity for the full year of 2003. We believe that for trend analysis, this reflects the recurring economic characteristics of our integrated business and serves as an appropriate base from which to measure future growth.

EARNINGS PERFORMANCE  Based on our strong Revenue growth, we increased our Research and Development spending to $726 million non-GAAP ($748 million GAAP), one of the largest programs in the biotechnology industry. Additionally, selling, general and administrative costs in 2005 grew to $625 million non-GAAP ($645 million GAAP), as we grew our commercial sales organizations supporting AVONEX and TYSABRI while also building our commercial organization supporting RITUXAN in anticipation of the introduction to the rheumatoid arthritis market (approved by FDA on February 28, 2006). During 2005, we completed a broad restructuring of the company affecting both our infrastructure and organization. Charges related to this program impacted COGS, R&D, SG&A and Impairment costs as noted below. The result of these actions has reshaped our overall cost structure to provide greater future economic flexibility.

Non-GAAP earnings in 2005 grew to $1.57 per share (diluted basis), an increase of 12% versus 2004. Reconciliation of the differences between the GAAP and non-GAAP Net Income is detailed below.

FINANCIAL RESULTS FOR THE FULL YEAR 2005 AND 2004

Condensed Consolidated Statements Of Income - Operating Basis

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP Earnings per share - Diluted</td>
<td>$0.47</td>
<td>$0.07</td>
</tr>
<tr>
<td>Adjustment to Net Income (as detailed below)</td>
<td>1.10</td>
<td>1.38</td>
</tr>
<tr>
<td>Effect of FAS 128 and EITF 03-06</td>
<td>—</td>
<td>(0.05)</td>
</tr>
<tr>
<td>Non-GAAP Earnings per share - Diluted</td>
<td>$1.57</td>
<td>$1.40</td>
</tr>
</tbody>
</table>

An itemized reconciliation between net income on a GAAP basis and net income on a non-GAAP basis is as follows:

<table>
<thead>
<tr>
<th>GAAP Net Income</th>
<th>$160.7</th>
<th>$251.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>COGS</td>
<td>34.2</td>
<td>295.5</td>
</tr>
<tr>
<td>COGS</td>
<td>36.4</td>
<td>—</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>19.3</td>
<td>—</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>20.3</td>
<td>3.1</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>19.3</td>
<td>9.3</td>
</tr>
<tr>
<td>Purchase accounting</td>
<td>302.3</td>
<td>347.7</td>
</tr>
<tr>
<td>Impairment and Loss on Sale of Long Lived Assets</td>
<td>111.8</td>
<td>—</td>
</tr>
<tr>
<td>Income taxes</td>
<td>545.2</td>
<td>195.4</td>
</tr>
</tbody>
</table>

Non-GAAP Net Income | $541.7 | $498.0 |

The non-GAAP financial measures presented in this table are utilized by Biogen Idec management to gain an understanding of the comparative financial performance of the Company. Management believes that the non-GAAP financial measures are useful because they exclude those non-operational activities or transactions that are not necessarily relevant to understanding the trends of the Company or the prospects of future performance. Management uses these measures to establish operational goals and believes that non-GAAP measures may assist investors in analyzing the underlying trends in the Company’s business over time. The presentation of this information is not meant to be considered in isolation or as a substitute for GAAP financial measures. Numbers may not foot due to rounding.
CREATING SHAREHOLDER VALUE  We are committed to the creation of new standards of care in immunology and oncology through our pioneering research and our global development, manufacturing and commercial capabilities. Our commitment to these goals is always matched with our core focus on building long-term shareholder value.

The expansion of Biogen Idec during the last 10 years (IDEC Pharmaceuticals Corporation until November 2003, Biogen Idec since) has delivered strong shareholder value. Since the end of 1995, shares in Biogen Idec have appreciated 30% on a compound annual growth basis. An investment of $1,000 in Biogen Idec at year-end 1995 would have been worth approximately $13,932 at the end of 2005.

Since year-end 2000, the overall market performance experienced a correction, with broad indexes like the S&P 500 yielding only -1% compound annual growth for the five-year period ending in 2005. The AMEX Biotechnology Index fared only slightly better, achieving 1% for the same period. Biogen Idec’s compounded return was also impacted by the slowdown in the biotechnology sector during this period. In 2005, our share price was also impacted by the voluntary suspension of TYSABRI in the U.S. The Company has worked extensively with the FDA over the course of 2005 to define an updated risk/benefit profile for TYSABRI, so that physicians and patients are fully informed. We continue to work with regulatory authorities in both the U.S. and Europe to make TYSABRI available again with an updated label, meeting our goal of providing MS patients with innovative and important therapies.

Our management is committed to creating shareholder value. We are proud of our scientific and financial history, and remain determined to deliver value to our investors and innovation to our customers.
PATIENT COMMUNITY SUPPORT & RESOURCES

Patient advocacy groups, resource centers and foundations are key partners for patients, their families and their friends as they seek objective and comprehensive information about their disease. Biogen Idec values the role of these groups in patient education and support and is pleased to include the following contacts.

LYMPHOMA RESOURCES
American Cancer Society
1-800-227-2345
www.cancer.org

National Cancer Institute
1-800-4CANCER (1-800-422-6237)
www.nci.nih.gov

Leukemia and Lymphoma Society of America
1-800-955-4LSA (1-800-955-4572)
www.leukemia.org

Lymphoma Research Foundation
1-800-500-9976
www.lymphoma.org

RITUXAN
Customer Service: 1-800-551-2231
Customer Service Website:
www.rituxan.com

ZEVALIN
Customer Service: 1-877-433-4332
Customer Service Website:
www.zevalin.com

MULTIPLE SCLEROSIS RESOURCES
National Multiple Sclerosis Society
1-800-344-4867
www.nmss.org

The Multiple Sclerosis Association of America
1-856-488-4500
www.msaa.com

AVONEX
Customer Service: 1-800-456-2255
Customer Service Websites:
www.msactivesource.com
www.avonex.com

IMMUNOLOGY RESOURCES
RITUXAN IN RA
Customer Service: 1-800-551-2231
Customer Service Website:
www.rituxan.com
At Biogen Idec, passion for what we do energizes our business and gives us purpose as we seek to transform scientific discoveries into advances in human healthcare. Our success comes not only through our own efforts but through partnerships with others, both the company and research organizations we work with and the physicians and patients whose needs we serve. Neurology is a major focus of our business. We are leaders in the area of multiple sclerosis and are working to extend that leadership to other important neurological conditions. In oncology, we discovered and today co-market the leading therapy for non-Hodgkin’s lymphoma and are working to expand our cancer franchise to other blood malignancies as well as solid tumors. Moreover, the understanding of immunology gained through our research is enabling us to develop much-needed treatments for rheumatoid arthritis, lupus and other inflammatory diseases.

CONTENTS

5 Letter to our shareholders
9 International growth story
10 with avonex
11 avonex/multiple sclerosis
13 patient story – janot lamberton
12 neurology pipeline
14 rituxan/zevalin
15 patient story – michael picarella
17 oncology pipeline
18 rituxan in ra
19 patient story – angela jenkins
21 immunology pipeline
24 science education
26 financials
30 support & resources

CORPORATE INFORMATION

Robert W. Pangia
Partner at Joy Global Partners LLC, the general partner of Joy Healthcare Capital, L.P., a private equity fund specializing in healthcare investing

The Honorable Lynne Schneider
LAWYER, Senior Chief of Staff to the Governor of California and former U.S. Commissioner

Phillip A. Sharp, Ph.D.
Institute Professor, Center for Cancer Research and Department of Biology, Massachusetts Institute of Technology; Nobel Laureate and recipient of the National Medal of Science

William D. Young
Chairman and Chief Executive Officer, Monogram Biosciences, Inc.

EXECUTIVE COMMITTEE

James C. Mullin
Chief Executive Officer and President
Burt A. Adelman, M.D.
Executive Vice President, Development
Susan K. Alexander
Executive Vice President, General Counsel and Secretary
John M. Dunn, Esq.
Executive Vice President, New Ventures
Peter N. Kellelag
Executive Vice President, Finance and Chief Financial Officer
Connie L. Matsui
Executive Vice President, Corporate Strategy and Communications
Craig E. Schoeller, Ph.D.
Executive Vice President, Human Resources
Mari Wiggins
Executive Vice President, Business Development
Robert A. Hamer
Senior Vice President, Strategy and Business Unit

Hans Peter Hauser
Senior Vice President, International Strategic Business Unit
Fahim Hasan
Senior Vice President, Oncology Strategic Business Unit
Michael D. Knowlton, Ph.D.
Senior Vice President, Pharmaceutical Operations & Technology

SHAREHOLDER INFORMATION

ANNUAL MEETING
Thursday, May 25, 2006, at 10 a.m.

Corporation's Shareholders' Meeting

At the Boston Marriott Cambridge Hotel

2 Cambridge Center

Cambridge, MA 02142

All shareholders are welcome.

TRANSFER AGENT

Computershare Trust Company NA
Cambridge, MA 02142

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TRANSFORMING DISCOVERY INTO CARE

With passion, purpose and partnerships, we transform scientific discoveries into advances in human healthcare.

CORE VALUES

COURAGEOUS INNOVATION

We apply our knowledge, talent and resources to yield new insights and bold ideas. We confront challenge and uncertainty with zeal, tenacity and vision and seize opportunities to excel.

QUALITY, INTEGRITY, HONESTY

Our products are of the highest quality. Our personal and corporate actions are rooted in mutual trust and responsibility. We are truthful, respectful and objective in conducting business and in building relationships.

TEAM AS A SOURCE OF STRENGTH

Our company is strong because our employees are diverse, skillful and collaborative. We pursue our fullest potential as individual contributors, team members and team leaders.

COMMITMENT TO THOSE WE SERVE

We measure our success by how well we enable people to achieve and to thrive. Patients, caregivers, shareholders and colleagues deserve our best.

GROWTH, TRANSFORMATION AND RENEWAL

Consistent with our core values, we as individuals and as a corporation are dedicated to creative and constructive growth, transformation and renewal as a source of inspiration and vitality.