ELAN CORP PLC
Form 20-F
February 23, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended: December 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report

Commission file number: 001-13896

Elan Corporation, plc

(Exact name of Registrant as specified in its charter)

Ireland	**Treasury Building, Lower Grand Canal Street,**
(Jurisdiction of	**Dublin 2, Ireland**
incorporation or organization)	*(Address of principal executive offices)*

William Daniel, Secretary

Elan Corporation, plc

Treasury Building, Lower Grand Canal Street

Dublin 2, Ireland

011-353-1-709-4000

liam.daniel@elan.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Exchange on Which Registered**
American Depositary Shares (ADSs),	New York Stock Exchange
representing Ordinary Shares, Par value 0.05 each (Ordinary Shares)	New York Stock Exchange
Ordinary Shares	

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report: 589,346,275 Ordinary Shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No þ

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

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

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:
U.S. GAAP þ International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ¨ No þ

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General

As used herein, we, our, us, Elan and the Company refer to Elan Corporation, plc (public limited company) and its consolidated subsidiaries unless the context requires otherwise. All product names appearing in italics are trademarks of Elan. Non-italicized product names are trademarks of other companies.

Our Consolidated Financial Statements contained in this Form 20-F have been prepared on the basis of accounting principles generally accepted in the United States (U.S. GAAP). In addition to the Consolidated Financial Statements contained in this Form 20-F, we also prepare separate Consolidated Financial Statements, included in our Annual Report, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), which differ in certain significant respects from U.S. GAAP. The Annual Report under IFRS is a separate document from this Form 20-F.

Unless otherwise indicated, our Consolidated Financial Statements and other financial data contained in this Form 20-F are presented in United States dollars ($). We prepare our Consolidated Financial Statements on the basis of a calendar fiscal year beginning on January 1 and ending on December 31. References to a fiscal year in this Form 20-F shall be references to the fiscal year ending on December 31 of that year. In this Form 20-F, financial results and operating statistics are, unless otherwise indicated, stated on the basis of such fiscal years.

Forward-Looking Statements

Statements included herein that are not historical facts are forward-looking statements. Such forward-looking statements are made pursuant to the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. The forward-looking statements involve a number of risks and uncertainties and are subject to change at any time. In the event such risks or uncertainties materialize, our results could be materially affected.

This Form 20-F contains forward-looking statements about our financial condition, results of operations and estimates, business prospects and products and potential products that involve substantial risks and uncertainties. These statements can be identified by the fact that they use words such as anticipate, estimate, project, target, intend, plan, will, believe, expect and other words and terms of similar meaning in co any discussion of future operating or financial performance or events. Among the factors that could cause actual results to differ materially from those described or projected herein are the following: (1) any negative developments relating to *Tysabri*® (natalizumab), such as safety or efficacy issues (including increased incidence of deaths and cases of progressive multifocal leukoencephalopathy (PML)), the introduction or greater acceptance of competing products, including biosimilars, or adverse regulatory or legislative developments may reduce our revenues and adversely affect our results of operations; (2) the potential for the successful discovery, development and commercialization of additional products; (3) our ability to maintain financial flexibility and sufficient cash, cash equivalents, and investments and other assets capable of being monetized to meet our liquidity requirements; (4) whether restrictive covenants in our debt obligations will adversely affect us; (5) our dependence on Johnson & Johnson and Pfizer Inc. (Pfizer) for the development and potential commercialization, and the funding required from us for such development and potential commercialization, of bapineuzumab and any other potential products in the Alzheimer s Immunotherapy Program (AIP); (6) the success of research and development (R&D) activities in which we retain an interest, including, in particular, whether the Phase 3 clinical trials for bapineuzumab (AAB-001) are successful or whether other potential AIP products are successfully developed, and the speed with which regulatory authorizations and product launches may be achieved; (7) while we own approximately 25% of the outstanding shares of Alkermes plc, the transfer or disposition of the shares is restricted by securities law and contract and we do not know when or whether we will be able to dispose of these shares or what value we will receive for the shares if we are able to dispose of them; (8) competitive developments, including the introduction of new oral therapies competitive with *Tysabri* and potentially biosimilar competition if we lost patent protection for *Tysabri*; (9) our ability to protect our patents and other intellectual property and defend against intellectual property lawsuits asserted against us or our collaborator Biogen Idec, Inc. (Biogen Idec); (10) difficulties or delays in manufacturing *Tysabri* (we are dependent on Biogen Idec for the manufacture of *Tysabri*); (11) pricing pressures and uncertainties regarding

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healthcare reimbursement and reform and from countries seeking to reduce their public expenditures on healthcare, in particular as the result of the sovereign debt crisis in Europe; (12) the effects of our settlement with the U.S. government relating to marketing practices with respect to our former Zonegran® (zonisamide) product, which required us to pay $203.5 million in fines and to take other actions that could have a material adverse effect on Elan; (13) failure to comply with anti-kickback, bribery and false claims laws in the United States and elsewhere; (14) extensive government regulation; (15) risks from potential environmental liabilities; (16) failure to comply with our reporting and payment obligations under Medicaid or other government programs; (17) exposure to product liability risks, in particular with respect to *Tysabri*; (18) an adverse effect that could result from the putative class action lawsuits alleging we disseminated false and misleading statements related to bapineuzumab and the outcome of our other pending or future litigation; (19) our business is exposed to the volatility of currency exchange rates and the risks of a partial or total collapse of the euro; and (20) some of our agreements that may discourage or prevent others from acquiring us and Johnson & Johnson is our largest shareholder with an 18.2% interest in our outstanding Ordinary Shares and is largely in control of our remaining interest in the AIP, which may discourage others from seeking to work with or acquire us. We assume no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law.

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Part I

Item 1. ***Identity of Directors, Senior Management and Advisers.***
Not applicable.

Item 2. ***Offer Statistics and Expected Timetable.***
Not applicable.

Item 3. ***Key Information.***

A. Selected Financial Data
The selected financial data set forth below, (in millions, except per share data), is derived from our Consolidated Financial Statements and should be read in conjunction with, and is qualified by reference to, Item 5. Operating and Financial Review and Prospects and our Consolidated Financial Statements and related notes thereto.

Years Ended December 31,	2011	2010	2009	2008	2007
Statement of Operations Data:					
Total revenue	$ 1,246.0	$ 1,169.7	$ 1,113.0	$ 1,000.2	$ 759.4
Operating income/(loss)	$ 840.2[1]	$ (188.6)[2]	$ 31.9[3]	$ (143.5)[4]	$ (265.3)[5]
Net income/(loss)	$ 560.5[6]	$ (324.7)[7]	$ (176.2)[8]	$ (71.0)[9]	$ (405.0)[10]
Basic income/(loss) per Ordinary Share[11]	$ 0.95	$ (0.56)	$ (0.35)	$ (0.15)	$ (0.86)
Diluted income/(loss) per Ordinary Share[11]	$ 0.94	$ (0.56)	$ (0.35)	$ (0.15)	$ (0.86)
Basic weighted-average number of shares outstanding	587.6	584.9	506.8	473.5	468.3
Diluted weighted-average number of shares outstanding	593.5	584.9	506.8	473.5	468.3
Other Financial Data:					
Adjusted EBITDA[12]	$ 213.0	$ 166.5	$ 96.3	$ 4.3	$ (30.4)
Pro forma Adjusted EBITDA[13]	$ 146.7	$ 62.7	$ (20.9)	$ (125.5)	$ (157.1)

At December 31,	2011	2010	2009	2008	2007
Balance Sheet Data:					
Cash and cash equivalents	$ 271.7	$ 422.5	$ 836.5	$ 375.3	$ 423.5
Restricted cash current and non-current	$ 16.3	$ 223.1	$ 31.7	$ 35.2	$ 29.6
Investment securities current	$ 0.3	$ 2.0	$ 7.1	$ 30.5	$ 277.6
Total assets	$ 1,753.8	$ 2,017.5	$ 2,337.8	$ 1,867.6	$ 1,780.8
Debt	$ 615.0[14]	$ 1,270.4[15]	$ 1,532.1[16]	$ 1,765.0	$ 1,765.0
Total shareholders equity/(deficit)	$ 801.8	$ 194.3	$ 494.2	$ (232.2)	$ (234.7)

(1) *After a net gain on divestment of business of $652.9 million; and after other net gains of $42.2 million, primarily relating to legal settlement gains of $84.5 million, offset by severance, restructuring and other costs of $20.4 million, and facilities and other asset impairment charges of $21.9 million.*

(2) *After a settlement reserve charge of $206.3 million; other net charges of $56.3 million, primarily relating to severance, restructuring and other costs of $19.6 million, facilities and other asset impairment charges of $16.7 million, net loss on divestment of the Prialt business of $1.5 million, a legal settlement of $12.5 million, net acquired in-process research and development costs of $6.0 million; and after a net gain on divestment of business of $1.0 million.*

(3) *After a net gain on divestment of business of $108.7 million; and after other net charges of $67.3 million, primarily relating to intangible asset impairment charges of $30.6 million, severance, restructuring and other costs of $29.0 million, facilities and other asset impairment charges of $16.1 million, acquired in-process research and development costs of $5.0 million, reduced by net legal awards of $13.4 million.*

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(4) *After other net charges of $34.2 million, primarily relating to severance, restructuring and other costs of $21.2 million, the write-off of deferred transaction costs of $7.5 million, a legal settlement of $4.7 million and facilities and other asset impairment charges of $0.8 million.*

(5) *After other net charges of $84.6 million, primarily relating to a $52.2 million impairment of the Maxipime and Azactam intangible assets and net severance and restructuring costs of $32.4 million.*

(6) *After a net gain on divestment of business of $652.9 million; after other net gains of $42.2 million, primarily relating to legal settlement gains of $84.5 million, offset by severance, restructuring and other costs of $20.4 million, facilities and other asset impairment charges of $21.9 million; after a net loss on equity method investments of $81.8 million; after a net charge on debt retirement of $47.0 million; and after a tax charge of $40.0 million relating to the write-down of U.S. state deferred tax assets.*

(7) *After a settlement reserve charge of $206.3 million; other net charges of $56.3 million, primarily relating to severance, restructuring and other costs of $19.6 million, facilities and other asset impairment charges of $16.7 million, net loss on divestment of the Prialt business of $1.5 million, a legal settlement of $12.5 million, net acquired in-process research and development costs of $6.0 million; after a net gain on divestment of business of $1.0 million; after a net loss on equity method investment of $26.0 million; and after a net charge on debt retirement of $3.0 million.*

(8) *After a net gain on divestment of business of $108.7 million; after other net charges of $67.3 million, primarily relating to intangible asset impairment charges of $30.6 million, severance, restructuring and other costs of $29.0 million, facilities and other asset impairment charges of $16.1 million, acquired in-process research and development costs of $5.0 million, reduced by net legal awards of $13.4 million; and after a net charge on debt retirement of $24.4 million.*

(9) *After other net charges of $34.2 million, primarily relating to severance, restructuring and other costs of $21.2 million, the write-off of deferred transaction costs of $7.5 million, a legal settlement of $4.7 million, facilities and other asset impairment charges of $0.8 million; and after a tax credit of $236.6 million, which resulted from the release of a deferred tax asset valuation allowance.*

(10) *After other net charges of $84.6 million, primarily relating to a $52.2 million impairment of the Maxipime and Azactam intangible assets and net severance and restructuring costs of $32.4 million; and after an $18.8 million net charge on debt retirement.*

(11) *Basic and diluted net income/(loss) per ordinary share is based on the weighted-average number of outstanding Ordinary Shares and the effect of potential dilutive securities including stock options, Restricted Stock Units, warrants and convertible debt securities, unless anti-dilutive.*

(12) *Refer to pages 50 and 51 for a reconciliation of net income/(loss) to Adjusted EBITDA and page 49 for our reasons for presenting this non-GAAP measure.*

(13) *Refer to pages 50 and 51 for a reconciliation of net income/(loss) to pro forma Adjusted EBITDA and to pages 38 and 49 for our reasons for presenting this pro forma non-GAAP financial information.*

(14) *Net of unamortized original issue discount of $9.5 million.*

(15) *Net of unamortized original issue discount of $14.6 million.*

(16) *Net of unamortized original issue discount of $7.9 million.*

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider all of the information set forth in this Form 20-F, including the following risk factors, when investing in our securities. The risks described below are not the only ones that we face. Additional risks not currently known to us or that we presently deem immaterial may also impair our business operations. We could be materially adversely affected by any of these risks. This Form 20-F also contains forward-looking statements that involve risks and uncertainties. Forward-looking statements are not guarantees of future performance, and actual results may differ materially from those contemplated by such forward-looking statements.

We are substantially dependent on revenues from Tysabri.

Sales of our only marketed product *Tysabri* represented approximately 85% of our total revenues and approximately 100% of our pro forma revenues (see page 38 for a reconciliation Elan s total GAAP revenues to

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pro forma Elan revenues) during 2011. The Elan Drug Technologies (EDT) business, which we sold to Alkermes, Inc. on September 16, 2011, accounted for approximately 14% of our total revenues in 2011. Although we continue to seek to discover and develop additional products for commercial introduction, we may be substantially dependent on sales from *Tysabri* for many years. Any negative developments relating to *Tysabri,* such as safety, efficacy or reimbursement issues, the introduction or greater acceptance of competing products, including biosimilars, or adverse regulatory or legislative developments may reduce our revenues and adversely affect our results of operations. New competing products for use in multiple sclerosis (MS) are beginning to (or will soon) enter the market, including BG-12 which our collaborator, Biogen Idec has in late stage development, and if they have a similar or more attractive profile in terms of efficacy, convenience or safety, future sales of *Tysabri* could be limited, which would reduce our revenues.

Tysabri s sales growth cannot be assured given the significant restrictions on its use and the significant safety warnings in the label, including the risk of developing PML, a serious brain infection. The risk of developing PML increases with prior immunosuppressant (IS) use, which may cause patients who have previously received immunosuppressants or their physicians to refrain from using or prescribing *Tysabri*. The risk of developing PML also increases with longer treatment duration, with limited experience beyond four years. This may cause prescribing physicians or patients to suspend treatment with *Tysabri*. In addition, the risk of developing PML is heightened when a patient has anti-JC virus (JCV) antibodies. In January 2012, the U.S. Food and Drug Administration (FDA) approved a product label change for *Tysabri* that identifies anti-JCV antibody status as a risk factor for PML. This risk had already been incorporated into the European label for *Tysabri* in June 2011. Physicians have discontinued treatment and are likely to continue to discontinue treatment with *Tysabri* in patients who test positive for JCV antibodies. Increased incidences of PML could limit sales growth, prompt regulatory review, require significant changes to the label or result in market withdrawal. Additional regulatory restrictions on the use of *Tysabri* or safety-related label changes, including enhanced risk management programs, whether as a result of additional cases of PML or otherwise, may significantly reduce expected revenues and require significant expense and management time to address the associated legal and regulatory issues. In addition, ongoing or future clinical trials involving *Tysabri,* efforts at stratifying patients into groups with lower or higher risk for developing PML and the commercial availability of the JCV antibody assay may have an adverse impact on prescribing behavior and reduce sales of *Tysabri*. Further, the utility of the JCV antibody assay may be diminished as a result of the assay s false negative rate and because a patient who tests negative for JCV antibodies may be infected by the JCV after testing.

Our long-term success depends upon the successful development and commercialization of other product candidates.

Our long-term viability and growth will depend upon the successful discovery, development and commercialization of other products from our R&D activities, including bapineuzumab, which is being developed by Johnson & Johnson and Pfizer and in which we retain an approximate 25% economic interest. Product development and commercialization are very expensive and involve a high degree of risk. Only a small number of R&D programs result in the commercialization of a product. Success in preclinical work or early stage clinical trials does not ensure that later stage or larger scale clinical trials will be successful. Even if later stage clinical trials are successful, product candidates may not receive marketing approval if regulatory authorities disagree with our view of the data or require additional studies.

We have substantial cash needs and we may not be successful in generating or otherwise obtaining the funds necessary to meet our cash needs.

As of December 31, 2011, we had $624.5 million of debt falling due in October 2016 (2010: $1,285.0 million, comprised of $460.0 million that was due in December 2013 and $825.0 million due in October 2016). At such date, we had total cash and cash equivalents, restricted cash and cash equivalents and investments of $298.1 million (2010: $453.3 million). Our substantial indebtedness could have important adverse consequences to us. For example, it does or could:

- Increase our vulnerability to general adverse economic and industry conditions;

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Require us to dedicate a substantial portion of our cash flow from operations to payments on indebtedness, thereby reducing the availability of our cash flow to fund R&D (including our funding commitments to Janssen Alzheimer Immunotherapy (Janssen AI) for the AIP), working capital, capital expenditures, acquisitions, investments and other general corporate purposes;

Limit our flexibility in planning for, or reacting to, changes in our businesses and the markets in which we operate;

Place us at a competitive disadvantage compared to our competitors that have less debt; and

Limit our ability to borrow additional funds.

We estimate that we have sufficient cash, liquid resources and current assets and investments to meet our liquidity requirements for at least the next 12 months. Our future operating performance will be affected by general economic, financial, competitive, legislative, regulatory and business conditions and other factors, many of which are beyond our control. Even if our future operating performance does meet our expectations, including continuing to successfully commercialize *Tysabri*, we may need to obtain additional funds to meet our longer term liquidity requirements. We may not be able to obtain those funds on commercially reasonable terms, or at all, which would force us to curtail programs, sell assets or otherwise take steps to reduce expenses or cease operations. Any of these steps may have a material adverse effect on our prospects.

Restrictive covenants in our debt instruments restrict or prohibit our ability to engage in or enter into a variety of transactions and could adversely affect us.

The agreements governing our outstanding indebtedness contain various restrictive covenants that limit our financial and operating flexibility. The covenants do not require us to maintain or adhere to any specific financial ratio, but do restrict within limits our ability to, among other things:

Incur additional debt;

Create liens;

Enter into transactions with related parties;

Enter into some types of investment transactions;

Engage in some asset sales or sale and leaseback transactions;

Pay dividends or buy back our shares; and

Consolidate, merge with, or sell substantially all our assets to another entity.

The breach of any of these covenants may result in a default under the applicable agreement, which could result in the indebtedness under the agreement becoming immediately due and payable. Any such acceleration would result in a default under our other indebtedness subject to cross-acceleration provisions. If this were to occur, we might not be able to pay our debts or obtain sufficient funds to refinance them on reasonable terms, or at all. In addition, complying with these covenants may make it more difficult for us to successfully execute our business strategies and compete against companies not subject to similar constraints.

We depend on Johnson & Johnson, in addition to Pfizer, for the clinical development and potential commercialization of bapineuzumab and any other AIP products.

On September 17, 2009, Janssen AI, a newly formed subsidiary of Johnson & Johnson, completed the acquisition of substantially all of our assets and rights related to the AIP. In addition, Johnson & Johnson, through its affiliate Janssen Pharmaceutical, invested $885.0 million in exchange for newly issued American Depositary Receipts (ADRs) of Elan, representing 18.4% of our outstanding Ordinary Shares at the time. Johnson & Johnson also committed to fund up to $500.0 million towards the further development and commercialization of AIP to the extent the funding is required by the collaboration. In the event that either an AIP product reaches market and Janssen AI is in a positive operating cash flow position, or the AIP is terminated

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before the initial $500.0 million funding commitment has been spent, Johnson & Johnson is not required to contribute the full $500.0 million. As of December 31, 2011, the remaining unspent amount of the Johnson & Johnson $500.0 million funding commitment was $57.6 million (2010: $272.0 million), which reflects the $214.4 million utilized in 2011 (2010: $179.0 million). Any required additional expenditures in respect of Janssen AI s obligations under the AIP collaboration in excess of the initial $500.0 million funding commitment is required to be funded by Elan and Johnson & Johnson in proportion to their respective shareholdings up to a maximum additional commitment of $400.0 million in total. Based on current spend levels, we anticipate that we will be called upon to provide funding to Janssen AI commencing in the second quarter of 2012. In the event that further funding is required beyond the $400.0 million, such funding will be on terms determined by the board of Janssen AI, with Johnson & Johnson and Elan having a right of first offer to provide additional funding. If we fail to provide our share of the $400.0 million commitment or any additional funding that is required for the development of the AIP, and if Johnson & Johnson elects to fund such an amount, our interest in Janssen AI could, at the option of Johnson & Johnson, be commensurately reduced. We refer to these transactions as the Johnson & Johnson Transaction in this Form 20-F.

The Johnson & Johnson Transaction resulted in the assignment of our AIP collaboration agreement with Wyeth (which has been acquired by Pfizer) and associated business, which primarily constituted intellectual property, to Janssen AI. While we have a 49.9% equity interest in Janssen AI, Johnson & Johnson exercises effective control over Janssen AI and consequently over our share of the AIP collaboration. As a result of the Johnson & Johnson Transaction, our financial interest in the AIP collaboration has been reduced from approximately 50% to approximately 25%. The success of the AIP collaboration will be dependent, in part, on the efforts of Johnson & Johnson. The interests of Johnson & Johnson may not be aligned with our interests. The failure of Johnson & Johnson to pursue the development and commercialization of AIP products in the same manner we would have pursued such development and commercialization could materially and adversely affect us.

Future returns from the Johnson & Johnson Transaction are dependent, in part, on the successful development and commercialization of bapineuzumab and other potential AIP products.

Under the terms of the Johnson & Johnson Transaction, in general, we are entitled to a 49.9% share of all net profits generated by Janssen AI beginning from the date Janssen AI becomes net profitable, and certain royalty payments from Janssen AI in respect of sales of bapineuzumab and other potential AIP products. Royalties will generally only arise after Johnson & Johnson has earned profits from the AIP equal to Johnson & Johnson s (up to) $500.0 million initial investment. Any such payments are dependent on the future commercial success of bapineuzumab and other potential AIP products. If no drug is successfully developed and commercialized, we may not receive any profit or royalty payments from Janssen AI.

Almost all of our investments are shares of Alkermes plc which we are restricted in transferring or disposing.

We own approximately 25% of the outstanding shares of Alkermes plc, which acquired our EDT business on September 16, 2011. The transfer or disposition of these shares is restricted by securities law and by contract. We do not know when or whether we will be able to dispose of these Alkermes plc shares, or, if we can dispose of these shares, what value we will receive for these Alkermes plc shares. If the value of Alkermes plc shares should fall substantially before we can dispose of our holdings of Alkermes plc shares, then the market value of our investment in Alkermes plc shares will be commensurately reduced.

Our industry is highly competitive.

Our principal pharmaceutical competitors consist of major international companies, many of which are larger and have greater financial resources, technical staff, manufacturing, R&D and marketing capabilities than us. We also compete with smaller research companies and generic and biosimilar drug manufacturers. In addition, our collaborator on *Tysabri*, Biogen Idec, markets a competing MS therapy, Avonex® and has another potentially competitive MS therapy (BG-12) in late stage development.

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A drug may be subject to competition from alternative therapies during the period of patent protection or regulatory exclusivity and, thereafter, it may be subject to further competition from generic or biosimilar products. The price of pharmaceutical products typically declines as competition increases. *Tysabri* sales may be very sensitive to additional new competing products (in particular, from oral therapies approved or filed for U.S. and European approvals or under development). If these products have a similar or more attractive overall profile in terms of efficacy, convenience and/or safety, future sales of *Tysabri* could be adversely impacted.

Generic and biosimilar competitors do not have to bear the same level of R&D and other expenses associated with bringing a new branded product to market. As a result, they can charge less for a competing version of a product. Managed care organizations (MCOs) typically favor generics over brand name drugs, and governments encourage, or under some circumstances mandate, the use of generic products, thereby reducing the sales of branded products that are no longer patent protected. Governmental and other pressures toward the dispensing of generic or biosimilar products may rapidly and significantly reduce, or slow the growth in, the sales and profitability of any products not protected by patents or regulatory exclusivity and may adversely affect our future results and financial condition. The launch of competitive products, including generic or biosimilar versions of products, has had and may have a material and adverse effect on our revenues and results of operations.

Our competitive position depends, in part, upon our continuing ability to discover, acquire and develop innovative, cost-effective new products, as well as new indications and product improvements, and to protect all of this with patents and other intellectual property rights. We also compete on the basis of price and product differentiation. If we fail to maintain our competitive position, then our revenues and results of operations may be materially and adversely affected.

If we are unable to obtain or enforce patent rights, trade secrets or other intellectual property, then our revenues and potential revenues may be materially reduced.

Because of the significant time and expense involved in developing new products in our industry and obtaining regulatory approvals, it is very important to obtain patent and other intellectual property protection for new technologies, products and processes. Our success depends in large part on our continued ability to obtain patents for products and technologies, maintain patent protection for both acquired and developed products, preserve our trade secrets, obtain and preserve other intellectual property such as trademarks and copyrights, and operate without infringing the valid and enforceable proprietary rights of third parties.

The degree of patent protection that will be afforded to technologies, products and processes, including ours, in the United States and in other markets is dependent upon the scope of protection provided by patent offices, courts and legislatures in these countries. There is no certainty that our existing patents or, if obtained, future patents, will provide us with substantial protection or commercial benefit. In addition, there is no assurance that our patent applications or patent applications licensed from third parties will ultimately be granted or that those patents that have been issued or are issued in the future will prevail in any court challenge. Our competitors may also develop products, including generic or biosimilar products, similar to ours using methods and technologies that are beyond the scope of our patent protection, which could adversely affect the sales of our products.

Although we believe that we make reasonable efforts to protect our intellectual property rights and to ensure that our proprietary technology does not infringe the valid and enforceable rights of other parties, we cannot ascertain the existence of all potentially conflicting claims. Therefore, there is a risk that third parties may make claims of infringement against our product or technologies. In addition, third parties may be able to obtain patents that prevent the sale or use of our products or require us to obtain a license and pay significant fees or royalties in order to continue selling our products.

There has been, and we expect there will continue to be, significant litigation in the industry regarding patents and other intellectual property rights. Litigation and other proceedings concerning patents and other intellectual property rights in which we are involved have been and will continue to be protracted and expensive and could be distracting to our management and business operations. Our competitors have sued and may sue us or our collaborators as a means of delaying the introduction of products, or to extract royalties against a marketed product. Any litigation, interference proceedings, re-examinations or oppositions against us or our licensors, may

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be costly and time consuming and could adversely affect us. In addition, litigation has been and may be instituted to determine the validity, scope or non-infringement of patent rights claimed by third parties to be pertinent to the manufacturing, use or sale of our or their products. The outcome of any such litigation could adversely affect the validity and scope of our patents or other intellectual property rights, hinder, delay or prevent the marketing and sale of our products and cost us substantial sums of money.

If there are significant delays in the manufacture or supply of Tysabri or in the supply of raw materials for Tysabri, then sales of Tysabri could be materially and adversely affected.

Biogen Idec manufactures *Tysabri.* Our dependence upon Biogen Idec for the manufacture of *Tysabri* may result in unforeseen delays or other problems beyond our control. For example, if Biogen Idec is not in compliance with current good manufacturing practices (cGMP) or other applicable regulatory requirements, then the supply of *Tysabri* could be materially and adversely affected. If Biogen Idec experiences delays or difficulties in producing *Tysabri*, then sales of *Tysabri* could be materially and adversely affected. Biogen Idec requires supplies of raw materials for the manufacture of *Tysabri*. Biogen Idec does not have dual sourcing of all required raw materials. The inability to obtain sufficient quantities of required raw materials could materially and adversely affect the supply of *Tysabri*.

We are subject to pricing pressures and uncertainties regarding healthcare reimbursement and reform.

In the United States, many pharmaceutical products and biologics are subject to increasing pricing pressures. Our ability to commercialize products successfully depends, in part, upon the extent to which healthcare providers are reimbursed by third-party payers, such as governmental agencies, including the Centers for Medicare and Medicaid Services, private health insurers and other organizations, such as health maintenance organizations (HMOs), for the cost of such products and related treatments. In addition, if healthcare providers do not view current or future Medicare reimbursements for our products favorably, then they may not prescribe our products. Third party payers are increasingly challenging the pricing of pharmaceutical products by, among other things, limiting the pharmaceutical products that are on their formulary lists. As a result, competition among pharmaceutical companies to place their products on these formulary lists has reduced product prices. If reasonable reimbursement for our products is unavailable or if significant downward pricing pressures in the industry occur, then we could be materially and adversely affected.

The Obama Administration and the Congress in the United States have significantly changed U.S. healthcare law and regulation, which may change the manner by which drugs and biologics are developed, marketed and purchased. In addition, MCOs, HMOs, preferred provider organizations, institutions and other government agencies continue to seek price discounts. Further, some states in the United States have proposed and some other states have adopted various programs to control prices for their seniors and low-income drug programs, including price or patient reimbursement constraints, restrictions on access to certain products, importation from other countries, such as Canada, and bulk purchasing of drugs.

We encounter similar regulatory and legislative issues in most other countries. In the European Union and some other international markets, the government provides healthcare at low direct cost to consumers and regulates pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system. Many countries are seeking to reduce their public expenditures on healthcare. These efforts may result in patient access restrictions, increased pressure on drug pricing, including denial of price increases, prospective and retrospective price decreases and increased mandatory discounts or rebates. For instance, a revenue reserve of $14.1 million was recorded in 2011 on *Tysabri* in-market sales in Italy, arising from a disagreement between Biogen Idec and the Italian Medicines Agency on a contract interpretation of a limit established by the agency in 2007. The revenue reserve is discussed further on page 40. The sovereign debt crisis in Europe and elsewhere may accelerate efforts by governments to cut public expenditures on healthcare. These efforts may negatively impact *Tysabri*.

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We settled with the U.S. government with respect to its investigation of the marketing practices concerning our former Zonegran product which required us to pay $203.5 million in criminal and civil fines and penalties and take other actions that could have a material adverse effect on us.

In December 2010, we resolved all aspects of the U.S. Department of Justice s investigation of sales and marketing practices for Zonegran, an antiepileptic prescription medicine that we divested in 2004. In the first quarter of 2011, we paid $203.5 million pursuant to the terms of a global settlement of all U.S. federal and related state Medicaid claims. In addition, we pleaded guilty to a misdemeanor violation of the U.S. Federal Food Drug & Cosmetic Act (FD&C Act) and entered into a Corporate Integrity Agreement with the Office of Inspector General of the Department of Health and Human Services to promote our compliance with the requirements of U.S. federal healthcare programs and the FDA. If we materially fail to comply with the requirements of U.S. federal healthcare programs or the FDA, or otherwise materially breach the terms of the Corporate Integrity Agreement, such as by a material breach of the compliance program or reporting obligations of the Corporate Integrity Agreement, severe sanctions could be imposed upon us. This resolution of the Zonegran investigation could give rise to other investigations or litigation by state government entities or private parties.

The pharmaceutical industry is subject to anti-kickback, bribery and false claims laws in the United States and elsewhere.

In addition to the FDA restrictions on marketing of pharmaceutical products, several other types of state and federal laws have been applied to restrict some marketing practices in the pharmaceutical industry in recent years. These laws include anti-kickback, bribery and false claims statutes. The federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting, or receiving remuneration to induce or in return for, purchasing, leasing, ordering or arranging for the purchase, lease or order of any healthcare item or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand, and prescribers, purchasers and formulary managers on the other. Although there are a number of statutory exemptions and regulatory safe harbors protecting some common activities from prosecution, the exemptions and safe harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchases or recommendations may be subject to scrutiny if they do not qualify for an exemption or safe harbor. Our practices may not in all cases meet all of the criteria for safe harbor protection from anti-kickback liability.

Federal false claims laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government, or knowingly making, or causing to be made, a false statement to get a false claim paid. In recent years, many pharmaceutical and other healthcare companies have been prosecuted under these laws for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Additionally, we and other pharmaceutical companies have settled charges under the federal False Claims Act, and related state laws, relating to off-label promotion. We are now operating under a Corporate Integrity Agreement with the Office of Inspector General of the U.S. Department of Health and Human Services to promote our compliance with the requirements of U.S. federal healthcare programs and the FDA. If we materially fail to comply with the requirements of U.S. federal healthcare programs or the FDA, or otherwise materially breach the terms of the Corporate Integrity Agreement, such as by a material breach of the compliance program or reporting obligations of the Corporate Integrity Agreement, severe sanctions could be imposed upon us. The majority of states also have statutes or regulations similar to the federal anti-kickback law and false claims laws, which apply to items, and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payer. Sanctions under these federal and state laws may include civil monetary penalties, exclusion of a manufacturer s products from reimbursement under government programs, criminal fines, and imprisonment.

The Foreign Corrupt Practices Act (FCPA) and the United Kingdom Bribery Act (U.K. Bribery Act) prohibits companies and their representatives from offering, promising, authorizing or making payments to foreign officials (and some private individuals under the U.K. Bribery Act) for the purpose of obtaining or retaining business abroad. In many countries, the healthcare professionals we interact with may meet the

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definition of a foreign government official for purposes of the FCPA. 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.

We are subject to extensive government regulation, which may adversely affect our ability to bring new products to market and may adversely affect Tysabri.

The pharmaceutical industry is subject to significant regulation by state, local, national and international governmental regulatory authorities. In the United States, the FDA, and in the European Union, the European Medicines Agency (EMA) regulate the design, development, preclinical and clinical testing, manufacturing, labeling, storing, distribution, import, export, record keeping, reporting, marketing and promotion of pharmaceutical products, which include drugs, biologics and medical devices. Failure to comply with regulatory requirements at any stage during the regulatory process could result in, among other things, delays in the approval of applications or supplements to approved applications, refusal of a regulatory authority to review pending market approval applications or supplements to approved applications, warning letters, fines, import or export restrictions, product recalls or seizures, injunctions, total or partial suspension of production, civil penalties, withdrawals of previously approved marketing applications or licenses, recommendations by the FDA or other regulatory authorities against governmental contracts, and criminal prosecutions.

We must obtain and maintain approval for products from regulatory authorities before such products may be sold in a particular jurisdiction. The submission of an application to a regulatory authority with respect to a product does not guarantee that approval to market the product will be granted. Each authority generally imposes its own requirements and may delay or refuse to grant approval, even though a product has been approved in another country. In our principal markets, including the United States, the approval process for a new product is complex, lengthy, expensive and subject to unanticipated delays. We cannot be sure when or whether approvals from regulatory authorities will be received or that the terms of any approval will not impose significant limitations that could negatively impact the potential profitability of the approved product. Even after a product is approved, it may be subject to regulatory action based on newly discovered facts about the safety and efficacy of the product, on any activities that regulatory authorities consider to be improper or as a result of changes in regulatory policy. Regulatory action may have a material adverse effect on the marketing of a product, require changes in the product s labeling or even lead to the withdrawal of the regulatory marketing approval of the product.

All facilities and manufacturing techniques used for the manufacture of products and devices for clinical use or for sale in the United States must be operated in conformity with cGMPs, the FDA s regulations governing the production of pharmaceutical products. There are comparable regulations in other countries, including regulations issued by the EMA for the European Union. Any finding by the FDA, the EMA or other regulatory authority that we are not in substantial compliance with cGMP regulations or that we or our employees have engaged in activities in violation of these regulations could interfere with the continued manufacture and distribution of the affected products, up to the entire output of such products, and, in some cases, might also require the recall of previously distributed products. Any such finding by the FDA, the EMA or other regulatory agency could also affect our ability to obtain new approvals until such issues are resolved. The FDA, the EMA and other regulatory authorities conduct scheduled periodic regulatory inspections of facilities to ensure compliance with cGMP regulations. Any determination by the FDA, the EMA or other regulatory authority that we, or one of our suppliers, are not in substantial compliance with these regulations or are otherwise engaged in improper or illegal activities could result in substantial fines and other penalties and could cut off our product supply.

Our business exposes us to risks of environmental liabilities.

We use hazardous materials, chemicals and toxic compounds that could expose people or property to accidental contamination and result in events of non-compliance with environmental laws, regulatory enforcement and claims related to personal injury and property damage. If an accident occurred or if we were to discover contamination caused by prior operations, then we could be liable for cleanup, damages or fines, which could have an adverse effect on us.

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The environmental laws of many jurisdictions impose actual and potential obligations on us to remediate contaminated sites. These obligations may relate to sites that we currently own or lease, sites that we formerly owned or operated, or sites where waste from our operations was disposed. These environmental remediation obligations could significantly impact our operating results. Stricter environmental, safety and health laws and enforcement policies could result in substantial costs and liabilities to us, and could subject our handling, manufacture, use, reuse or disposal of substances or pollutants to more rigorous scrutiny than is currently the case. Consequently, compliance with these laws could result in significant capital expenditures, as well as other costs and liabilities, which could materially adversely affect us.

If we fail to comply with our reporting and payment obligations under the Medicaid rebate program or other governmental pricing programs, then we could be subject to material reimbursements, penalties, sanctions and fines.

As a condition of reimbursement under Medicaid, we participate in the U.S. federal Medicaid rebate program, as well as several state rebate programs. Under the federal and state Medicaid rebate programs, we pay a rebate to each state for a product that is reimbursed by those programs. The amount of the rebate for each unit of product is set by law, based on reported pricing data. The rebate amount may also include a penalty if our prices increase faster than the rate of inflation.

For manufacturers of single-source, innovator and non-innovator multiple-source products, rebate calculations vary among products and programs. The calculations are complex and, in some respects, subject to interpretation by governmental or regulatory agencies, the courts and us. The Medicaid rebate amount is computed each quarter based on our pricing data submission to the Centers for Medicare and Medicaid Services at the U.S. Department of Health and Human Services. The terms of our participation in the program impose an obligation to correct the prices reported in previous quarters, as may be necessary. Any such corrections could result in an overage or shortfall in our rebate liability for past quarters (up to 12 past quarters), depending on the direction of the correction. Governmental agencies may also make changes in program interpretations, requirements or conditions of participation, some of which may have implications for amounts previously estimated or paid.

U.S. federal law requires that any company that participates in the federal Medicaid rebate program extend comparable discounts to qualified purchasers under the Public Health Service s (PHS) pharmaceutical pricing program. This pricing program extends discounts comparable to the Medicaid net price to a variety of community health clinics and other entities that receive health services grants from the PHS, as well as outpatient utilization at hospitals that serve a disproportionate share of poor patients.

Additionally, each calendar quarter, we calculate and report an Average Sales Price (ASP) for *Tysabri*, which is covered by Medicare Part B (primarily injectable or infused products). We submit ASP information for *Tysabri* within 30 days of the end of each calendar quarter. This information is then used to set reimbursement levels to reimburse Part B providers for the drugs and biologicals dispensed to Medicare Part B participants. Furthermore, pursuant to the Veterans Health Care Act, a Non-Federal Average Manufacturer Price is calculated each quarter and a Federal Ceiling Price is calculated each year for *Tysabri*. These prices are used to set pricing for purchases by the military arm of the government. These price reporting obligations are complicated and often involve decisions regarding issues for which there is no clear-cut guidance from the government. Failure to submit correct pricing data can subject us to material civil, administrative and criminal penalties.

We are subject to continuing potential product liability risks, in particular with respect to Tysabri, which could cost us material amounts of money.

Risks relating to product liability claims are inherent in the development, manufacturing and marketing of products. Any person who is injured while using our product, or products that we are responsible for, may have a product liability claim against us. Since we distribute a product to a wide number of end users, the risk of such claims could be material. Persons who participate in our clinical trials may also bring liability claims. We are a defendant in product liability actions related to products that Elan marketed. In addition, we are defendants in

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product liability lawsuits arising out of serious adverse events, including deaths, that occurred in patients taking *Tysabri*. We expect additional product liability lawsuits related to *Tysabri* usage to be filed. While we intend to vigorously defend these lawsuits, we cannot predict how these cases will be resolved. Adverse results in one or more of these cases could result in substantial monetary judgments against us.

Excluding any self-insured arrangements, we do not maintain product liability insurance for the first $10.0 million of aggregate claims, but do maintain coverage with our insurers for the next $140.0 million. Our current insurance coverage may not be sufficient to cover fully all potential claims, nor can we guarantee the solvency of any of our insurers.

If our claims experience results in higher rates, or if product liability insurance otherwise becomes costlier because of general economic, market or industry conditions, then we may not be able to maintain product liability coverage on acceptable terms. If sales of our product increase materially, or if we add significant products to our portfolio, then we will require increased coverage and may not be able to secure such coverage at reasonable rates or terms.

We and some of our officers and directors were named as defendants in putative class actions; an adverse outcome in the class actions could result in a substantial judgment against us.

We and some of our officers and directors were named as defendants in five putative class action lawsuits filed in the U.S. District Court for the Southern District of New York in 2008. The cases have been consolidated. The plaintiffs Consolidated Amended Complaint was filed on August 17, 2009, and alleged claims under the U.S. federal securities laws and sought damages on behalf of all purchasers of our stock during periods ranging between May 21, 2007 and October 21, 2008. The complaint alleged that we issued false and misleading public statements concerning the safety and efficacy of bapineuzumab. In July 2010, a second securities case was filed in the U.S. District Court for the Southern District of New York, as a related case to the existing 2008 matter, by purchasers of Elan call options during the period of June and July 2008. These cases have been dismissed with prejudice by the trial court, but an appeal has been filed to the 2nd Circuit by the plaintiffs in the related case. Adverse results in this lawsuit or in any litigation to which we are a party could have a material adverse affect on us.

Our sales and operations are subject to the risks of fluctuations in currency exchange rates and to the risk of a partial or total collapse of the euro.

Our headquarters are in Ireland and three of the major markets for *Tysabri* are Germany, France and Italy. As a result, changes in the exchange rate between the U.S. dollar and the euro can have significant effects on our results of operations. In addition, the partial or total collapse of the euro would cause severe and adverse consequences to sales of *Tysabri* in Europe and to reimbursements for sales of *Tysabri* in Europe.

Provisions of agreements to which we are a party may discourage or prevent a third party from acquiring us and could prevent our shareholders from receiving a premium for their shares.

We are a party to agreements that may discourage a takeover attempt that might be viewed as beneficial to our shareholders who wish to receive a premium for their shares from a potential bidder. For example:

Our collaboration agreement with Biogen Idec provides Biogen Idec with an option to buy the rights to *Tysabri* in the event that we undergo a change of control, which may limit our attractiveness to potential acquirers;

Johnson & Johnson is our largest shareholder and is largely in control of our share of the AIP; however, Johnson & Johnson and its affiliates are subject to a standstill agreement until September 17, 2014, pursuant to which, subject to limited exceptions, they will not be permitted to acquire additional shares in Elan or take other actions to acquire control of Elan;

The Corporate Integrity Agreement that we entered into with the U.S. government with respect to the settlement of the Zonegran matter contains provisions that may require any acquirer to assume the

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obligations imposed by the Corporate Integrity Agreement, which may limit our attractiveness to a potential acquirer; and

Under the terms of indentures governing much of our debt, any acquirer would be required to make an offer to repurchase the debt for cash in connection with some change of control events.

Item 4. ***Information on the Company.***

A. History & Development of the Company

Elan Corporation, plc, an Irish public limited company, is a leading neuroscience-based biotechnology company, listed on the New York and Irish Stock Exchanges, and headquartered in Dublin, Ireland. Elan was incorporated as a private limited company in Ireland in December 1969 and became a public limited company in January 1984. Our registered office and principal executive offices are located at Treasury Building, Lower Grand Canal Street, Dublin 2, Ireland (Telephone: 011-353-1-709-4000).

Elan is focused on discovering and developing advanced therapies in neurodegenerative and autoimmune diseases, and in realizing the potential of our scientific discoveries to benefit patients and shareholders. As of December 31, 2011, we employed over 400 people. Our principal R&D facilities are located in the United States.

Tysabri, a treatment for MS and Crohn s disease that we market and distribute with Biogen Idec, had over $1.5 billion in global in-market sales in 2011. Almost all of those sales were in relation to the MS indication.

On September 16, 2011, we completed the sale of our EDT business to Alkermes, Inc. EDT and Alkermes, Inc. were combined under a new holding company incorporated in Ireland named Alkermes plc. In connection with the transaction, we received $500.0 million in cash and 31.9 million ordinary shares of Alkermes plc. As of December 31, 2011, we held approximately 25% of the equity of Alkermes plc. For additional information on this transaction, refer to Note 5 to the Consolidated Financial Statements.

For information on our principal expenditures on property, plants and equipment, see Item 4D. Property, Plant & Equipment. For information on our significant investments in R&D, see Item 5C. Research and Development, Patents and Licenses, etc. For information on our significant investments in other companies, refer to Note 9 to the Consolidated Financial Statements.

B. Business Overview

Elan s business focuses on neurodegenerative diseases, such as Alzheimer s disease and Parkinson s disease; autoimmune diseases, including MS and Crohn s disease and neo-epitope based targets for treatments across a broad range of therapeutic indications.

We made significant changes during 2011, which resulted in a more refined focus on neuroscience. Facilitated by the sale of our EDT business, we reduced the total principal amount of our debt by 51%. We achieved revenue growth of over 19% on a pro forma basis (see page 38 for a reconciliation of Elan s total GAAP revenues to pro forma Elan revenues) and remained disciplined on cost. Finally, we made progress on *Tysabri*, particularly in relation to the awareness of the benefits and risks associated with taking this drug.

Tysabri

Tysabri, an alpha-4 integrin inhibitor invented by Elan scientists and available since 2006, continues to be a successful therapy for MS, a neurological disorder involving central nervous system dysfunction among adults.

Tysabri is approved in more than 65 countries. *Tysabri* is approved in the United States as a monotherapy for relapsing forms of MS, generally for patients who have had an inadequate response to, or are unable to tolerate, an alternative MS therapy. In the European Union, it is approved for highly active relapsing-remitting MS (RRMS) in adult patients who have failed to respond to beta interferon or have rapidly evolving, severe RRMS.

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Tysabri has advanced the treatment of MS patients with its established efficacy. Data from the Phase 3 AFFIRM trial, which was published in the *New England Journal of Medicine*, showed that after two years, *Tysabri* treatment led to a 68% relative reduction ($p<0.001$) in the annualized relapse rate when compared with placebo and reduced the relative risk of disability progression by 42% to 54% ($p<0.001$).

We continue to work closely with our collaborator on *Tysabri*, Biogen Idec, as well as the clinical and scientific communities, to generate significant understanding in both efficacy and safety of the therapy so it may be positioned for the clinical benefit of patients.

As of December 31, 2011, there were approximately 64,400 patients on *Tysabri* therapy worldwide, compared to 57,200 patients as of December 31, 2010, which represents an increase of 13%. In 2011, global in-market sales of *Tysabri* exceeded $1.5 billion and constituted approximately 12% of the global MS market by value.

Tysabri increases the risk of PML, an opportunistic viral infection of the brain which usually leads to death or severe disability. Infection by the JCV is required for the development of PML and patients who are anti-JCV antibody positive have a higher risk of developing PML. Recent studies suggest that irrespective of MS treatment, approximately 55% of MS patients are anti-JCV antibody positive. Factors that increase the risk of PML are presence of anti-JCV antibodies, prior IS use, and longer *Tysabri* treatment duration. Patients who have all three risk factors have the highest risk of developing PML. Other serious adverse events that have occurred in *Tysabri*-treated patients include hypersensitivity reactions (for example, anaphylaxis) and infections, including opportunistic and other atypical infections. Clinically significant liver injury has also been reported in the post-marketing setting.

In the United States, Europe and in other countries, programs are in place to inform patients of the risks associated with *Tysabri* therapy, including PML, and to enhance collection of post-marketing data on the safety and utilization of *Tysabr*i for MS. In 2011, we made significant progress in better understanding the risk of PML associated with *Tysabri* and in building awareness of *Tysabri* s benefit/risk profile.

Tysabri label updates provide a more informed benefit/risk analysis

Europe

In June 2011, the European Commission (EC) approved the inclusion of the anti-JCV antibody status as an additional factor in stratifying patients at risk for developing PML in the Summary of Product Characteristics (SmPC) for *Tysabri* in the European Union. In addition, as part of a standard review process, the EC concluded the quality, safety and efficacy of *Tysabri* continues to be adequately demonstrated, and renewed *Tysabri* s five year marketing authorization in the EU.

The new SmPC language states that patients who are anti-JCV antibody positive are at an increased risk of developing PML compared to patients who are anti-JCV antibody negative. The SmPC language also states that patients who are anti-JCV antibody positive, have received prior IS therapy, and have received treatment with *Tysabri* for more than two years have the highest risk of developing PML.

This update to the SmPC was based on analysis of data from Biogen Idec s and Elan s quantitative risk stratification algorithm, which was presented at a number of major international medical meetings. The analysis showed that patients who were anti-JCV antibody negative were at a lower risk for developing PML. Patients who were anti-JCV antibody positive had varying degrees of risk for developing PML, depending on prior IS use and *Tysabri* treatment duration. The revised SmPC will enable a more informed benefit vs risk discussion between patients and physicians, ultimately better stratifying the risk for those on or considering *Tysabri* as an appropriate therapy.

United States

We also made progress to stratify PML risk for MS patients in the United States. In January 2012, the FDA approved an update to the Prescribing Information for *Tysabri* to include anti-JCV antibody status as a factor to

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help stratify the risk of PML in the *Tysabri*-treated population. The inclusion of anti-JCV antibody status as a risk factor along with prior IS use and treatment duration enables the identification of differing levels of risk and provides the information patients and physicians need to make a more informed treatment decision.

We developed a two-step enzyme-linked immunosorbent assay (ELISA) called STRATIFY JCV with Biogen Idec. The assay detects anti-JCV antibodies in the blood of patients, and is widely commercially available in Europe. In January 2012, the FDA cleared the assay for commercial use in the United States. As of December 31, 2011, over 80,000 tests had been administered using the assay.

Advancement with *Tysabri* risk stratification in 2011 exceeded our expectations, and is facilitating a more personalized approach to treatment selection.

Tysabri is marketed and distributed by Elan and Biogen Idec. For full prescribing information and more information about *Tysabri,* please visit www.elan.com or www.biogenidec.com. Information about *Tysabri* treatment for MS, including important safety information, is available at www.Tysabri.com.

Tysabri for Secondary Progressive Multiple Sclerosis

In 2011, Elan and Biogen Idec initiated patient enrollment in ASCEND, a Phase 3 trial to test the effectiveness of *Tysabri* treatment on the reduction of disability progression in subjects with secondary progressive MS.

Science, Discovery and Translational Medicine

We started an initiative in 2010 to build the next generation of science and discovery, which continues today and is facilitated by our new business structure.

As part of this initiative, we established the Parkinson s disease genetics (PDG) group which researches fundamental pathways of Parkinson s biology, genetics-based animal models, and structural characterization of genetic targets for drug design. A separate research group, which is called Neotope, is focused on creating novel monoclonal antibodies based on neo-epitope targets for the treatment of a broad range of therapeutic indications.

We plan to continue to make measured and disciplined investment in our Alzheimer s disease and MS pipelines and to continue to utilize external collaborations and relationships to enhance our focus on scientific discovery, which is our key strength.

Alzheimer s Disease Programs

Our Scientific Approach

Elan s scientists have been leaders in Alzheimer s disease research for more than 25 years, and insights gained from our work are an important part of the scientific foundation of understanding this disease. We are known and respected for our innovative Alzheimer s disease research and our commitment to creating new therapeutic opportunities for patients desperately in need of them.

Our scientific approach to treating Alzheimer s disease has focused principally on beta amyloid. The process by which this protein is generated, aggregates and is ultimately deposited in the brain is often referred to as the beta amyloid cascade. The formation of beta amyloid plaques is the hallmark pathology of Alzheimer s disease.

Beta amyloid, also known as Abeta, is a small part of a larger protein called the amyloid precursor protein (APP). Beta amyloid is formed when certain enzymes called secretases clip (or cleave) APP. It is becoming increasingly clear that once beta amyloid is released, it exists in multiple physical forms with distinct functional activities. It is believed that the toxic effects of these forms may be involved in the complex cognitive, functional and behavioral deficits characteristic of Alzheimer s disease.

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Beta amyloid immunotherapies (AIP)

Beta amyloid immunotherapy pioneered by our scientists involves the potential treatment of Alzheimer s disease by inducing or enhancing the body s immune response in order to clear toxic species of beta amyloid from the brain. In almost a decade of collaboration with Wyeth (which has been acquired by Pfizer), our scientists developed a series of therapeutic monoclonal antibodies and active vaccination approaches that may have the ability to reduce or clear beta amyloid from the brain. These new approaches have the potential to alter the underlying cause of the disease by reducing a key pathway associated with it. The AIP includes bapineuzumab (intravenous and subcutaneous delivery) and ACC-001, as well as other compounds.

Bapineuzumab is an experimental humanized monoclonal antibody delivered intravenously that is being studied as a potential treatment for mild to moderate Alzheimer s disease. Bapineuzumab is thought to bind to and clear beta amyloid peptide in the brain. It is designed to provide antibodies to beta amyloid directly to the patient (passive immunotherapy), rather than prompting patients to produce their own immune responses (active immunotherapy).

As part of the Johnson & Johnson Transaction in 2009, Janssen AI, a subsidiary of Johnson & Johnson, acquired substantially all of our assets and rights related to the AIP collaboration. Under the terms of this transaction, Johnson & Johnson provided an initial $500 million funding to Janssen AI and we have a 49.9% shareholding in Janssen AI. In general, we are entitled to a 49.9% share of all net profits generated by Janssen AI beginning from the date Janssen AI becomes net profitable and certain royalty payments upon the commercialization of products under the AIP collaboration. As of December 31, 2011, the remaining unspent amount of the $500.0 million funding commitment was $57.6 million. Based on current spend levels, we expect that we will be called upon to provide funding to Janssen AI commencing in the second quarter of 2012.

In January 2011, Johnson & Johnson and Pfizer reported that enrollment was completed for the North American Phase 3 trials and sub-studies of bapineuzumab. Bapineuzumab has received fast-track designation from the FDA, which means that it may receive expedited approval in certain circumstances, in recognition of its potential to address the significant unmet needs of patients with Alzheimer s disease.

The Phase 3 program includes four randomized, double-blind, placebo-controlled studies across two subpopulations (based on ApoE4 genotype) with mild to moderate Alzheimer s disease, with patients distributed between North America and the rest of world. Johnson & Johnson now anticipates that the North American bapineuzumab Phase 3 trials will be completed in 2012 and Phase 3 rest of world trials will be completed in 2014.

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ELND005, an Aß aggregation inhibitor

In 2006, we entered into an exclusive, worldwide collaboration with Transition Therapeutics, Inc. (Transition) for the joint development and commercialization of a novel therapeutic agent for Alzheimer s disease. The small molecule ELND005 (Scyllo-inositol) is a beta amyloid anti-aggregation agent that has been granted fast-track designation by the FDA. Preclinical data suggest that ELND005 may act through the mechanism of preventing and reversing the fibrilisation of beta amyloid (the aggregation of beta amyloid into clumps of insoluble oligomers), thus enhancing clearance of amyloid and preventing or reducing plaque deposition.

In December 2010, we modified our Collaboration Agreement with Transition and as a result, Transition is no longer funding any continuing development or commercialization of ELND005 and has relinquished its 30% ownership of ELND005 to Elan. Under the modified agreement, we paid Transition $9.0 million in January 2011. While Transition is still eligible to receive a further $11.0 million payment upon the commencement of the next ELND005 clinical trial, it is no longer eligible to receive a $25.0 million milestone that would have been due upon the commencement of a Phase 3 trial for ELND005, under the terms of the original agreement.

In July 2011, Elan presented data from the Phase 2 clinical trial of ELND005 in mild to moderate Alzheimer s disease patients at the Alzheimer s Association International Conference 2011. Poster presentations on the safety and efficacy results of the Phase 2 randomized, placebo-controlled, dose-ranging study of ELND005 in mild to moderate Alzheimer s disease and on the population pharmacokinetic analysis of plasma, cerebrospinal fluid (CSF) and brain ELND005 in patients with mild to moderate Alzheimer s disease were presented. An oral presentation on imaging and cerebrospinal fluid biomarker results of a Phase 2 dose-ranging study of ELND005 in mild to moderate Alzheimer s disease was also presented.

In November 2011, ELND005 was featured during four oral presentations and on two posters, at the 4th Conference on Clinical Trials on Alzheimer s disease, where new analyses were presented from the Phase 2 Alzheimer s disease study. The presentations focused on treatment effects at earlier stages of the disease, using validated composite cognitive endpoints. These results support the general direction of the field for earlier intervention. In addition, data on ELND005 s role in reducing the emergence of neuropsychiatric symptoms in Alzheimer s patients was highlighted. The results of the Phase 2 clinical study data of ELND005 in mild to moderate Alzheimer s disease were published in *Neurology*, the peer-reviewed journal, in September 2011.

ELND005 may have additional applications in psychiatric indications such as bipolar disorder. Our goal is to initiate a proof of concept Phase 2 study in bipolar disorder in 2012, post-completion of discussions with therapeutic area experts and regulators.

In November 2011, we entered into a manufacturing agreement for the supply of the active pharmaceutical ingredient for ELND005 with Lonza Group AG.

Parkinson s Disease Genetics

Parkinson s disease is a slowly progressive disease of the nervous system and the second most common degenerative neurological disorder after Alzheimer s disease. In general, it affects one in 100 people over the age of 60, though people younger than this also live with the disease.

Elan s discovery approach, through our dedicated PDG group, is guided by our expertise in Alzheimer s disease research. The goal of our discovery efforts is to pursue a number of genetically validated targets that could prevent the neurodegenerative cascade associated with the Parkinson s disease and other neurological disorders.

Like many other neurodegenerative disorders, Parkinson s disease involves the formation and accumulation of misfolded proteins in the brain. Alpha-synuclein is a protein genetically linked to Parkinson s disease abnormal aggregates of alpha-synuclein, including fibrils and inclusions known as Lewy bodies, occur in degenerating neurons in brain regions controlling movement and can involve other regions of the brain as well. Alterations in alpha-synuclein are believed to play a critical role in Parkinson s disease.

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Our scientists are examining the different forms of alpha-synuclein and the role that they can play in normal and abnormal cellular functions, as well as the pathogenicity of alpha-synuclein in animal models of disease.

Parkin is a protein found in the brain that, like alpha-synuclein, has been genetically linked to Parkinson s disease. Parkin may be involved in the elimination of misfolded proteins within neurons, and has demonstrated neuroprotective capabilities in cells. Some familial forms of Parkinson s disease have been linked to mutations in parkin, with more than 50% of early onset Parkinson s disease being linked to a loss of parkin protein and function in neurons. Our scientists continue the process of determining how parkin can regulate the processes of neurodegeneration.

In addition to our dedicated internal research group, in 2011, we expanded our collaborative effort with the University of Cambridge, and also began working with Proteostasis Therapeutics, Inc. (Proteostasis) to help us advance more quickly from the laboratory to the clinic.

Neotope Biosciences Limited

Neotope Biosciences Limited (Neotope) is our wholly owned subsidiary that focuses on the discovery and development of antibodies to neo-epitope related targets for the potential treatment of a broad range of indications including amyloidosis, diabetes, cancer and macular degeneration. Neotope s strategy is to apply its expertise in generating novel therapeutic antibodies working with a broad range of collaborators in specific disease models, to select candidates for further clinical development.

Approach

An epitope is the molecular target recognized by an antibody. A neo-epitope is formed upon a modification of a protein. Of particular interest are sites on proteins that become accessible only after modification, such as cleavage or other covalent modifications (for example, phosphorylation) or by misfolding into an abnormal shape. The neo-epitopes targeted by Neotope may occur as part of a disease-associated pathological process. For each neo-epitope target, Neotope is developing novel, specific monoclonal antibodies for the potential treatment of patients having a disease associated with the neo-epitope.

Programs

Neotope s portfolio of targets includes alpha-synuclein for the potential treatment of synucleinopathies, such as Lewy body dementia and Parkinson s disease, tau for Alzheimer s disease and other tauopathies. We also have a program for type 2-diabetes. Additional discovery efforts target other disease indications such as age-related macular degeneration and cancer.

Onclave Therapeutics Limited

Our wholly owned subsidiary Onclave Therapeutics Limited (Onclave) was formed to develop assets originating from Elan that have potential application in oncology related diseases. Onclave s lead program, NEOD001, which originated from Neotope, is being investigated for the potential treatment of AL amyloidosis, a fatal disease involving abnormal accumulation of amyloid in organs and tissue. In 2011, Onclave filed for orphan drug designation of NEOD001. Onclave s pipeline includes additional novel compounds with potential relevance in diverse cancer indications.

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Scientific Collaborations and Relationships

Cambridge-Elan Centre Parkinson s and Alzheimer s Disease Research

In November 2011, we launched a collaboration with the University of Cambridge, England, the Cambridge-Elan Centre for Research Innovation and Drug Discovery (Cambridge-Elan Centre). The goal of the Cambridge-Elan Centre is to discover novel compounds capable of altering the behavior of proteins associated with neurodegenerative disorders that can be developed into new treatments.

The Cambridge-Elan Centre will bring together Elan s more than two decades of experience in Alzheimer s research and our knowledge of biology and model systems with the University of Cambridge s pioneering contributions in the development of biophysical approaches to study the molecular basis of protein misfolding and aggregation, and their links to disease. This ten-year agreement paves the way for a long-term collaboration between the University of Cambridge and Elan.

Dublin Neurological Institute (DNI)

In November 2011, we entered into a sponsorship agreement with the DNI to provide financial support over a five year term for an initiative to support improved access and quality of neurological patient care in Ireland. The total financial support amount pledged by us to the DNI is 1.5 million.

University College Dublin (UCD)

In December 2011, we announced an initiative with UCD to support leadership in the global biotechnology industry, including the establishment of Europe s first interdisciplinary Chair in the Business of Biotechnology . The initiative is expected to run for at least seven years and will include a contribution in excess of 3 million from Elan.

Proteostasis

We entered into a strategic business relationship with Proteostasis in May 2011. Our $20.0 million equity interest in Proteostasis represented approximately 24% of the equity of Proteostasis at the time of the investment and has been recorded as an equity method investment on our Consolidated Balance Sheet. The net loss recorded on the equity method investment in 2011 was $2.7 million.

Proteostasis has expertise in protein turnover and biological pathways, central to diseases associated with neurodegeneration, and is a complementary fit for our vision and scientific direction in Parkinson s disease. It is anticipated that the collaborative agreement will enable discovery and development of disease-modifying small molecule drugs and diagnostics for the treatment of neurodegenerative disorders such as Parkinson s disease, Huntington s disease, MS and amyotrophic lateral sclerosis (ALS), and a broad array of dementia-related diseases including Alzheimer s.

ENVIRONMENT

The U.S. market is our most important market. Refer to Note 4 to the Consolidated Financial Statements for an analysis of revenue by geographic region. For this reason, the factors discussed below, such as Government Regulation and Product Approval, place emphasis on requirements in the United States.

Government Regulation

The pharmaceutical industry is subject to significant regulation by international, national, state and local governmental regulatory agencies. Pharmaceutical product registration is primarily concerned with the safety, efficacy and quality of new drugs and devices and, in some countries, their pricing. A product must generally undergo extensive clinical trials before it can be approved for marketing. The process of developing a new pharmaceutical product, from idea to commercialization, can take in excess of 10 years.

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Governmental authorities, including the FDA and comparable regulatory authorities in other countries, regulate the design, development, testing, manufacturing and marketing of pharmaceutical products. Non-compliance with applicable requirements can result in fines and other judicially imposed sanctions, including product seizures, import restrictions, injunctive actions and criminal prosecutions of both companies and individuals. In addition, administrative remedies can involve requests to recall violative products; the refusal of the government to enter into supply contracts; or the refusal to approve pending product approval applications for drugs, biological products or medical devices until manufacturing or other alleged deficiencies are brought into compliance. The FDA also has the authority to cause the withdrawal of approval of a marketed product or to impose labeling restrictions.

In addition, the U.S. Centers for Disease Control and Prevention regulate select biologics and toxins. This includes registration and inspection of facilities involved in the transfer or receipt of select agents. Select agents are subject to specific regulations for packaging, labeling and transport. Non-compliance with applicable requirements could result in criminal penalties and the disallowance of research and manufacturing of clinical products. Exemptions are provided for select agents used for a legitimate medical purpose or for biomedical research, such as toxins for medical use and vaccines.

The pricing of pharmaceutical products is regulated in many countries and the mechanism of price regulation varies. In the United States, while there are limited indirect federal government price controls over private sector purchases of drugs, it is not possible to predict future regulatory action on the pricing of pharmaceutical products.

In December 2010, we resolved all aspects of the U.S. Department of Justice s investigation of sales and marketing practices for Zonegran, an antiepileptic prescription medicine that we divested in 2004. In March 2011, we paid $203.5 million pursuant to the terms of a global settlement resolving all U.S. federal and related state Medicaid claims. As part of the agreement, our subsidiary Elan Pharmaceuticals, Inc. (EPI), pleaded guilty to a misdemeanor violation of the FD&C Act, and we entered into a Corporate Integrity Agreement with the Office of Inspector General of the U.S. Department of Health and Human Services to promote our compliance with the requirements of U.S. federal healthcare programs and the FDA. If we materially fail to comply with the requirements of U.S. federal healthcare programs or the FDA, or otherwise materially breach the terms of the Corporate Integrity Agreement, such as by a material breach of the compliance program or reporting obligations of the Corporate Integrity Agreement, severe sanctions could be imposed upon us. The resolution of the Zonegran investigation could give rise to other investigations or litigation by state government entities or private parties.

Product Approval

Preclinical tests assess the potential safety and efficacy of a product candidate in animal models. The results of these studies must be submitted to the FDA as part of an Investigational New Drug Application before human testing may proceed.

The clinical trial process can take three to ten years or more to complete, and there can be no assurance that the data collected will demonstrate that the product is safe or effective or, in the case of a biologic product, pure and potent, or will provide sufficient data to support FDA approval of the product. The FDA may place clinical trials on hold at any point in this process if, among other reasons, it concludes that clinical subjects are being exposed to an unacceptable health risk. Trials may also be terminated by institutional review boards, which must review and approve all research involving human subjects. Side effects or adverse events that are reported during clinical trials can delay, impede or prevent marketing authorization.

The results of the preclinical and clinical testing, along with information regarding the manufacturing of the product and proposed product labeling, are evaluated and, if determined appropriate, submitted to the FDA through a license application such as a new drug application (NDA) or a Biologics License Application (BLA). In certain cases, an Abbreviated New Drug Application (ANDA) can be filed in lieu of filing an NDA.

There can be no marketing in the United States of any drug, biologic or device for which a marketing application is required until the application is approved by the FDA. Until an application is actually approved, there can be no assurance that the information requested and submitted will be considered adequate by the FDA.

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Additionally, any significant change in the approved product or in how it is manufactured, including changes in formulation or the site of manufacture, generally require prior FDA approval. The packaging and labeling of all products developed by us are also subject to FDA approval and ongoing regulation.

Whether or not FDA approval has been obtained, approval of a pharmaceutical product by comparable regulatory authorities in other countries outside the United States must be obtained prior to the marketing of the product in those countries. The approval procedure varies from country to country. It can involve additional testing and the time required can differ from that required for FDA approval. Although there are procedures for unified filings for E.U. countries, in general, most other countries have their own procedures and requirements.

Once a product has been approved, significant legal and regulatory requirements apply in order to market a product. In the United States, these include, among other things, requirements related to adverse event and other reporting, product advertising and promotion, and ongoing adherence to cGMP requirements, as well as the need to submit appropriate new or supplemental applications and obtain FDA approval for certain changes to the approved product, product labeling or manufacturing process. Further, Elan s Corporate Integrity Agreement regulates certain aspects of current, and future, development and marketing of Elan products.

The FDA also enforces the requirements of the Prescription Drug Marketing Act, which, among other things, imposes various requirements in connection with the distribution of product samples to physicians. Sales, marketing and scientific/educational grant programs must comply with the Medicare-Medicaid Anti-Fraud and Abuse Act, as amended, the False Claims Act, as amended, and similar state laws. Pricing and rebate programs must comply with the Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 1990, as amended. We are also subject to Section 6002 of the Affordable Care Act (ACA), commonly known as the Physician Payment Sunshine Act (Sunshine Act) which regulates disclosure of payments to certain healthcare professionals and providers.

The FCPA and U.K. Bribery Act prohibit companies and their representatives from offering, promising, authorizing or making payments to foreign officials (and certain private individuals under the U.K. Bribery Act) for the purpose of obtaining or retaining business abroad. In many countries, the healthcare professionals we interact with may meet the definition of a foreign government official for purposes of the FCPA. 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.

Patents and Intellectual Property Rights

Our competitive position depends on our ability to obtain patents on our technologies and our potential products, to defend our patents, to protect our trade secrets and to operate without infringing valid and enforceable patents or trade secrets of others. We own or license a number of patents in the United States and other countries.

Tysabri is covered by issued patents and pending patent applications in the United States and other countries. A primary U.S. patent covering the humanized antibody expires in 2017. Additional U.S. patents and patent applications of Elan and/or our collaborator Biogen Idec covering (i) methods of use, including the use of *Tysabri* to treat MS, irritable bowel disease and a variety of other indications and (ii) methods of manufacturing *Tysabri*, generally expire between 2012 and 2023. Outside the United States, patents and pending patent applications covering *Tysabri*, methods of using *Tysabri* and methods of manufacturing *Tysabri* generally expire between 2014 and 2023. Patents in the United States and outside the United States may be granted additional patent term due to various mechanisms for obtaining patent term extensions. In addition to the noted patents, we and Biogen Idec have additional patents and pending patent applications covering various aspects of *Tysabri* that may confer additional patent protection.

In addition to our *Tysabri* collaboration with Biogen Idec, we have entered into licenses covering intellectual property related to *Tysabri*. We pay royalties under these licenses based upon the level of *Tysabri* sales. We may be required to enter into additional licenses related to *Tysabri* intellectual property. If these licenses are not available, or are not available on reasonable terms, we may be materially and adversely affected.

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Competition

The pharmaceutical industry is highly competitive. Our principal pharmaceutical competitors consist of major international companies, many of which are larger and have greater financial resources, technical staff, manufacturing, R&D and marketing capabilities than we have. We also compete with smaller research companies and generic drug and biosimilar manufacturers.

Tysabri, a treatment for relapsing forms of MS, competes primarily with Avonex marketed by our collaborator Biogen Idec, Betaseron® marketed by Berlex (an affiliate of Bayer Schering Pharma AG) in the United States and sold under the name Betaferon® by Bayer Schering Pharma in Europe, Rebif® marketed by Merck Serono and Pfizer in the United States and by Merck Serono in Europe, Copaxone® marketed by Teva Neurosciences, Inc. in the United States and co-promoted by Teva and Sanofi-Aventis in Europe and Novartis AG s Gilenya , an oral treatment for relapsing MS. Additional oral treatments for MS are awaiting regulatory approval or are under development, including BG-12, which is being developed by Biogen Idec. Many companies are working to develop new therapies or alternative formulations of products for MS that, if successfully developed, would compete with *Tysabri*.

A drug may be subject to competition from alternative therapies during the period of patent protection or regulatory exclusivity and, thereafter, it may be subject to further competition from generic products or biosimilars. Governmental and other pressures toward the dispensing of generic products or biosimilars may rapidly and significantly reduce, slow or reverse the growth in sales and profitability of any product not protected by patents or regulatory exclusivity, and may adversely affect our future results and financial condition. The launch of competitive products, including generic or biosimilar versions of our products, has had and may have a material adverse effect on our revenues and results of operations.

Our competitive position depends, in part, upon our continuing ability to discover, acquire and develop innovative, cost-effective new products, as well as new indications and product improvements protected by patents and other intellectual property rights. We also compete on the basis of price and product differentiation. If we fail to maintain our competitive position, our business, financial condition and results of operations may be materially and adversely affected.

Distribution

We sell *Tysabri* primarily to drug wholesalers. Our revenue reflects, in part, the demand from these wholesalers to meet the in-market consumption of *Tysabri* and to reflect the level of inventory that *Tysabri* wholesalers carry. Changes in the level of inventory can directly impact our revenue and could result in our revenue not reflecting in-market consumption of *Tysabri*.

Product Supply

Supplies are generally available in quantities adequate to meet the needs of our business. We are dependent on Biogen Idec to manufacture *Tysabri*. An inability to obtain product supply could have a material adverse impact on our business, financial condition and results of operations.

Employees

As of December 31, 2011, we had 412 employees worldwide, of whom 226 were engaged in R&D activities and the remainder worked in selling, marketing, general and administrative areas.

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C. Organizational Structure

At December 31, 2011, we had the following principal subsidiary undertakings:

Company	Nature of Business	Group Share %	Registered Office & Country of Incorporation
Athena Neurosciences, Inc.	Holding company	100	180 Oyster Point Blvd., South San Francisco, CA, USA
Crimagua Ltd.	Holding company	100	Treasury Building, Lower Grand Canal Street, Dublin 2, Ireland
Elan Holdings Ltd.	Holding company	100	Treasury Building, Lower Grand Canal Street, Dublin 2, Ireland
Elan International Services Ltd.	Financial services company	100	Juniper House, 30 Oleander Hill, Smiths, FL-08, Bermuda
Elan Pharma International Ltd.	R&D, sale and distribution of pharmaceutical products, management services and financial services	100	Treasury Building, Lower Grand Canal Street, Dublin 2, Ireland
Elan Pharmaceuticals, Inc.	R&D and sale of pharmaceutical products	100	180 Oyster Point Blvd., South San Francisco, CA, USA
Elan Science One Ltd.	Holding company	100	Treasury Building, Lower Grand Canal Street, Dublin 2, Ireland
Elan Science Three Ltd.	Holding company	100	Treasury Building, Lower Grand Canal Street, Dublin 2, Ireland
Keavy Finance Ltd.	Dormant	100	Treasury Building, Lower Grand Canal Street, Dublin 2, Ireland
Monksland Holdings BV	Holding company	100	Claude Debussylaan 24, 1082 MD, Amsterdam

D. Property, Plants and Equipment

We consider that our properties are in good operating condition and that our equipment has been well maintained.

For additional information, refer to Note 18 to the Consolidated Financial Statements, which discloses amounts invested in land and buildings and plant and equipment; Note 28 to the Consolidated Financial Statements, which discloses future minimum rental commitments; Note 29 to the Consolidated Financial Statements, which discloses capital commitments for the purchase of property, plant and equipment; and Item 5B. Liquidity and Capital Resources, which discloses our capital expenditures.

The following table lists the location, ownership interest, use and approximate size of our principal properties:

Location and Ownership Interest	Use	Size (Sq. Ft.)
Leased: South San Francisco, CA, USA	R&D, sales and administration	441,000[1]
Leased: King of Prussia, PA, USA	Former R&D and manufacturing facility	113,000[2]
Leased: Dublin, Ireland	Corporate administration	41,000

(1) *Approximately 66,636 square feet of laboratory and office space in South San Francisco, which was no longer being utilized by our R&D, sales and administrative functions is sublet to Janssen AI and is included in the 441,000 square feet noted above.*

(2) *The EDT facility in King of Prussia was closed in 2011. Approximately 25,000 square feet of this space was sublet in February 2012.*

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Item 4A. ***Unresolved Staff Comments.***
Not applicable.

Item 5. ***Operating and Financial Review and Prospects.***
The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements, the accompanying notes thereto and other financial information, appearing in Item 18. Consolidated Financial Statements.

Our Consolidated Financial Statements contained in this Form 20-F have been prepared on the basis of U.S. GAAP. In addition to the Consolidated Financial Statements contained in this Form 20-F, we also prepare separate Consolidated Financial Statements, included in our Annual Report, in accordance with IFRS, which differ in certain significant respects from U.S. GAAP. The Annual Report under IFRS is a separate document from this Form 20-F.

This financial review primarily discusses:

Current operations;

Critical accounting policies;

Recently issued accounting pronouncements;

Results of operations for the year ended December 31, 2011, compared to 2010 and 2009; and

Liquidity and capital resources.

Our operating results may be affected by a number of factors, including those described under Item 3D. Risk Factors.

CURRENT OPERATIONS

Elan is a neuroscience-based biotechnology company engaged in research, development and commercial activities primarily in the areas of Alzheimer s disease, Parkinson s disease and MS. For additional information on our current operations, refer to Item 4B. Business Overview.

CRITICAL ACCOUNTING POLICIES

The Consolidated Financial Statements include certain estimates based on management s best judgments. Estimates are used in determining items such as the carrying amounts of long-lived assets, our equity method investments, revenue recognition, estimating sales discounts and allowances, the fair value of share-based compensation, and the accounting for contingencies and income taxes, among other items. Because of the uncertainties inherent in such estimates, actual results may differ materially from these estimates.

Goodwill, Other Intangible Assets, Tangible Fixed Assets and Impairment

Total goodwill and other intangible assets amounted to $309.9 million at December 31, 2011 (2010: $376.5 million) and our property, plant and equipment had a carrying amount at December 31, 2011 of $83.2 million (2010: $287.5 million).

Goodwill is not amortized, but instead is reviewed for impairment at least annually.

Intangible assets with estimable useful lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values and, as with other long-lived assets such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, we compare undiscounted cash flows expected to be generated by an asset to the carrying amount of the asset. If the carrying amount of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. We

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determine fair value using the income approach based on the present value of expected cash flows. Our cash flow assumptions consider historical and forecasted revenue and operating costs and other relevant factors. If we were to use different estimates, particularly with respect to the likelihood of R&D success, the likelihood and date of commencement of generic competition or the impact of any reorganization or change of business focus, then a material impairment charge could arise. We believe that we have used reasonable estimates in assessing the carrying amounts of our intangible assets. The results of certain impairment tests on intangible assets with estimable useful lives are discussed below.

We review our goodwill for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The goodwill impairment test is a two-step process and is performed at the reporting-unit level. A reporting unit is the same as, or one level below, an operating segment. Following the divestment of EDT on September 16, 2011, Elan is comprised of a single reporting unit.

We first assess qualitative factors to determine whether it is necessary to perform the two-step goodwill impairment test. The qualitative factors assessed include, but are not limited to, macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant events affecting the reporting unit and the share price performance of the Company. If, after assessing the relevant qualitative factors, we determine that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill, then the first and second steps of the goodwill impairment test are not performed. If, after assessing the relevant qualitative factors, we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill, then the first step of the goodwill impairment test is performed.

Under the first step, we compare the fair value of each reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired and step two does not need to be performed. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test would be performed to measure the amount of impairment charge, if any. The second step compares the implied fair value of the reporting-unit goodwill with the carrying amount of that goodwill, and any excess of the carrying amount over the implied fair value is recognized as an impairment charge. The implied fair value of goodwill is determined, by allocating the fair value of a reporting unit to individual assets and liabilities. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. In evaluating goodwill for impairment, we determine the fair values of the reporting units using the income approach, based on the present value of expected cash flows.

On September 16, 2011, Alkermes plc and Elan announced the completion of the merger between Alkermes, Inc. and EDT. As part of this transaction, we disposed of goodwill of $49.7 million which was allocated to the EDT reporting unit. We also disposed of patents, licenses, intellectual property and other intangible assets related to EDT with a net book value of $3.3 million and property, plant and equipment with a net book value of $202.0 million related to EDT.

We complete the annual goodwill impairment review on September 30 of each year. For the 2011 fiscal year annual goodwill impairment review, we assessed the relevant qualitative factors post-divestment of the EDT business and determined that it was not more likely than not that the fair value of the reporting unit was less than its carrying amount, including goodwill, so the first and second steps of the goodwill impairment test were not performed.

We performed the first step of the goodwill impairment test in 2010 and 2009 and the result of our tests did not indicate any impairment in either year. In addition, we performed a goodwill impairment test immediately subsequent to the disposal of the Prialt® business in May 2010 and the result of our tests did not indicate any impairment.

There were no material impairment charges relating to intangible assets in 2011 or 2010. In December 2009, we recorded an impairment charge of $30.6 million within other net charges in the Consolidated Statement of Operations relating to the Prialt intangible asset, thus reducing the carrying value of the intangible asset to

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$14.6 million. During 2010, we divested our Prialt assets and rights to Azur Pharma International Limited (Azur). We recorded a net loss of $1.5 million on this divestment. For additional information on goodwill and other intangible assets, refer to Note 19 to the Consolidated Financial Statements.

During 2011, we recorded a non-cash asset impairment charge of $10.0 million relating to property, plant and equipment, within other net charges in the Consolidated Statement of Operations which arose from the consolidation of our facilities in South San Francisco and the closure of EDT s King of Prussia, Pennsylvania, site.

In 2010, we recorded a non-cash asset impairment charge of $11.0 million related to a consolidation of facilities in South San Francisco as a direct result of a realignment of the BioNeurology business. Following the transfer of our AIP manufacturing rights as part of the sale of the AIP business to Janssen AI in 2009, we re-evaluated our longer term biologics manufacturing and fill-finish requirements, and consequently recorded a non-cash asset impairment charge, included as part of the net gain on divestment of business, related to these activities of $41.2 million. The assets relating to biologics manufacturing were written off in full.

Equity Method Investments

Janssen AI

As part of the transaction whereby Janssen AI, a subsidiary of Johnson & Johnson, acquired substantially all of our assets and rights related to our AIP collaboration with Wyeth (which has been acquired by Pfizer), we received a 49.9% equity investment in Janssen AI. Johnson & Johnson also committed to fund up to an initial $500.0 million towards the further development and commercialization of the AIP to the extent the funding is required by the collaboration. We have recorded our investment in Janssen AI as an equity method investment on the Consolidated Balance Sheet as we have the ability to exercise significant influence, but not control, over the investee. The investment was initially recognized based on the estimated fair value of the investment acquired, representing the fair value of our proportionate 49.9% share of Janssen AI s total net assets at inception, which were comprised of the AIP assets and the asset created by the Johnson & Johnson contingent funding commitment.

As of December 31, 2011, the carrying value of our Janssen AI equity method investment of $130.6 million (2010: $209.0 million) was approximately $185 million (2010: $120 million) below our share of Janssen AI s reported book value of its net assets. This difference relates to the lower estimated value of Janssen AI s AIP assets when the equity method investment was initially recorded and the asset created by the Johnson & Johnson contingent funding commitment. In relation to the AIP assets, in the event that an AIP product reaches market, our proportionate share of Janssen AI s reported results will be adjusted over the estimated remaining useful lives of those assets to recognize the difference in the carrying values. In relation to the Johnson & Johnson contingent funding commitment asset, the differences in the carrying values is being amortized to the Consolidated Statement of Operations on a pro rata basis; based on the actual amount of Janssen AI losses that are solely funded by Johnson & Johnson in each period as compared to the total $500 million, which is the total amount we estimate will be solely funded by Johnson & Johnson.

During 2011, we recorded amortization expense of $50.9 million (2010: $26.0 million; 2009: $Nil) related to the basis differences between the cost of our equity method investment and the amount of our underlying equity in Janssen AI s reported net assets.

Under the equity method, investors are required to recognize their share of the earnings or losses of an investee in the periods for which they are reported in the financial statements of the investee as this is normally considered an appropriate means of recognizing increases or decreases in the economic resources underlying the investments. However, Johnson & Johnson has committed to wholly fund up to an initial $500.0 million of development and commercialization expenses by Janssen AI so the recognition by Elan of a share of Janssen AI losses that are solely funded by Johnson & Johnson s $500.0 million commitment would result in an inappropriate decrease in Elan s share of the economic resources underlying the investment in Janssen AI. Accordingly, until the $500.0 million funding commitment is fully utilized, we have applied the hypothetical liquidation at book value (HLBV) method to determine how an increase or decrease in net assets of Janssen AI affects Elan s interest in the net assets of Janssen AI on a period by period basis. Under the HLBV method, an

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investor determines its share of the earnings or losses of an investee by determining the difference between its claim on the investee s book value at the end and beginning of the period. After adjusting for the basis differences described above, Elan s claim on Janssen AI s book value as of December 31, 2011 was $117.3 million (2010: $117.3 million).

The net loss on the Janssen AI equity method investment for the year ended December 31, 2011 of $78.4 million (2010: $26.0 million; 2009: $Nil) was comprised of amortization expense of $50.9 million (2010: $26.0 million; $2009: $Nil) related to the basis differences described above and $27.5 million (2010: $Nil; 2009: $Nil) to correct an immaterial error from prior periods relating to our accounting for our equity method investment in Janssen AI.

As of December 31, 2011, the remaining unspent amount of the initial $500.0 million funding commitment was $57.6 million (2010: $272.0 million).

Alkermes plc and Proteostasis

We have recorded our investments in Alkermes plc and Proteostasis as equity method investments on the Consolidated Balance Sheet as we have the ability to exercise significant influence, but not control, over the investees. The investments were initially recognized based on the estimated fair value of the investment acquired. The carrying amount of the Alkermes equity method investment is approximately $300 million higher than our share of the book value of the net assets of Alkermes plc. Based on our preliminary assessment of the fair value of the net assets of Alkermes plc on the date of the transaction, this difference principally relates to identifiable intangible assets and goodwill attributable to the Alkermes Inc. business prior to its acquisition of EDT. Under the equity method, we recognize our share of the earnings or losses of our investees, adjusted for the amortization of basis differences, in the Consolidated Statement of Operations with a corresponding increase or decrease in the carrying amount of the investments on the Consolidated Balance Sheet. We recognize our share of the earnings or losses of Proteostasis in the same periods for which they are reported in the financial statements of the investee; and we recognize our share of the earnings or losses of Alkermes plc on a one-quarter time lag, as Alkermes plc s financial information is generally not publicly available when our quarterly and annual results are reported.

Revenue Recognition

We recognize revenue from the sale of our products, royalties earned and contract arrangements. Up-front fees received by us are deferred and amortized when there is a significant continuing involvement by us (such as an ongoing product manufacturing contract or joint development activities) after an asset disposal. We defer and amortize up-front license fees to the income statement over the performance period. The performance period is the period over which we expect to provide services to the licensee as determined by the contract provisions. Accounting for milestone payments depends on the facts and circumstances of each contract. We apply the milestone method in accounting for substantive milestone payments under contracts that include R&D deliverables. A milestone is considered substantive if consideration earned from achievement of the milestone (1) is commensurate with either the vendor s performance to achieve the milestone or the enhancement of the value of the delivered item, (2) relates solely to past performance, and (3) is reasonable in comparison to all of the deliverables and payment terms in the arrangement. If a milestone is considered substantive the consideration is recognized as revenue in the period in which the milestone is achieved. It is expected that the substantive milestone method will be appropriate for most contracts. If we determine the substantive milestone method is not appropriate, we apply the proportional performance method to the relevant contract. This method recognizes as revenue the percentage of cumulative non-refundable cash payments earned under the contract, based on the percentage of costs incurred to date compared to the total costs expected under the contract.

Sales Discounts and Allowances

We recognize revenue on a gross revenue basis (except for *Tysabri* revenue outside of the United States) and make various deductions to arrive at net revenue as reported in the Consolidated Statements of Operations. These adjustments are referred to as sales discounts and allowances and are described in detail below. Sales discounts and allowances include charge-backs, managed healthcare rebates and other contract discounts,

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Medicaid rebates, cash and other discounts, sales returns and other adjustments. Estimating these sales discounts and allowances is complex and involves significant estimates and judgments, and we use information from both internal and external sources, including our historical experience, to generate reasonable and reliable estimates. We believe that we have used reasonable judgments in assessing our estimates, and this is borne out by our historical experience. At December 31, 2011, we had total provisions of $45.5 million for sales discounts and allowances, of which approximately 97%, 2% and 1% related to *Tysabri*, Maxipime® and Azactam®, respectively. We have almost six years of experience for *Tysabri* and we ceased distributing Maxipime on September 30, 2010 and Azactam on March 31, 2010, after more than 10 years experience with both products.

We do not conduct our sales using the consignment model. All of our product sales transactions are based on normal and customary terms whereby title to the product and substantially all of the risks and rewards transfer to the customer upon either shipment or delivery. Furthermore, we do not have an incentive program that would compensate a wholesaler for the costs of holding inventory above normal inventory levels, thereby encouraging wholesalers to hold excess inventory.

An analysis of the separate components of our revenue is set out in Item 5A. Operating Results, and in Note 3 to the Consolidated Financial Statements. The table below summarizes our sales discounts and allowances to adjust gross revenue to net revenue for each significant category (in millions).

	2011	2010	2009
Gross revenue subject to discounts and allowances	$ 936.6	$ 762.2	$ 698.9
Net *Tysabri* ROW revenue	317.6	258.3	215.8
Manufacturing revenue and royalties	170.7	263.0	258.9
Contract revenue	9.9	13.7	18.7
Gross revenue	$ 1,434.8	$ 1,297.2	$ 1,192.3
Sales discounts and allowances:			
Charge-backs	$ (116.4)	$ (71.2)	$ (39.7)
Medicaid rebates	(26.6)	(20.4)	(7.1)
Cash discounts	(25.5)	(18.7)	(16.7)
Managed healthcare rebates and other contract discounts	(7.4)	(3.9)	(1.2)
Sales returns	(0.7)	(2.0)	(4.2)
Other adjustments	(12.2)	(11.3)	(10.4)
Total sales discounts and allowances	$ (188.8)	$ (127.5)	$ (79.3)
Net revenue subject to discounts and allowances	747.8	634.7	619.6
Net *Tysabri* ROW revenue	317.6	258.3	215.8
Manufacturing revenue and royalties	170.7	263.0	258.9
Contract revenue	9.9	13.7	18.7
Net revenue	$ 1,246.0	$ 1,169.7	$ 1,113.0

Total sales discounts and allowances were 20.2% of gross revenue subject to discounts and allowances in 2011, 16.7% in 2010 and 11.3% in 2009, as detailed in the rollforward below and as further explained in the following paragraphs.

Charge-backs as a percentage of gross revenue subject to discounts and allowances were 12.4% in 2011, 9.3% in 2010 and 5.7% in 2009. The increases in 2011 and 2010 are due to the expansion of the 340(b) PHS program and the increase in the minimum discount extended to our 340(b) customers, both of which resulted from the U.S. healthcare reform legislation enacted through the Patient Protection Affordable Care Act (PPACA) in 2010. The increases are also attributable to increases in the discounts due to the changes in *Tysabri s* wholesaler acquisition cost price.

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The Medicaid rebates as a percentage of gross revenue subject to discounts and allowances were 2.8% in 2011, 2.7% in 2010 and 1.0% in 2009. The increases in 2011 and 2010 are primarily due to the extension of Medicaid rebates to drugs supplied to enrollees of Medicaid MCOs, the increase in the rebate due to wholesaler acquisition cost price changes in *Tysabri* and the increase in 2010 of the U.S. base Medicaid rebate from 15.1% to 23.1%. Both the increase in the U.S. base Medicaid rebate to 23.1% and the extension of the Medicaid rebates to drugs supplied to enrollees of MCOs were introduced by the U.S. healthcare reform legislation.

Cash and other discounts as a percentage of gross revenue subject to discounts and allowances were 2.7% in 2011, 2.5% 2010 and 2.4% in 2009. Cash and other discounts include cash discounts, generally at 2% of the sales price, as an incentive for prompt payment by customers in the United States.

The managed healthcare rebates and other contract discounts as a percentage of gross revenue subject to discounts and allowances were 0.8% in 2011, 0.5% in 2010 and 0.2% 2009. The increase is primarily attributable to the increase in the number of qualified patients that are eligible for the *Tysabri* patient co-pay assistance program.

Sales returns as a percentage of gross revenue subject to discounts and allowances were 0.1% in 2011, 0.3% in 2010 and 0.6% in 2009. The decrease from 0.3% in 2010 to 0.1% in 2011 is primarily attributable to the changes in the product mix during 2010.

The following table sets forth the activities and ending balances of each significant category of adjustments for the sales discounts and allowances (in millions):

	Charge-Backs	Medicaid Rebates	Cash and other Discounts	Managed Healthcare Rebates and Other Contract Discounts	Sales Returns	Other Adjustments	Total
Balance at December 31, 2009	$ 5.6	$ 8.9	$ 2.0	$ 0.6	$ 7.8	$ 1.6	$ 26.5
Provision related to sales made in current period	71.2	20.4	18.7	3.9	2.4	11.3	127.9
Provision related to sales made in prior periods					(0.4)		(0.4)
Returns and payments	(69.6)	(10.8)	(17.9)	(3.9)	(3.5)	(10.4)	(116.1)
Balance at December 31, 2010	$ 7.2	$ 18.5	$ 2.8	$ 0.6	$ 6.3	$ 2.5	$ 37.9
Provision related to sales made in current period	116.4	26.6	25.5	7.4	2.4	12.2	190.5
Provision related to sales made in prior periods					(1.7)		(1.7)
Returns and payments	(117.3)	(17.2)	(25.3)	(6.6)	(1.9)	(12.9)	(181.2)
Balance at December 31, 2011	$ 6.3	$ 27.9	$ 3.0	$ 1.4	$ 5.1	$ 1.8	$ 45.5

(a) Charge-backs

In the United States, we participate in charge-back programs with a number of entities, principally the PHS, the U.S. Department of Defense, the U.S. Department of Veterans Affairs, Group Purchasing Organizations and other parties whereby pricing on products is extended below wholesalers list prices to participating entities. These entities purchase products through wholesalers at the lower negotiated price, and the wholesalers charge the difference between these entities acquisition cost and the lower negotiated price back to us. We account for charge-backs by accruing an amount equal to our estimate of charge-back claims attributable to a sale. We determine our estimate of the charge-backs primarily based on historical experience on a product-by-product and program basis, and current contract prices under the charge-back programs. We consider vendor payments, estimated levels of inventory in the wholesale distribution channel, and our claim processing time lag and adjust

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accounts receivable and revenue periodically throughout each year to reflect actual and future estimated experience.

As described above, there are a number of factors involved in estimating the accrual for charge-backs, but the principal factor relates to our estimate of the levels of inventory in the wholesale distribution channel. At December 31, 2011, *Tysabri*, represented approximately 99.7% of the total charge-backs accrual balance of $6.3 million. If we were to increase our estimated level of inventory in the wholesale distribution channel by one month s worth of demand for *Tysabri,* the accrual for charge-backs would increase by approximately $12.1 million. We believe that our estimate of the levels of inventory for *Tysabri,* in the wholesale distribution channel is reasonable because it is based upon multiple sources of information, including data received from all of the major wholesalers with respect to their inventory levels and sell-through to customers, third-party market research data, and our internal information.

(b) Medicaid rebates

In the United States, we are required by law to participate in state government-managed Medicaid programs, as well as certain other qualifying federal and state government programs whereby discounts and rebates are provided to participating state and local government entities. Discounts and rebates provided through these other qualifying federal and state government programs are included in our Medicaid rebate accrual and are considered Medicaid rebates for the purposes of this discussion. We account for Medicaid rebates by establishing an accrual in an amount equal to our estimate of Medicaid rebate claims attributable to a sale. We determine our estimate of the Medicaid rebates accrual primarily based on our estimates of Medicaid claims, Medicaid payments, claims processing lag time, inventory in the distribution channel as well as legal interpretations of the applicable laws related to the Medicaid and qualifying federal and state government programs, and any new information regarding changes in the Medicaid programs regulations and guidelines that would impact the amount of the rebates on a product-by-product basis. We consider outstanding Medicaid claims, Medicaid payments, claims processing lag time and estimated levels of inventory in the distribution channel and adjust the accrual and revenue periodically throughout each year to reflect actual and future estimated experience. At December 31, 2011, *Tysabri* represented approximately 98.8% of the total Medicaid rebates accrual balance of $27.9 million.

(c) Cash and other discounts

Cash and other discounts include cash discounts, generally at 2% of the sales price, as an incentive for prompt payment by customers in the United States. We account for cash and other discounts by reducing accounts receivable by the full amount of the discounts. We consider factors such as the payment performance of each customer and adjust the accrual and revenue periodically throughout each year to reflect actual experience and future estimates.

(d) Managed healthcare rebates and other contract discounts

We offer rebates and discounts to managed healthcare organizations in the United States. We account for managed healthcare rebates and other contract discounts by establishing an accrual equal to our estimate of the amount attributable to a sale. We determine our estimate of this accrual primarily based on historical experience on a product-by-product and program basis and current contract prices. We consider the sales performance of products subject to managed healthcare rebates and other contract discounts, processing claim lag time and estimated levels of inventory in the distribution channel and adjust the accrual and revenue periodically throughout each year to reflect actual and future estimated experience.

(e) Sales returns

We account for sales returns by establishing an accrual in an amount equal to our estimate of revenue recorded for which the related products are expected to be returned.

Our sales returns accrual is estimated principally based on historical experience, the estimated shelf life of inventory in the distribution channel, price increases and our return goods policy (goods may only be returned six

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months prior to expiration date and for up to 12 months after expiration date). We also take into account product recalls and introductions of generic products. All of these factors are used to adjust the accrual and revenue periodically throughout each year to reflect actual and future estimated experience.

In the event of a product recall, product discontinuance or introduction of a generic product, we consider a number of factors, including the estimated level of inventory in the distribution channel that could potentially be returned, historical experience, estimates of the severity of generic product impact, estimates of continuing demand and our return goods policy. We consider the reasons for, and impact of, such actions and adjust the sales returns accrual and revenue as appropriate.

As described above, there are a number of factors involved in estimating this accrual, but the principal factor relates to our estimate of the shelf life of inventory in the distribution channel. We believe, based upon both the estimated shelf life and also our historical sales returns experience, that the vast majority of this inventory will be sold prior to the expiration dates, and accordingly believe that our sales returns accrual is appropriate. At December 31, 2011, 80.2% of the total sales returns accrual balance of $5.1 million related to *Tysabri*.

During 2011, we recorded adjustments of $1.7 million (2010: $0.4 million) to decrease the sales returns accrual related to sales made in prior periods.

(f) Other adjustments

In addition to the sales discounts and allowances described above, we make other sales adjustments primarily related to estimated obligations for credits to be granted to wholesalers under wholesaler service agreements we have entered into with many of our pharmaceutical wholesale distributors in the United States. Under these agreements, the wholesale distributors have agreed, in return for certain fees, to comply with various contractually defined inventory management practices and to perform certain activities such as providing weekly information with respect to inventory levels of product on hand and the amount of out-movement of product. As a result, we, along with our wholesale distributors, are able to manage product flow and inventory levels in a way that more closely follows trends in prescriptions. We generally account for these other sales discounts and allowances by establishing an accrual in an amount equal to our estimate of the adjustments attributable to the sale. We generally determine our estimates of the accruals for these other adjustments primarily based on contractual agreements and other relevant factors, and adjust the accruals and revenue periodically throughout each year to reflect actual experience.

(g) Use of information from external sources

We use information from external sources to identify prescription trends and patient demand, including inventory pipeline data from three major drug wholesalers in the United States. The inventory information received from these wholesalers is a product of their record-keeping process and excludes inventory held by intermediaries to whom they sell, such as retailers and hospitals. We also receive information from IMS Health, a supplier of market research to the pharmaceutical industry, which we use to project the prescription demand-based sales for our pharmaceutical products. Our estimates are subject to inherent limitations of estimates that rely on third-party information, as certain third-party information is itself in the form of estimates, and reflect other limitations, including lags between the date as of which third-party information is generated and the date on which we receive such information.

Share-Based Compensation

Share-based compensation expense for all equity-settled awards made to employees and directors is measured and recognized based on estimated grant date fair values. These awards include employee stock options, restricted stock units (RSUs) and stock purchases related to our employee equity purchase plan (EEPP). Share-based compensation cost for RSUs awarded to employees and directors is measured based on the closing fair market value of the Company s shares on the date of grant. Share-based compensation cost for stock options awarded to employees and directors and shares issued under the EEPP is estimated at the grant date based on

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each option s fair value as calculated using an option-pricing model. The value of awards expected to vest is recognized as an expense over the requisite service periods. In 2011, we recognized $35.3 million (2010 and 2009: $31.5 million) relating to equity-settled share-based compensation.

Share-based compensation expense for equity-settled awards to non-employees in exchange for goods or services is based on the fair value of awards on the measurement date, which is the earlier of the date at which the commitment for performance by the non-employees to earn the awards is reached and the date at which the non-employees performance is complete. We have determined that the expected vest date is the measurement date for awards granted to non-employees.

Estimating the fair value of share-based awards at grant or vest date using an option-pricing model, such as the binomial model, is affected by our share price as well as assumptions regarding a number of complex variables. These variables include, but are not limited to, the expected share price volatility over the term of the awards, risk-free interest rates, and actual and projected employee exercise behaviors. If factors change and/or we employ different assumptions in estimating the fair value of share-based awards in future periods, the compensation expense that we record for future grants may differ significantly from what we have recorded in the Consolidated Financial Statements. However, we believe we have used reasonable assumptions to estimate the fair value of our share-based awards.

For additional information on our share-based compensation, refer to Note 26 to the Consolidated Financial Statements.

Contingencies Relating to Actual or Potential Administrative and Legal Proceedings

We are currently involved in legal and administrative proceedings relating to securities matters, patent matters, product liability matters and other matters, some of which are described in Note 30 to the Consolidated Financial Statements. We assess the likelihood of any adverse outcomes to contingencies, including legal matters, as well as potential ranges of probable losses. We record accruals for such contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. If an unfavorable outcome is probable, but the amount of the loss cannot be reasonably estimated, we estimate the range of probable loss and accrue the most probable loss within the range. If no amount within the range is deemed more probable, we accrue the minimum amount within the range. If neither a range of loss nor a minimum amount of loss is estimable, then appropriate disclosure is provided, but no amounts are accrued. As of December 31, 2011, we had accrued $0.7 million (2010: $207.0 million), representing our estimates of liability and costs for the resolution of these matters.

In March 2011, we paid $203.5 million relating to the agreement-in-principle announced in July 2010, which was finalized with the U.S. Attorney s Office for the District of Massachusetts in December 2010 to resolve all aspects of the U.S. Department of Justice s investigation of sales and marketing practices for Zonegran (zonisamide), an antiepileptic prescription medicine that we divested in 2004. At December 31, 2010, we held $203.7 million in an escrow account to cover the settlement amount and during 2010, we recorded a $206.3 million reserve charge for the settlement, interest and related costs. This resolution of the Zonegran investigation could give rise to other investigations or litigation by state government entities or private parties.

We developed estimates in consultation with outside counsel handling our defense in these matters using the facts and circumstances known to us. The factors that we consider in developing our legal contingency accrual include the merits and jurisdiction of the litigation, the nature and number of other similar current and past litigation cases, the nature of the product and assessment of the science subject to the litigation, and the likelihood of settlement and state of settlement discussions, if any. We believe that the legal contingency accrual that we have established is appropriate based on current factors and circumstances. However, it is possible that other people applying reasonable judgment to the same facts and circumstances could develop a different liability amount. The nature of these matters is highly uncertain and subject to change. As a result, the amount of our liability for certain of these matters could exceed or be less than the amount of our estimates, depending on the outcome of these matters.

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Income Taxes

We account for income tax expense based on income before taxes using the asset and liability method. Deferred tax assets (DTAs) and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using tax rates projected to be in effect for the year in which the differences are expected to reverse. DTAs are recognized for the expected future tax consequences, for all deductible temporary differences and operating loss and tax credit carryforwards. A valuation allowance is required for DTAs if, based on available evidence, it is more likely than not that all or some of the asset will not be realized due to the inability to generate sufficient future taxable income.

Significant estimates are required in determining our provision for income taxes. Some of these estimates are based on management s interpretations of jurisdiction-specific tax laws or regulations and the likelihood of settlement related to tax audit issues. Various internal and external factors may have favorable or unfavorable effects on our future effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, changes in estimates of prior years items, past and future levels of R&D spending, likelihood of settlement, and changes in overall levels of income before taxes. Our assumptions, judgments and estimates relative to the recognition of the DTAs take into account projections of the amount and category of future taxable income, such as income from operations or capital gains income. Actual operating results and the underlying amount and category of income in future years could render our current assumptions of recoverability of net DTAs inaccurate.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We account for interest and penalties related to unrecognized tax benefits in income tax expense.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2011-08, Intangibles Goodwill and Other: Testing Goodwill for impairment (Topic 350) , which gives entities the option to first assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of the reporting unit is less than its carrying amount, including goodwill. If, after assessing the relevant qualitative factors, we determine that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill, then the first and second steps of the goodwill impairment test are not performed. If, after assessing the relevant qualitative factors, we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill, then the first step of the goodwill impairment test is performed. Previous guidance under Topic 350 required an entity to test goodwill for impairment, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, including goodwill (step one). If the fair value of a reporting unit is less than its carrying amount, then the second step of the test must be performed to measure the amount of the impairment loss, if any. The amendment in this update is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, but early adoption is permitted. We have early adopted the amendment for the 2011 fiscal year annual goodwill impairment review and after assessing the relevant qualitative factors, we determined that it was not more likely than not that the fair value of the reporting unit was less than its carrying amount, including goodwill, so the first and second steps of the goodwill impairment test were not performed.

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 , which results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. The amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Some of the amendments clarify the FASB s intent about the application of existing fair value measurement requirements while other amendments change a particular principle

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or requirement for measuring fair value or for disclosing information about fair value measurements. The amendments are effective for fiscal years beginning after December 15, 2011. We do not expect that the adoption of ASU 2011-04 will have an impact on our consolidated financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income , to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income/(loss) (OCI). To increase the prominence of items reported in OCI and to facilitate convergence of U.S. GAAP and IFRS, the FASB decided to eliminate the option to present components of OCI as part of the statement of changes in shareholders equity. The amendments require that all non-owner changes in shareholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total OCI, the components of OCI, and the total of comprehensive income. The amendments are effective for fiscal years beginning after December 15, 2011. We do not expect that the adoption of ASU 2011-05 will have an impact on our consolidated financial position, results of operations or cash flows.

A. RESULTS OF OPERATIONS

2011 Compared to 2010 and 2009 (in millions, except per share amounts)

				% Increase/(Decrease)	
	2011	**2010**	**2009**	**2011/2010**	**2010/2009**
Product revenue	$ 1,236.1	$ 1,156.0	$ 1,094.3	7%	6%
Contract revenue	9.9	13.7	18.7	(28)%	(27)%
Total revenue	1,246.0	1,169.7	1,113.0	7%	5%
Cost of sales	639.7	583.3	560.7	10%	4%
Gross margin	606.3	586.4	552.3	3%	6%
Operating expenses:					
Selling, general and administrative expenses	228.7	254.7	268.2	(10)%	(5)%
Research and development expenses	232.5	258.7	293.6	(10)%	(12)%
Net gain on divestment of business	(652.9)	(1.0)	(108.7)	65190%	(99)%
Other net (gains)/charges	(42.2)	56.3	67.3	(175)%	(16)%
Settlement reserve charge		206.3		(100)%	100%
Total operating (gains)/expenses	(233.9)	775.0	520.4	(130)%	49%
Operating income/(loss)	840.2	(188.6)	31.9	(545)%	(691)%
Net interest and investment gains and losses:					
Net interest expense	105.9	117.8	137.9	(10)%	(15)%
Net loss on equity method investments	81.8	26.0		215%	100%
Net charge on debt retirement	47.0	3.0	24.4	1467%	(88)%
Net investment gains	(2.6)	(12.8)	(0.6)	(80)%	2033%
Net interest and investment gains and losses	232.1	134.0	161.7	73%	(17)%
Net income/(loss) before income taxes	608.1	(322.6)	(129.8)	(288)%	149%
Provision for income taxes	47.6	2.1	46.4	2167%	(95)%
Net income/(loss)	$ 560.5	$ (324.7)	$ (176.2)	(273)%	84%
Basic net income/(loss) per Ordinary Share	$ 0.95	$ (0.56)	$ (0.35)	(270)%	60%

Diluted net income/(loss) per Ordinary Share	$ 0.94	$ (0.56)	$ (0.35)	(268)%	60%

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Pro Forma Reconciliation Non-GAAP Financial Information

The table above shows the historical results of operations for Elan for each of the years ended December 31, 2011, December 31, 2010 and December 31, 2009, including the EDT business unit that was divested on September 16, 2011. In order to provide a more meaningful discussion of these results of operations, we have presented the analysis of Elan s results in its two constituent parts. Firstly, we have presented and discussed on page 39 the results of operations for each of the years ended December 31, 2011, December 31, 2010 and December 31, 2009, on a pro forma basis to exclude the results of EDT; and secondly, we have presented and discussed on page 51 the results of operations for the EDT business unit for each of the years ended December 31, 2011, December 31, 2010 and December 31, 2009. The pro forma Elan revenue and operating income/(loss) as presented on page 39 are consistent with the segment results for the BioNeurology business unit for each of the years ended December 31, 2011, December 31, 2010 and December 31, 2009. The EDT revenue and operating income as presented on page 51 are consistent with the segment results for the EDT business unit for each of the years ended December 31, 2011, December 31, 2010 and December 31, 2009.

The following table shows a reconciliation from the Elan results of operations to the pro forma Elan results of operations for each of the years ended December 31, 2011, December 31, 2010 and December 31, 2009 (in millions):

	GAAP Elan 2011	Pro Forma Adjustments to Exclude EDT 2011	Pro Forma Elan 2011	GAAP Elan 2010	Pro Forma Adjustments to Exclude EDT 2010	Pro Forma Elan 2010	GAAP Elan 2009	Pro Forma Adjustments to Exclude EDT 2009	Pro Forma Elan 2009
Product revenue	$ 1,236.1	$ (168.0)	$ 1,068.1	$ 1,156.0	$ (261.4)	$ 894.6	$ 1,094.3	$ (257.2)	$ 837.1
Contract revenue	9.9	(9.9)		13.7	(12.7)	1.0	18.7	(18.7)	
Total revenue	1,246.0	(177.9)	1,068.1	1,169.7	(274.1)	895.6	1,113.0	(275.9)	837.1
Cost of sales	639.7	(67.0)	572.7	583.3	(118.4)	464.9	560.7	(116.3)	444.4
Gross margin	606.3	(110.9)	495.4	586.4	(155.7)	430.7	552.3	(159.6)	392.7
Operating expenses:									
Selling, general and administrative expenses	228.7	(23.8)	204.9	254.7	(38.9)	215.8	268.2	(35.9)	232.3
Research and development expenses	232.5	(34.3)	198.2	258.7	(53.7)	205.0	293.6	(47.5)	246.1
Net gain on divestment of business	(652.9)		(652.9)	(1.0)		(1.0)	(108.7)		(108.7)
Other net (gains)/charges	(42.2)	68.1	25.9	56.3	(2.3)	54.0	67.3	(5.7)	61.6
Settlement reserve charge				206.3		206.3			
Total operating (gains)/expenses	(233.9)	10.0	(223.9)	775.0	(94.9)	680.1	520.4	(89.1)	431.3
Operating income/(loss)	840.2	(120.9)	719.3	(188.6)	(60.8)	(249.4)	31.9	(70.5)	(38.6)
Net interest and investment gains and losses:									
Net interest expense	105.9	(1.0)	104.9	117.8	0.6	118.4	137.9	(1.8)	136.1
Net loss on equity method investment	81.8		81.8	26.0		26.0			
Net charge on debt retirement	47.0		47.0	3.0		3.0	24.4		24.4
Net investment gains	(2.6)		(2.6)	(12.8)		(12.8)	(0.6)		(0.6)
Net interest and investment gains and losses	232.1	(1.0)	231.1	134.0	0.6	134.6	161.7	(1.8)	159.9
Net income/(loss) before income taxes	608.1	(119.9)	488.2	(322.6)	(61.4)	(384.0)	(129.8)	(68.7)	(198.5)
Provision for/(benefit from) income taxes	47.6	(4.2)	43.4	2.1	(9.1)	(7.0)	46.4	(18.0)	28.4
Net income/(loss)	$ 560.5	$ (115.7)	$ 444.8	$ (324.7)	$ (52.3)	$ (377.0)	$ (176.2)	$ (50.7)	$ (226.9)

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PRO FORMA ELAN (excluding EDT)

Pro Forma 2011 Compared to Pro Forma 2010 and Pro Forma 2009 (in millions)

	Pro Forma 2011	Pro Forma 2010	Pro Forma 2009	% Increase/(Decrease) 2011/2010	% Increase/(Decrease) 2010/2009
Product revenue	$ 1,068.1	$ 894.6	$ 837.1	19%	7%
Contract revenue		1.0		(100)%	100%
Total revenue	1,068.1	895.6	837.1	19%	7%
Cost of sales	572.7	464.9	444.4	23%	5%
Gross margin	495.4	430.7	392.7	15%	10%
Operating expenses:					
Selling, general and administrative expenses	204.9	215.8	232.3	(5)%	(7)%
Research and development expenses	198.2	205.0	246.1	(3)%	(17)%
Net gain on divestment of business	(652.9)	(1.0)	(108.7)	65190%	(99)%
Other net charges	25.9	54.0	61.6	(52)%	(12)%
Settlement reserve charge		206.3		(100)%	100%
Total operating (gains)/expenses	(223.9)	680.1	431.3	(133)%	58%
Operating income/(loss)	719.3	(249.4)	(38.6)	(388)%	546%
Net interest and investment gains and losses:					
Net interest expense	104.9	118.4	136.1	(11)%	(13)%
Net loss on equity method investments	81.8	26.0		215%	100%
Net charge on debt retirement	47.0	3.0	24.4	1467%	(88)%
Net investment gains	(2.6)	(12.8)	(0.6)	(80)%	2033%
Net interest and investment gains and losses	231.1	134.6	159.9	72%	(16)%
Net income/(loss) before income taxes	488.2	(384.0)	(198.5)	(227)%	93%
Provision for/(benefit from) income taxes	43.4	(7.0)	28.4	(720)%	(125)%
Net income/(loss)	$ 444.8	$ (377.0)	$ (226.9)	(218)%	66%

Pro Forma Revenue

Total revenue increased 19% to $1,068.1 million from $895.6 million in 2010 and increased by 7% between 2010 and 2009, from $837.1 million in 2009. The increase in both years was primarily driven by increased revenue from *Tysabri*, offset by the expected reduction in revenues from Maxipime, Azactam and Prialt.

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Revenue can be analyzed as follows (in millions):

				% Increase/(Decrease)	
	2011	2010	2009	2011/2010	2010/2009
Product revenue:					
Tysabri- U.S.	$ 746.5	$ 593.2	$ 508.5	26%	17%
Tysabri- ROW	317.6	258.3	215.8	23%	20%
Total *Tysabri*	1,064.1	851.5	724.3	25%	18%
Azactam	0.9	27.2	81.4	(97)%	(67)%
Maxipime	0.4	8.2	13.2	(95)%	(38)%
Prialt		6.1	16.5	(100)%	(63)%
Royalties	2.7	1.6	1.7	69%	(6)%
Total product revenue	1,068.1	894.6	837.1	19%	7%
Contract revenue		1.0		(100)%	100%
Total revenue	$ 1,068.1	$ 895.6	$ 837.1	19%	7%

Tysabri

Global in-market net sales of *Tysabri* can be analyzed as follows (in millions):

				% Increase/(Decrease)	
	2011	2010	2009	2011/2010	2010/2009
United States	$ 746.5	$ 593.2	$ 508.5	26%	17%
ROW	764.1	636.8	550.7	20%	16%
Total *Tysabri* in-market net sales	$ 1,510.6	$ 1,230.0	$ 1,059.2	23%	16%

Tysabri in-market net sales were $1,510.6 million in 2011, $1,230.0 million in 2010 and $1,059.2 million in 2009. The increase in 2011 reflects a 16% increase in units sold, higher pricing in the United States, and favorable exchange rate movements in the rest of world (ROW), partially reduced by a revenue reserve in Italy.

The revenue reserve in Italy relates to a notification received by Biogen Idec from the Italian National Medicines Agency, stating that sales of *Tysabri* had exceeded a limit established by the agency in 2007. Biogen Idec disagrees with this interpretation, and has filed an appeal seeking a ruling that Biogen Idec s interpretation is valid and that the position of the agency is unenforceable, and hopes to have resolution in the first half of 2012. As a result of this dispute, Biogen Idec deferred $14.1 million of revenue recognized on in-market sales of *Tysabri* in Italy during the fourth quarter of 2011, and we expect that they will continue to defer a portion of in-market revenues on future sales of *Tysabri* for Italy until the matter is resolved. As a consequence of this deferral of in-market sales by Biogen Idec, we deferred $6.9 million of revenue in 2011 related to these sales, reflecting the operating and accounting arrangements between us.

As of the end of December 2011, approximately 64,400 patients were on therapy worldwide, including approximately 30,000 commercial patients in the United States and approximately 33,800 commercial patients in the ROW, representing an increase of 13% over the approximately 57,200 (revised) patients who were on therapy at the end of December 2010. The increase in *Tysabri* in-market net sales in 2010 reflected increased patient demand across global markets and a higher price in the United States, offset by exchange rate movements, a reduction in average infusions per patient and the impact of U.S. healthcare reform. As of the end of December 2009, approximately 48,400 patients were on therapy worldwide.

Tysabri was developed and is being marketed in collaboration with Biogen Idec. In general, subject to certain limitations imposed by the parties, we share with Biogen Idec most of the development and

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commercialization costs for *Tysabri*. Biogen Idec is responsible for manufacturing the product. In the United States, we purchase *Tysabri* from Biogen Idec and are responsible for distribution. Consequently, we record as revenue the net sales of *Tysabri* in the U.S. market. We purchase product from Biogen Idec at a price that includes the cost of manufacturing, plus Biogen Idec s gross margin on *Tysabri*, and this cost, together with royalties payable to other third parties, is included in cost of sales.

Outside of the United States, Biogen Idec is responsible for distribution and we record as revenue our share of the profit or loss on these sales of *Tysabri*, plus our directly incurred expenses on these sales, which are primarily comprised of royalties that we incur and are payable by us to third parties and are reimbursed by the collaboration.

Tysabri-U.S.

In the U.S. market, we recorded net sales of $746.5 million (2010: $593.2 million; 2009: $508.5 million). Almost all of these sales are in relation to the MS indication.

As of the end of December 2011, approximately 30,000 patients were on commercial therapy in the United States, which represents an increase of 9% over the approximately 27,600 patients who were on therapy at the end of December 2010. As of the end of December 2009, approximately 24,500 patients were on commercial therapy.

Tysabri-ROW

As previously mentioned, in the ROW markets, Biogen Idec is responsible for distribution and we record as revenue our share of the profit or loss on ROW sales of *Tysabri*, plus our directly incurred expenses on these sales, which are primarily comprised of royalties that we incur and are payable by us to third parties and are reimbursed by the collaboration. In 2011, we recorded ROW revenue of $317.6 million (2010: $258.3 million; 2009: $215.8 million), which was calculated as follows (in millions):

				% Increase/(Decrease)	
	2011	**2010**	**2009**	**2011/2010**	**2010/2009**
ROW in-market sales by Biogen Idec	$764.1	$ 636.8	$ 550.7	20%	16%
ROW operating expenses incurred by Elan and Biogen Idec	(349.3)	(303.8)	(280.6)	15%	8%
ROW operating profit generated by Elan and Biogen Idec	414.8	333.0	270.1	25%	23%
Elan s 50% share of *Tysabri* ROW collaboration operating profit	207.4	166.5	135.0	25%	23%
Elan s directly incurred costs	110.2	91.8	80.8	20%	14%
Net *Tysabri* ROW revenue	$ 317.6	$ 258.3	$ 215.8	23%	20%

As of the end of December 2011, approximately 33,800 patients, principally in the European Union, were on commercial *Tysabri* therapy, an increase of 17% over the approximately 29,000 (revised) patients at the end of December 2010. As of the end of December 2009, approximately 23,400 patients were on commercial therapy.

Other products

We ceased distributing Azactam as of March 31, 2010 and Maxipime as of September 30, 2010. Our revenue from Azactam decreased by 67% to $27.2 million in 2010 from our 2009 sales level and our revenue from Maxipime decreased 38% to $8.2 million in 2010 from our 2009 sales level.

The revenue for Azactam and Maxipime in 2011 relates to adjustments to discounts and allowances associated with sales prior to the cessation of distribution.

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We divested our Prialt assets and rights to Azur in May 2010. Prialt revenue was $6.1 million for 2010 and $16.5 million 2009. Refer to page 45 and Note 6 to the Consolidated Financial Statements for additional information regarding this divestment.

Pro Forma Cost of Sales

Cost of sales were $572.7 million in 2011, compared to $464.9 million in 2010 and $444.4 million in 2009. The increase is primarily attributable to the increased sales of *Tysabri*. The gross profit margin was 46% in 2011, 48% in 2010 and 47% in 2009. The gross margin increased by 15% in 2011 ($495.4 million), compared to 2010 ($430.7 million), and by 10% in 2010, compared to 2009 ($392.7 million). The increased gross margin in 2011, 2010 and 2009 principally reflects higher sales of *Tysabri,* which more than offset lower revenues from Maxipime, Azactam, and Prialt.

The *Tysabri* gross profit margin of 47% in 2011 and 2010 (2009: 45%) is impacted by the profit sharing and operational arrangements in place with Biogen Idec and reflects our gross margin on sales of the product in the United States of 40% in 2011 (2010: 39%; 2009: 37%), and our reported gross margin on ROW sales of 65% (2010: 65%; 2009: 63%). The increase in the gross margin in the United States primarily reflects higher pricing. The ROW gross margin reflects our share of the profit or loss on ROW sales plus our directly incurred expenses on these sales, which are primarily comprised of royalties that we incur and are payable by us to third parties and are reimbursed by the collaboration; offset by the inclusion in cost of sales of these royalties.

Pro Forma Selling, General and Administrative (SG&A) Expenses

SG&A expenses were $204.9 million in 2011, $215.8 million in 2010 and $232.3 million in 2009. The decrease of 5% in SG&A expenses in 2011, compared to 2010, is primarily as a result of lower support costs due to the realignment and restructuring of the R&D organization in 2010.

The decrease of 7% in SG&A expenses in 2010, compared to 2009, principally reflects reduced sales and marketing costs and amortization expense related to Prialt, along with continued cost control.

Pro Forma Research and Development Expenses

R&D expenses were $198.2 million in 2011, $205.0 million in 2010 and $246.1 million in 2009. The decrease of 3% in 2011, compared to 2010, is primarily as a result of lower costs due to the realignment and restructuring of the R&D organization in 2010.

The decrease of 17% in 2010, compared to 2009, primarily relates to the cost savings as a result of the divestment of the AIP in 2009. R&D expenses in 2009 included $92.3 million in relation to the AIP. Excluding the AIP, R&D expenses increased by $51.2 million, principally reflecting increased investment in development activities related to *Tysabri*.

The AIP was transferred to Janssen AI as part of the Johnson & Johnson Transaction in September 2009. Refer to Note 9 to the Consolidated Financial Statements for additional information on Janssen AI.

Pro Forma Net Gain on Divestment of Business

Disposal of the EDT business

On September 16, 2011, we announced the completion of the merger between Alkermes, Inc. and EDT following the approval of the merger by Alkermes, Inc. shareholders on September 8, 2011. Alkermes, Inc. and EDT were combined under a new holding company incorporated in Ireland named Alkermes plc. In connection with the transaction, we received $500.0 million in cash and 31.9 million ordinary shares of Alkermes plc common stock. At the close of the transaction, we held approximately 25% of the equity of Alkermes plc, with the existing shareholders of Alkermes, Inc. holding the remaining 75% of the equity. Alkermes plc shares are registered in the United States and trade on the NASDAQ stock market. Our equity interest in Alkermes plc was recorded as an equity method investment on the Consolidated Balance Sheet at a carrying amount of $528.6 million, based on the closing share price of $16.57 of Alkermes, Inc. shares on the date of the transaction.

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The net gain recorded on divestment of the EDT business amounted to $652.9 million, and was calculated as follows (in millions):

Cash consideration	$ 500.0
Investment in Alkermes plc	528.6
Total consideration	$ 1,028.6
Property, plant and equipment	(202.0)
Intangible assets[1]	(53.0)
Working capital and other net assets	(84.5)
Transaction and other costs	(36.2)
Net gain on divestment of business	$ 652.9

(1) *Includes goodwill of $49.7 million allocated to the EDT business.*

Disposal of the AIP business

In 2010, we recorded a net gain of $1.0 million, as compared to a net gain of $108.7 million recorded for 2009, relating to the 2009 divestment of substantially all of Elan s assets and rights related to our AIP collaboration with Wyeth (which has been acquired by Pfizer) to Janssen AI. These gains were calculated based upon the estimated fair value of the assets sold of $235.0 million, less their carrying value and transaction costs. Our equity interest in Janssen AI has been recorded as an equity method investment on the Consolidated Balance Sheet, and was initially recorded at its estimated fair value of $235.0 million.

The net gain of $108.7 million recorded in 2009 was calculated as follows (in millions):

Investment in Janssen AI	$ 235.0
Intangible assets[1]	(68.0)
Biologics and fill-finish impairment[2]	(41.2)
Transaction costs	(16.8)
Share based compensation	1.2
Other	(1.5)
Net gain on divestment of business	$ 108.7

(1) *Includes goodwill of $10.3 million allocated to the AIP business.*

(2) *As a result of the disposal of the AIP business, we re-evaluated the longer term biologics manufacturing and fill-finish requirements, and consequently recorded a non-cash asset impairment charge related to these activities of $41.2 million.*

For additional information relating to our equity method investments in Alkermes plc and Janssen AI, refer to Note 9 to the Consolidated Financial Statements.

Pro Forma Other Net Charges

The principal items classified as other net gains and charges include severance, restructuring and other costs, facilities and other asset impairment charges, legal settlements and awards, in-process research and development (IPR&D) costs, a net loss on divestment of the Prialt business and intangible asset impairment charges. These items have been treated consistently from period to period. We believe that disclosure

of significant other charges is meaningful because it provides additional information in relation to analyzing certain items.

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Other net charges for the years ended December 31 consisted of (in millions):

		2011	2010	2009
(a)	Severance, restructuring and other costs	$ 10.4	$ 17.3	$ 23.3
(b)	Facilities and other asset impairment charges	15.5	16.7	16.1
(c)	Legal settlements and awards		12.5	(13.4)
(d)	In-process research and development costs		6.0	5.0
(e)	Divestment of Prialt business		1.5	
(f)	Intangible asset impairment charges			30.6
Total other net charges		$ 25.9	$ 54.0	$ 61.6

(a) Severance, restructuring and other costs

During 2011, we incurred severance, restructuring and other costs of $10.4 million, principally relating to the reduction in our general and administrative (G&A) and other support activities following the divestment of the EDT business.

During 2010 and 2009, we incurred severance and restructuring charges of $17.3 million and $23.3 million, respectively, principally associated with a realignment and restructuring of our R&D organization, and reduction of related support activities.

(b) Facilities and other asset impairment charges

During 2011, we incurred facilities and other asset impairment charges of $15.5 million, which is comprised of asset impairment charges of $3.6 million and lease charges of $11.9 million relating to the consolidation of our facilities in South San Francisco and the closure of EDT s King of Prussia, Pennsylvania site.

During 2010, we incurred facilities and other asset impairment charges of $16.7 million, which included asset impairment charges of $11.0 million and lease charges of $5.7 million relating to a consolidation of facilities in South San Francisco as a direct result of the realignment of our business.

During 2009, we incurred facilities and other asset impairment charges of $16.1 million, principally comprised of an asset impairment charge of $15.4 million associated with the postponement of our biologics manufacturing activities in the first half of the year. In addition, following the disposal of the AIP business in September 2009, we re-evaluated the longer term biologics manufacturing requirements and the remaining carrying amount of these assets was written off. This impairment charge was recorded as part of the net gain on divestment of business recorded in 2009. For additional information on the net gain on divestment of business, refer to Note 5.

(c) Legal settlements and awards

During 2010, we reached an agreement in principle with the direct purchaser class plaintiffs with respect to nifedipine. As part of the settlement, we agreed to pay $12.5 million in settlement of all claims associated with the litigation. In January 2011, the U.S. District Court for the District of Columbia approved the settlement and dismissed the case.

In 2009, the net legal awards and settlement amount of $13.4 million was comprised of a legal award of $18.0 million received from Watson Pharmaceuticals, Inc. (Watson) and a legal settlement amount of $4.6 million in December 2009 relating to nifedipine antitrust litigation. The $18.0 million legal award primarily related to an agreement with Watson to settle litigation with respect to Watson s marketing of a generic version of Naprelan®. As part of the settlement, Watson stipulated that our patent at issue is valid and enforceable and that Watson s generic formulations of Naprelan infringed our patent.

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Following a settlement in late 2007 with the indirect purchaser class of the nifedipine antitrust litigation, in December 2009, we entered into a separate settlement agreement with the individual direct purchasers, resulting in a dismissal of this second segment of the litigation and the payment of a legal settlement amount of $4.6 million.

(d) In-process research and development costs

In December 2010, we modified our Collaboration Agreement with Transition and, in connection with this modification, Transition elected to exercise its opt-out right under the original agreement. Under this amendment, we agreed to pay Transition $9.0 million, which is included in IPR&D charges in 2010. The $9.0 million payment was made in January 2011. Under the modified Collaboration Agreement, Transition will be eligible to receive a further $11.0 million payment from us upon the commencement of the next ELND005 clinical trial, and will no longer be eligible to receive a $25.0 million milestone payment that would have been due upon the commencement of a Phase 3 trial for ELND005 under the terms of the original agreement.

As a consequence of Transition s decision to exercise its opt-out right, it will no longer fund the development or commercialization of ELND005 and has relinquished its 30% ownership of ELND005 to us. Consistent with the terms of the original agreement, following its opt-out decision, Transition will be entitled to receive milestone payments of up to $93.0 million (in addition to the $11.0 million described above), along with tiered royalty payments on net sales of ELND005 ranging in percentage from a high single digit to the mid teens, depending on future level of sales.

IPR&D charges in 2010 also included a credit of $3.0 million associated with the termination of the License Agreement with PharmatrophiX Inc. (PharmatrophiX). We recorded a $5.0 million IPR&D charge in 2009 upon entering into this agreement with PharmatrophiX.

(e) Divestment of Prialt business

We divested our Prialt assets and rights to Azur in May 2010 and recorded a net loss on divestment of $1.5 million, which is comprised of total consideration of $14.6 million less the net book value of Prialt assets and transaction costs. Total consideration comprises cash proceeds received in 2010 of $5.0 million and the present value of deferred non-contingent consideration of at the close of the transaction of $9.6 million, which is expected to be received during 2012. We are also entitled to receive additional performance-related milestones and royalties.

(f) Intangible asset impairment charges

During 2009, we recorded a non-cash impairment charge of $30.6 million relating to the Prialt intangible asset. Prialt was launched in the United States in 2005. Revenues from this product did not meet expectations and, consequently, we revised our sales forecast for Prialt and reduced the carrying value of the intangible asset to $14.6 million as of December 31, 2009.

Pro Forma Net Interest Expense

Net interest expense was $104.9 million in 2011, $118.4 million in 2010 and $136.1 million in 2009.

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The decrease of 11% in the net interest expense in 2011 compared to 2010 and 13% in 2010 compared to 2009 is primarily due to debt refinancing transactions in 2009, 2010 and 2011. During 2009, 2010 and 2011, we repaid or refinanced $2.0 billion in debt as follows (in millions):

	2011	2010	2009	Total
2011 Fixed Rate Notes	$	$	$ (850.0)	$ (850.0)
2011 Floating Rate Notes		(300.0)		(300.0)
2013 Floating Rate Notes	(10.5)	(139.5)		(150.0)
2013 Fixed Rate Notes	(449.5)	(15.5)		(465.0)
2016 Notes issued October 2009	(152.9)			(152.9)
2016 Notes issued August 2010	(47.6)			(47.6)
Total aggregate principal amount of debt redeemed	(660.5)	(455.0)	(850.0)	(1,965.5)
2016 Notes issued October 2009			625.0	625.0
2016 Notes issued August 2010		200.0		200.0
Total aggregate principal amount of debt issued		200.0	625.0	825.0
Net reduction in total aggregate principal amount of debt	$ (660.5)	$ (255.0)	$ (225.0)	$ (1,140.5)

Pro Forma Net Loss on Equity Method Investments

Losses on equity method investments for the years ended December 31 consisted of the following (in millions):

	2011	2010
Janssen AI	$ 78.4	$ 26.0
Proteostasis	2.7	
Alkermes plc	0.7	
Total	$ 81.8	$ 26.0

Janssen AI

In September 2009, Janssen AI, a newly formed subsidiary of Johnson & Johnson, acquired substantially all of the assets and rights related to our AIP collaboration with Wyeth (which has been acquired by Pfizer). Johnson & Johnson also committed to fund up to $500.0 million towards the further development and commercialization of the AIP to the extent the funding is required by the collaboration. In the event that either an AIP product reaches market and Janssen AI is in a positive operating cash flow position, or the AIP is terminated before the initial $500.0 million funding commitment has been drawn down, Johnson & Johnson is not required to contribute the full $500.0 million. Any required additional expenditures in respect of Janssen AI s obligations under the AIP collaboration in excess of the initial $500.0 million funding commitment is required to be funded by Elan and Johnson & Johnson in proportion to their respective shareholdings up to a maximum additional commitment of $400.0 million in total. Based on current spend levels, we anticipate that we will be called upon to provide funding to Janssen AI commencing in the second quarter of 2012. In the event that further funding is required beyond the $400.0 million, such funding will be on terms determined by the board of Janssen AI, with Johnson & Johnson and Elan having a right of first offer to provide additional funding. If we fail to provide our share of the $400.0 million commitment or any additional funding that is required for the development of the AIP, and if Johnson & Johnson elects to fund such an amount, our interest in Janssen AI could, at the option of Johnson & Johnson, be commensurately reduced.

In consideration for the transfer of these assets and rights, we received a 49.9% equity interest in Janssen AI. In general, Elan is entitled to a 49.9% share of all net profits generated by Janssen AI beginning from the date

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Janssen AI becomes net profitable and certain royalty payments upon the commercialization of products under the AIP collaboration.

As of December 31, 2011, the carrying value of our Janssen AI equity method investment of $130.6 million (2010: $209.0 million) is approximately $185 million (2010: $120 million) below our share of Janssen AI s reported book value of its net assets. This difference relates to the lower estimated value of Janssen AI s AIP assets when the equity method investment was initially recorded, and the asset created by the Johnson & Johnson $500.0 million contingent funding commitment. In relation to the AIP assets, in the event that an AIP product reaches market, our proportionate share of Janssen AI s reported results will be adjusted over the estimated remaining useful lives of those assets to recognize the difference in the carrying values. In relation to the Johnson & Johnson contingent funding commitment asset, the differences in the carrying values is being amortized to the Consolidated Statement of Operations on a pro rata basis; based on the actual amount of Janssen AI losses that are solely funded by Johnson & Johnson in each period as compared to the total $500 million, which is the total amount we estimate will be solely funded by Johnson & Johnson.

During 2011, we recorded amortization expense of $50.9 million (2010: $26.0 million; 2009: $Nil) related to the basis differences between the cost of our equity method investment and the amount of our underlying equity in Janssen AI s reported net assets.

Under the equity method, investors are required to recognize their share of the earnings or losses of an investee in the periods for which they are reported in the financial statements of the investee as this is normally considered an appropriate means of recognizing increases or decreases in the economic resources underlying the investments. However, Johnson & Johnson has committed to wholly fund up to an initial $500.0 million of development and commercialization expenses incurred by Janssen AI so the recognition by Elan of a share of Janssen AI losses that are solely funded by Johnson & Johnson s $500.0 million commitment would result in an inappropriate decrease in Elan s share of the economic resources underlying the investment in Janssen AI. Accordingly, until the $500.0 million funding commitment is fully utilized, we have applied the HLBV method to determine how an increase or decrease in net assets of Janssen AI affects Elan s interest in the net assets of Janssen AI on a period by period basis. Under the HLBV method, an investor determines its share of the earnings or losses of an investee by determining the difference between its claim on the investee s book value at the end and beginning of the period. After adjusting for the basis differences described above, Elan s claim on Janssen AI s book value as of December 31, 2011 was $117.3 million (2010: $117.3 million).

The net loss on the Janssen AI equity method investment for the year ended December 31, 2011 of $78.4 million (2010: $26.0 million; 2009: $Nil) was comprised of amortization expense of $50.9 million (2010: $26.0 million; $2009: $Nil) related to the basis differences described above and $27.5 million (2010: $Nil; 2009: $Nil) to correct an immaterial error from prior periods relating to our accounting for our equity method investment in Janssen AI.

As of December 31, 2011, the remaining unspent amount of the initial $500.0 million funding commitment was $57.6 million (2010: $272.0 million).

Alkermes plc

In connection with the divestment of our EDT business on September 16, 2011, we received 31.9 million ordinary shares of Alkermes plc, which represented approximately 25% of the equity of Alkermes plc at the close of the transaction. Our equity interest in Alkermes plc was recorded as an equity method investment on the Consolidated Balance Sheet at a carrying amount of $528.6 million, based on the closing share price of $16.57 of Alkermes, Inc. shares on the date of the transaction. The carrying amount is approximately $300 million below our share of the book value of the net assets of Alkermes plc. Based on our preliminary assessment of the fair value of the net assets of Alkermes plc on the date of the transaction, this difference principally relates to identifiable intangible assets and goodwill attributable to the Alkermes, Inc. business prior to its acquisition of EDT. We recognize our share of the earnings or losses of Alkermes plc on a one-quarter time lag as Alkermes plc s financial information is generally not publicly available when our quarterly and annual results are reported.

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For the year ended December 31, 2011, we recorded a net loss on the equity method investment of $0.7 million, on a one-quarter time lag basis, representing our share of the net losses of Alkermes plc from the date of acquisition of the equity interest on September 16, 2011 through September 30, 2011.

Proteostasis

In May 2011, we entered into a strategic business relationship with Proteostasis to advance Proteostasis platform for the discovery and development of disease-modifying, small molecule drugs and diagnostics for the treatment of neurodegenerative disorders such as Parkinson s disease, Huntington s disease, MS, ALS, and a broad array of dementia-related diseases including Alzheimer s.

Under terms of the agreement, we invested $20.0 million into equity capital of Proteostasis and became a 24% shareholder. We have the opportunity to invest an additional $30 million in collaboration funding over five years and obtained a right of first negotiation to exclusively license potential compounds. Our chief executive officer (CEO), Kelly Martin, has joined the Board of Directors of Proteostasis and our chief scientific officer, Dale Schenk, has joined Proteostasis Scientific Advisory Board.

Our $20.0 million equity interest in Proteostasis has been recorded as an equity method investment on the Consolidated Balance Sheet. The net loss recorded on the equity method investment in 2011 was $2.7 million, representing our share of the net losses of Proteostasis from the date of acquisition of the equity interest on May 20, 2011 through December 31, 2011.

Pro Forma Net Investment Gains

Net investment gains were $2.6 million in 2011, compared to $12.8 million in 2010 and $0.6 million in 2009.

The net investment gains in 2011 are primarily related to the disposal of investment securities. The net investment gains in 2010 include a gain of $7.9 million related to a recovery realized on a previously impaired investment in auction rate securities (ARS) and gains on disposal of investment securities of $4.9 million.

The net investment gains in 2009 primarily related to gains realized from a fund that had previously been reclassified from cash equivalents to investments due to dislocations in the capital markets. We fully redeemed our remaining holding in this fund during 2010.

The framework used for measuring the fair value of our investment securities, is described in Note 27 to the Consolidated Financial Statements.

Pro Forma Net Charge on Debt Retirement

2011

In 2011, following the divestment of EDT, we redeemed the outstanding aggregate principal amount of the 8.875% Senior Fixed Rate Notes due 2013 (the 2013 Fixed Rate Notes) of $449.5 million and the outstanding aggregate principal amount of the Senior Floating Rate Notes Due 2013 (the 2013 Floating Rate Notes) of $10.5 million. We also redeemed $152.9 million of the outstanding aggregate principal amount of the 8.75% Senior Notes due 2016 issued October 2009 (the 2016 Notes issued October 2009) and $47.6 million of the outstanding aggregate principal amount of the 8.75% Senior Notes due 2016 issued August 2010 (the 2016 Notes issued August 2010). Refer to Note 22 for additional information on the 2011 debt redemptions.

We recorded a net charge on debt retirement of $47.0 million in 2011 in connection with the redemption of this debt. This was comprised of early redemption premiums of $33.4 million, the write-off of unamortized deferred financing costs and original issue discounts of $10.2 million and transaction costs of $3.4 million.

2010

During 2010, we redeemed the $300.0 million in aggregate principal amount of the Senior Floating Rate Notes due November 15, 2011 (2011 Floating Rate Notes). We also redeemed $15.5 million of the outstanding

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aggregate principal amount of the 2013 Fixed Rate Notes and $139.5 million of the outstanding aggregate principal amount of the 2013 Floating Rate Notes. Refer to Note 22 for additional information on the 2010 debt redemptions.

We recorded a net charge on debt retirement of $3.0 million in 2010 in connection with the redemption of this debt, relating to the write-off of unamortized deferred financing costs associated with these notes.

2009

During 2009, we redeemed the full $850.0 million in aggregate principal amount of the 7.75% Senior Fixed Rate Notes due November 15, 2011 (2011 Fixed Rate Notes). We recorded a net charge on debt retirement of the 2011 Fixed Rate Notes of $24.4 million, comprised of an early redemption premium of $16.4 million, a write-off of unamortized deferred financing costs of $6.7 million and transaction costs of $1.3 million.

For additional information related to our debt, please refer to Note 22.

Pro Forma Provision for/(Benefit from) Income Taxes

For a discussion of the provision for income taxes for Elan and the pro forma adjustments relating to EDT for each of the years ended December 31, 2011, December 31, 2010 and December 31, 2009, refer to page 54.

Adjusted EBITDA Non-GAAP Financial Information

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is a non-GAAP measure of operating results. Elan s management use this measure to evaluate our operating performance and is among the factors considered as a basis for our planning and forecasting for future periods. We believe that Adjusted EBITDA is a measure of performance used by some investors, equity analysts and others to make informed investment decisions.

Adjusted EBITDA is defined as net income or loss plus or minus net interest expense, provision for income taxes, depreciation and amortization of costs and revenue, share-based compensation, net gain on divestment of business, other net (gains)/charges, net loss on equity method investments, net charge on debt retirement, net investment gains and settlement reserve charge. Adjusted EBITDA is not presented as, and should not be considered an alternative measure of, operating results or cash flows from operations, as determined in accordance with U.S. GAAP.

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The following table shows a reconciliation from the Elan net income/(loss) to the Adjusted EBITDA and pro forma Adjusted EBITDA for each of the years ended December 31, 2011, December 31, 2010 and December 31, 2009 (in millions):

	Elan 2011	Pro Forma Adjustments to Exclude EDT 2011	Pro Forma Elan 2011	Elan 2010	Pro Forma Adjustments to Exclude EDT 2010	Pro Forma Elan 2010	Elan 2009	Pro Forma Adjustments to Exclude EDT 2009	Pro Forma Elan 2009
Net income/(loss)	$ 560.5	$ (115.7)	$ 444.8	$ (324.7)	$ (52.3)	$ (377.0)	$ (176.2)	$ (50.7)	$ (226.9)
Net interest expense	105.9	(1.0)	104.9	117.8	0.6	118.4	137.9	(1.8)	136.1
Provision for/(benefit from) income taxes	47.6	(4.2)	43.4	2.1	(9.1)	(7.0)	46.4	(18.0)	28.4
Depreciation and amortization	35.8	(7.8)	28.0	63.3	(33.0)	30.3	75.0	(33.8)	41.2
Amortized fees, net	(0.5)		(0.5)	(0.3)	0.2	(0.1)	(0.2)		(0.2)
EBITDA	749.3	(128.7)	620.6	(141.8)	(93.6)	(235.4)	82.9	(104.3)	(21.4)
Share based compensation	32.6	(5.7)	26.9	30.5	(7.9)	22.6	31.0	(7.2)	23.8
Net gain on divestment of business	(652.9)		(652.9)	(1.0)		(1.0)	(108.7)		(108.7)
Other net (gains)/charges	(42.2)	68.1	25.9	56.3	(2.3)	54.0	67.3	(5.7)	61.6
Net loss on equity method investments	81.8		81.8	26.0		26.0			
Net charge on debt retirement	47.0		47.0	3.0		3.0	24.4		24.4
Net investment gains	(2.6)		(2.6)	(12.8)		(12.8)	(0.6)		(0.6)
Settlement reserve charge				206.3		206.3			
Adjusted EBITDA	$ 213.0	$ (66.3)	$ 146.7	$ 166.5	$ (103.8)	$ 62.7	$ 96.3	$ (117.2)	$ (20.9)

In 2011, we reported pro forma Adjusted EBITDA of $146.7 million, compared to pro forma Adjusted EBITDA of $62.7 million in 2010. The improvement reflects the 19% increase in revenue and a 4% decrease in combined SG&A and R&D expenses.

In 2010, we reported pro forma Adjusted EBITDA of $62.7 million, compared to a negative pro forma Adjusted EBITDA of $20.9 million in 2009. The improvement reflects the 7% increase in revenue, improved operating margins and a 12% decrease in combined SG&A and R&D expenses.

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The following table shows a reconciliation from the Elan net income/(loss) to the pro forma Adjusted EBITDA for each of the years ended December 31, 2008 and December 31, 2007 (in millions):

	Elan 2008	Pro Forma Adjustments to Exclude EDT 2008	Pro Forma Elan 2008	Elan 2007	Pro Forma Adjustments to Exclude EDT 2007	Pro Forma Elan 2007
Net income/(loss)	$ (71.0)	$ (94.1)	$ (165.1)	$ (405.0)	$ (82.3)	$ (487.3)
Net interest expense	132.0	0.5	132.5	113.1	0.2	113.3
Provision for/(benefit from) income taxes	(226.3)	7.8	(218.5)	6.9	(2.7)	4.2
Depreciation and amortization	70.1	(36.6)	33.5	118.3	(36.8)	81.5
Amortized fees, net	(2.5)	2.5		(11.4)	8.7	(2.7)
EBITDA	(97.7)	(119.9)	(217.6)	(178.1)	(112.9)	(291.0)
Share based compensation	46.0	(9.9)	36.1	43.4	(10.2)	33.2
Other net charges	34.2		34.2	84.6	(3.6)	81.0
Net investment losses	21.8		21.8	0.9		0.9
Net charge on debt retirement				18.8		18.8
Adjusted EBITDA	$ 4.3	$ (129.8)	$ (125.5)	$ (30.4)	$ (126.7)	$ (157.1)

ELAN DRUG TECHNOLOGIES

The results of operations for the EDT business are set out below. The 2011 amounts include the results of the EDT business for the period up to September 16, 2011, the date of divestment of the EDT business.

2011 Compared to 2010 and 2009 (in millions)

				% Increase/(Decrease)	
	2011	2010	2009	2011/2010	2010/2009
Product revenue	$ 168.0	$ 261.4	$ 257.2	(36)%	2%
Contract revenue	9.9	12.7	18.7	(22)%	(32)%
Total revenue	177.9	274.1	275.9	(35)%	(1)%
Cost of sales	67.0	118.4	116.3	(43)%	2%
Gross margin	110.9	155.7	159.6	(29)%	(2)%
Operating expenses:					
Selling, general and administrative expenses	23.8	38.9	35.9	(39)%	8%
Research and development expenses	34.3	53.7	47.5	(36)%	13%
Other net (gains)/charges	(68.1)	2.3	5.7	(3061)%	(60)%
Total operating (gains)/expenses	(10.0)	94.9	89.1	(111)%	7%
Operating income	$ 120.9	$ 60.8	$ 70.5	99%	(14)%
Adjusted EBITDA	$ 66.3	$ 103.8	$ 117.2	(36)%	(11)%

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Reconciliation of EDT operating income to Adjusted EBITDA (in millions)

				% Increase/(Decrease)	
	2011	**2010**	**2009**	**2011/2010**	**2010/2009**
Operating income	$ 120.9	$ 60.8	$ 70.5	99%	(14)%
Depreciation and amortization	7.8	33.0	33.8	(76)%	(2)%
Amortized fees, net		(0.2)		(100)%	100%
Share based compensation expense	5.7	7.9	7.2	(28)%	10%
Other net (gains)/charges	(68.1)	2.3	5.7	(3061)%	(60)%
Adjusted EBITDA	$ 66.3	$ 103.8	$ 117.2	(36)%	(11)%

EDT Revenue

Revenue from the EDT business for the period up to September 16, 2011, when the EDT business was divested by Elan, was $177.9 million compared to $274.1 million in 2010 and $275.9 million in 2009. The EDT revenue can be analyzed as follows (in millions):

				% Increase/(Decrease)	
	2011	**2010**	**2009**	**2011/2010**	**2010/2009**
Product revenue:					
Manufacturing revenue and royalties:					
TriCor® 145	$ 35.5	$ 54.5	$ 61.6	(35)%	(12)%
Focalin® XR/Ritalin® LA	25.9	33.0	32.6	(22)%	1%
Ampyra®	22.6	56.8		(60)%	100%
Verelan®	18.1	21.8	22.1	(17)%	(1)%
Naprelan	5.9	12.6	16.0	(53)%	(21)%
Skelaxin®		5.9	34.9	(100)%	(83)%
Other	60.0	76.8	90.0	(22)%	(15)%
Total product revenue from the EDT business	168.0	261.4	257.2	(36)%	2%
Contract revenue:					
Research revenue	6.0	8.2	8.2	(27%)	
Milestone payments	3.9	4.5	10.5	(13)%	(57)%
Total contract revenue from the EDT business	9.9	12.7	18.7	(22)%	(32)%
Total revenue from the EDT business	$ 177.9	$ 274.1	$ 275.9	(35)%	(1)%

Manufacturing revenue and royalties comprised revenue earned from products EDT manufactured for clients and royalties earned principally on sales by clients of products that incorporate EDT s technologies.

Manufacturing revenue and royalties for the period up to September 16, 2011 were $168.0 million compared to $261.4 in 2010 and $257.2 million in 2009. The decrease in 2011 was principally due to the divestment of EDT on September 16, 2011 and the timing of Ampyra revenues. The manufacturing and royalty revenue recorded for Ampyra in 2010 of $56.8 million included shipments to Acorda Therapeutics Inc. (Acorda) to satisfy Acorda s initial stocking requirements for the launch of the product in March 2010, as well as build-up of safety stock supply. Elan recorded revenue upon shipment of Ampyra to Acorda, as this revenue was not contingent upon ultimate sale of the shipped product by Acorda or its customers. Consequently, revenue varied with shipments and was not based directly on in-market sales. The increase in 2010 was primarily due to the Ampyra launch, offset by the expected reduced revenues from Skelaxin.

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Except as noted above, no other single product accounted for more than 10% of EDT manufacturing revenue and royalties in 2011, 2010 or 2009. The royalties on products not manufactured by EDT were 34% of total manufacturing revenue and royalties in 2011 (2010: 32%; 2009: 47%).

Contract revenue

Contract revenue was $9.9 million for the period up to September 16, 2011, $12.7 million in 2010 and $18.7 million in 2009. Contract revenue consisted of research revenue, license fees and milestones arising from R&D activities performed on behalf of third parties. The changes between years in contract revenue were primarily due to the level of external R&D projects and the timing of when milestones were earned.

EDT Cost of Sales

Cost of sales were $67.0 million for the period up to September 16, 2011, compared to $118.4 million in 2010 and $116.3 million in 2009. The gross profit margin was 62% in 2011, 57% in 2010 and 58% in 2009. The decreased gross profit margin in 2011 primarily reflected the timing of divestment of the EDT business and the Ampyra launch in 2010. The decreased gross profit margin in 2010 primarily reflected lower revenues from Skelaxin and TriCor 145, offset by the Ampyra launch.

EDT Selling, General and Administrative Expenses

SG&A expenses were $23.8 million for the period to September 16, 2011, $38.9 million in 2010 and $35.9 million in 2009. The decrease of 39% in SG&A expenses in 2011, compared to 2010, primarily reflected the timing of divestment of the EDT business. The increase of 8% in SG&A expenses in 2010, compared to 2009, was primarily due to higher legal costs.

EDT Research and Development Expenses

R&D expenses were $34.3 million for the period to September 16, 2011, $53.7 million in 2010 and $47.5 million in 2009. The decrease of 36% in R&D expenses in 2011, compared to 2010, primarily reflected the timing of divestment of the EDT business. The increase in R&D expenses of 13% in 2010, compared to 2009, was primarily attributable to increased investment in development activities.

EDT Other Net (Gains)/Charges

During 2011, EDT incurred severance, restructuring and other costs of $10.0 million (2010: $2.3 million; 2009: $5.7 million), and facilities charges of $6.4 million (2010: $Nil; 2009: $Nil) arising from the closure of the King of Prussia, Pennsylvania site in 2011, offset by legal settlement gains of $84.5 million (2010: $Nil; 2009: $Nil). The severance, restructuring and other costs of $2.3 million in 2010 and $5.7 million in 2009 arose from the realignment of resources to meet our business structure.

In June 2008, a jury ruled in the U.S. District Court for the District of Delaware that Abraxis Biosciences, Inc. (Abraxis, since acquired by Celgene Corporation) had infringed a patent owned by us in relation to the application of NanoCrystal® technology to Abraxane®. We were awarded $55 million, applying a royalty rate of 6% to sales of Abraxane from January 1, 2005 through June 13, 2008 (the date of the verdict), though the judge had yet to rule on post-trial motions or enter the final order. This award and damages associated with the continuing sales of the Abraxane product were subject to interest. In February 2011, we entered into an agreement with Abraxis to settle this litigation. As part of the settlement agreement with Abraxis, we received $78.0 million in full and final settlement in March 2011 and recorded a gain of this amount. No continuing royalties will be received by us in respect of Abraxane.

During 2011, we entered into an agreement with Alcon Laboratories, Inc. (Alcon) to settle litigation in relation to the application of NanoCrystal technology. As part of the settlement agreement with Alcon, we received $6.5 million in full and final settlement.

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EDT Provision for Income Taxes Adjustments

For a discussion of the provision for income taxes for Elan and the pro forma adjustments relating to EDT for each of the years ended December 31, 2011, December 31, 2010 and December 31, 2009, refer to the section below.

Provision for Income Taxes

Elan

We had a net tax provision of $47.6 million for 2011, compared to $2.1 million in 2010 and $46.4 million for 2009.

The overall tax provision for 2011 was $47.6 million (2010: $4.5 million; 2009: $50.0 million). No amount has been debited to shareholders equity in 2011 (2010: $2.4 million expense; 2009: $3.6 million expense) to reflect the net shortfalls related to equity awards. The entire $47.6 million (2010: $2.1 million; 2009: $46.4 million) is allocated to ordinary activities.

The 2011 tax provision reflects federal and state taxes at standard rates in jurisdictions in which we operate, foreign withholding tax and includes a deferred tax expense of $51.0 million for 2011 (2010: $0.1 million; 2009: $36.8 million).

Of the $51.1 million foreign deferred tax expense, $40.0 million arises due to the application of new state tax income attribution rates. Following the introduction of these new rates, we no longer expect to benefit from certain state tax loss and credit carry forwards and reduced our state DTA by this amount. We recognised these tax benefits in 2008 when it was considered more likely than not that we would be able to utilize these tax benefits.

Pro Forma Adjustments

The pro forma adjustment relating to the exclusion of EDT for 2011 was $4.2 million (2010: $9.1 million; 2009: $18.0 million). These adjustments were based on EDT s U.S. book income at standard U.S. tax rates. In calculating these adjustments, no taxes have been attributed to EDT s Irish book income due to the availability of tax losses when EDT was part of the Elan group.

B. Liquidity and Capital Resources

Cash and Cash Equivalents, Liquidity and Capital Resources

Our liquid and capital resources at December 31 were as follows (in millions):

	2011	2010	Increase/ (Decrease)
Cash and cash equivalents	$ 271.7	$ 422.5	(36)%
Restricted cash and cash equivalents current	2.6	208.2[1]	(99)%
Investment securities current	0.3	2.0	(85)%
Shareholders equity	801.8	194.3	313%
Total aggregate principal amount of debt[2]	624.5	1,285.0	(51)%

(1) *Current restricted cash and cash equivalents as of December 31, 2010 included $203.7 million held in an escrow account in relation to the Zonegran settlement. Refer to Note 7 to the Consolidated Financial Statements for additional information.*

(2) *Refer to Note 22 to the Consolidated Financial Statements for a reconciliation of the aggregate principal amount of the debt to the carrying amount.*

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As of December 31, 2011, our total cash and cash equivalents, current restricted cash and cash equivalents, and current investment securities of $274.6 million (2010: $632.7 million) included $235.8 million (2010: $435.8 million) that was held by foreign subsidiaries in the following jurisdictions:

	2011	2010	Increase/ (Decrease)
United States	$ 172.8	$ 371.7[(1)]	(54)%
Bermuda	38.0	51.3	(26)%
Other	25.0	12.8	95%
Total	$ 235.8	$ 435.8	(46)%

(1) *The amount as of December 31, 2010 includes current restricted cash and cash equivalents of $203.7 million held in an escrow account in relation to the Zonegran settlement. Refer to Note 7 to the Consolidated Financial Statements for additional information.*

There are currently no restrictions that would have a material adverse impact on the parent company or consolidated liquidity of Elan in relation to the intercompany transfer of cash held by our foreign subsidiaries.

We have historically financed our operating and capital resource requirements through cash flows from operations, sales of investment securities and borrowings. We consider all highly liquid deposits with a maturity on acquisition of three months or less to be cash equivalents. Our primary source of funds as of December 31, 2011, consisted of cash and cash equivalents of $271.7 million, which primarily comprise of bank deposits and holdings in U.S. Treasuries funds.

On September 16, 2011 we completed the sale of our EDT business unit to Alkermes Inc. and received $500.0 million in cash consideration and 31.9 million ordinary shares of Alkermes plc. Following the EDT divestment, we retired 51%, or $660.5 million, in principal amount of our outstanding debt. The remaining principal amount outstanding had been reduced from $1,285.0 million at December 31, 2010 to $624.5 million at December 31, 2011, with all of this remaining balance falling due in October 2016. Our cash and cash equivalents balance has been reduced from $422.5 million to $271.7 million as result of these transactions.

At December 31, 2011, our shareholders equity was $801.8 million, compared to $194.3 million at December 31, 2010. The increase is primarily due to the gain on divestment of the EDT business in 2011. Refer to Note 5 to the Consolidated Financial Statements for additional information on this divestment.

The 31.9 million ordinary shares of Alkermes plc received in connection with the EDT divestment represented approximately 25% of the equity of Alkermes plc at the close of the transaction on September 16, 2011. Our equity interest in Alkermes plc was recorded as an equity method investment on the Consolidated Balance Sheet at a carrying amount of $528.6 million, based on the closing share price of $16.57 of Alkermes, Inc. shares on the date of the transaction. The fair value of our Alkermes plc shares at December 31, 2011 was $553.8 million or $17.36 per share. Our shareholding in Alkermes plc is subject to three interlinked lock-up periods, the first of which expires six months after the date of divestment.

We believe that we have sufficient current cash, liquid resources, realizable assets and investments to meet our liquidity requirements for at least the next 12 months. Longer term liquidity requirements and debt repayments will need to be met out of available cash resources, future operating cash flows, financial and other asset realizations and future financing. However, events, including a material deterioration in our operating performance as a result of our inability to sell significant amounts of *Tysabri,* material adverse legal judgments, fines, penalties or settlements arising from litigation or governmental investigations, failure to successfully develop and receive marketing approval for products under development (in particular, bapineuzumab) or the occurrence of other circumstances or events described under Item 3D. Risk Factors, could materially and adversely affect our ability to meet our longer term liquidity requirements.

We commit substantial resources to our R&D activities, including collaborations with third parties such as Biogen Idec for the development of *Tysabri.* We expect to commit significant cash resources to the development and commercialization of products in our development pipeline. Refer to Item 5F. Tabular Disclosure of

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Contractual Obligations for details of our commitments to provide funding to Janssen AI, which we expect to commence in the second quarter of 2012.

We continually evaluate our liquidity requirements, capital needs and availability of resources in view of, among other things, alternative uses of capital, debt service requirements, the cost of debt and equity capital and estimated future operating cash flow. We may raise additional capital; restructure or refinance outstanding debt; repurchase material amounts of outstanding debt (the 2016 Notes issued October 2009 and the 2016 Notes issued August 2010) or equity; consider the sale of interests in subsidiaries, investment securities or other assets, including our shares in Alkermes plc (subject to the lock-up restrictions described above); or take a combination of such steps or other steps to increase or manage our liquidity and capital resources. Any such actions or steps, including any repurchase of outstanding debt or equity, could be material. In the normal course of business, we may investigate, evaluate, discuss and engage in future company or product acquisitions, capital expenditures, investments and other business opportunities. In the event of any future acquisitions, capital expenditures, investments or other business opportunities, we may consider using available cash or raising additional capital, including the issuance of additional debt.

Cash Flow Summary

The components of the net decrease/increase in cash and cash equivalents at December 31 were as follows (in millions):

	2011	2010	2009
Net cash (used in)/provided by operating activities	$ (120.2)	$ 68.2	$ (86.3)
Net cash provided by/(used in) investing activities	660.5	(216.0)	(56.8)
Net cash (used in)/provided by financing activities	(691.0)	(266.1)	604.1
Effect of exchange rate changes on cash	(0.1)	(0.1)	0.2
Net (decrease)/increase in cash and cash equivalents	(150.8)	(414.0)	461.2
Cash and cash equivalents at beginning of year	422.5	836.5	375.3
Cash and cash equivalents at end of year	$ 271.7	$ 422.5	$ 836.5

Operating Activities

The components of net cash provided by/used in operating activities at December 31 were as follows (in millions):

	2011	2010	2009
Adjusted EBITDA	$ 213.0	$ 166.5	$ 96.3
Net interest and tax	(98.1)	(114.5)	(141.9)
Divestment of business transaction costs	(34.1)	1.0	(18.5)
Other net charges	(153.0)	(42.8)	(18.8)
Working capital (increase)/decrease	(48.0)	58.0	(3.4)
Net cash (used in)/provided by operating activities	$ (120.2)	$ 68.2	$ (86.3)

Net cash used in operating activities was $120.2 million in 2011 (2010: provided $68.2 million; 2009: used $86.3 million).

The improvement in Adjusted EBITDA net cash inflow from $166.5 million in 2010 to $213.0 million in 2011 was primarily driven by the 7% increase in revenue and a 10% decrease in combined SG&A and R&D expenses.

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The improvement in Adjusted EBITDA net cash inflow from $96.3 million in 2009 to $166.5 million in 2010 reflected the 5% increase in revenue, the improved operating margins and a 9% decrease in combined SG&A and R&D expenses.

Net interest and tax are discussed further on page 45 for net interest expense and on page 54 for income taxes. The interest and tax expenses within net cash used in operating activities exclude net non-cash charges of $55.4 million in 2011 (2010: $5.4 million; 2009: $42.4 million), comprised of net non-cash interest expenses of $4.4 million in 2011 (2010: $5.3 million; 2009: $5.6 million) and a net non-cash tax charge of $51.0 million (2010: $0.1 million; 2009: $36.8 million).

The divestment of business charge of $34.1 million in 2011 includes the transaction costs and other cash charges related to the divestment of EDT. The divestment of business gain of $1.0 million in 2010 included the release of accruals for transaction costs associated with the divestment of the AIP business which took place in 2009. The charge of $18.5 million in 2009 includes the transaction costs and other cash charges related to the divestment of the AIP.

The other net charges of $153.0 million in 2011 (2010: $42.8 million; 2009: $18.8 million) were principally related to the other net charges described on pages 43 to 45 and page 53, adjusted to exclude non-cash other charges of $11.1 million in 2011 (2010: $13.5 million; 2009: $48.5 million). The net cash outflow in 2011 is primarily attributable to the settlement reserve charge outflow of $206.3 million related to the Zonegran settlement that was recognized in 2010 and paid in March 2011, and was partially offset by the receipt of legal settlement gains of $84.5 million during 2011.

The working capital increase in 2011 of $48.0 million is primarily due to expansion of the *Tysabri* business, an increase in EDT working capital prior to the divestment and a lower debt interest accrual related to the debt retirement transactions during 2011.

The working capital decrease in 2010 of $58.0 million was primarily driven by a significant increase in accruals, principally related to the increase in the Medicaid rebate accruals due to changes in U.S healthcare reform and an amount payable to Transition relating to an amendment to the Collaboration Agreement, and a decrease in inventories primarily related to lower levels of EDT finished goods inventory and discontinuation of Maxipime in 2010. In addition, the restructuring accrual increased by $8.8 million as a result of the realignment and restructuring of the R&D organization within our BioNeurology business, and reduction of related support activities.

The working capital increase in 2009 of $3.4 million was principally due to increased *Tysabri* sales, partially offset by a decrease in royalty receivables due to the timing of payments.

Investing Activities

Net cash provided by investing activities was $660.5 million in 2011. The primary component of cash provided by investing activities was the cash consideration received from the disposal of the EDT business of $500.0 million, in addition to the decrease in restricted cash balances due to payment of the amount held in escrow in respect of the Zonegran settlement of $203.7 million in March 2011, partially offset by capital expenditures of $29.8 million.

Net cash used in investing activities was $216.0 million in 2010. The primary component of cash used in investing activities was the increase in restricted cash in the year, which includes a transfer of $203.7 million into restricted cash in respect of the Zonegran settlement. Also included in investing activities are capital expenditures of $44.5 million, partially offset by investment disposal proceeds of $16.4 million and business disposal proceeds of $4.3 million.

Net cash used in investing activities was $56.8 million in 2009. The primary components of cash used in investing activities were the $50.0 million optional payment made to Biogen Idec in order to maintain an approximate 50% share of *Tysabri* for annual global in-market net sales of *Tysabri* that are in excess of $1.1 billion and additional capital expenditure of $45.9 million, partially offset by proceeds of $7.3 million from

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the disposal of property, plant and equipment and proceeds of $28.9 million from the liquidation of an investment in a fund that had been reclassified from cash equivalents to investments due to dislocations in the capital markets. We fully redeemed our remaining holding in this fund during 2009.

Financing Activities

Net cash used by financing activities of $691.0 million in 2011 was primarily comprised of outflows of $697.3 million related to the debt redemption of the 2013 Fixed Rate Notes and the 2013 Floating Rate Notes and partial redemption of the 2016 Notes issued October 2009 and 2016 Notes issued August 2010. The principal amount of debt repaid was $660.5 million and cash debt retirement costs of $36.8 were incurred upon early redemption of these notes.

Net cash used by financing activities of $266.1 million in 2010 was primarily comprised of outflows of $300.0 million related to the redemption of the 2011 Floating Rate Notes and $155.0 million related to the partial redemption of the 2013 Fixed Rate Notes and the 2013 Floating Rate Notes 2013 partially offset by proceeds from the issuance of $200.0 million (net of transaction costs of $12.9 million) of the 2016 Notes issued August 2010.

Net cash provided by financing activities of $604.1 million in 2009 was primarily comprised of net proceeds of $868.0 million (net of $17.0 million in transaction costs) from the investment by Johnson & Johnson, and the net proceeds of $603.0 million (net of $22.0 million in transaction costs and original issue discount) from the issuance of the 2016 Notes issued October 2009, partially offset by total payments of $867.8 million (including $17.8 million of an early redemption premium and transaction costs) related to the early redemption of the 2011 Notes.

Debt Facilities

At December 31, 2011, we had total outstanding debt with an aggregate principal amount of $624.5 million, which consisted of the following (in millions):

2016 Notes issued October 2009	$ 472.1
2016 Notes issued August 2010	152.4
Total	$ 624.5

Our substantial indebtedness could have important consequences to us. For example, it does or could:

- Increase our vulnerability to general adverse economic and industry conditions;
- Require us to dedicate a substantial portion of our cash flow from operations to payments on indebtedness, thereby reducing the availability of our cash flow to fund R&D, working capital, capital expenditures, acquisitions, investments and other general corporate purposes;
- Limit our flexibility in planning for, or reacting to, changes in our businesses and the markets in which we operate;
- Place us at a competitive disadvantage compared to our competitors that have less debt; and
- Limit our ability to borrow additional funds.

During 2011, as of December 31, 2011, and, as of the date of filing of this Form 20-F, we were not in violation of any of our debt covenants. For additional information regarding our outstanding debt, refer to Note 22 to the Consolidated Financial Statements.

Commitments and Contingencies

For information regarding commitments and contingencies, refer to Notes 29 and 30 to the Consolidated Financial Statements.

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Capital Expenditures

We believe that our current and planned research, product development and corporate facilities will adequately meet our current and projected needs. We will use our resources to make capital expenditures as necessary from time to time and also to make investments in the purchase or licensing of products and in marketing and other alliances with third parties to support our long-term strategic objectives.

C. Research and Development, Patents and Licenses, etc.

Our research activities are aimed at developing new drug products. Our development activities involve the translation of our research into potential new drugs. The development activities of the EDT business unit, which was divested on September 16, 2011, involved the translation of research into designs for new processes or technologies, or for a significant improvement to existing drugs. R&D activities may be performed post-regulatory approval of drug products as required by regulators, to provide additional evidence as to the efficacy and safety of a product, to expand the indications for a product, or with the aim of significantly improving the approved product.

R&D expenses include personnel, materials, equipment and facilities costs that are allocated to clearly related R&D activities. The amortization of intangible assets used in R&D activities and the costs of intangible assets that are purchased from others for a particular R&D project and that have no alternative future uses are also included in R&D expenses.

The following table sets forth the R&D expenses incurred for our significant non-EDT programs (specifically, those non-EDT programs that have advanced to at least Phase 2 development with one or more compounds) and other non-EDT R&D expenses for the years ended December 31, 2011, 2010 and 2009, and the cumulative amounts to date (in millions):

	2011	2010	2009	Cumulative to date[1]
Tysabri	$ 72.5	$ 71.4	$ 35.8	$ 771.8
Aggregation inhibitor (ELND005, with Transition)	18.1	20.3	21.9	109.5
Other R&D[2]	107.6	113.3	96.1	
Total	198.2	205.0	153.8	
AIP[3]			92.3	356.9
Total	$ 198.2	$ 205.0	$ 246.1	

(1) *Cumulative R&D costs to date include the costs incurred from the date when these individual programs have been separately tracked in preclinical development. Expenditures in the early discovery stage are not tracked by program and accordingly have been excluded from these cumulative amounts.*

(2) *Other R&D is comprised of programs related principally to the potential treatment of central nervous system (CNS) diseases that have not yet entered Phase 2 development.*

(3) *As part of the Johnson & Johnson Transaction in September 2009, Janssen AI acquired substantially all of our assets and rights related to the AIP.*

EDT

The following table sets forth the R&D expenses incurred for each significant category of R&D activity for EDT for the period up to September 16, 2011, when the EDT business was divested, and for the years ended December 31, 2010 and 2009, (in millions), namely: client projects; proprietary projects; and technology and equipment development. R&D work performed for client projects typically involved the application of EDT technologies to client-owned compounds, and was generally funded by these clients through research revenues, milestone payments and, if successfully developed and approved, manufacturing and/or royalty revenues. Proprietary projects were self-funded and normally involved EDT applying its technologies to selectively

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develop product candidates. EDT technology and equipment projects were focused on improving core technology offerings and exploring new areas of drug delivery technology.

	2011	2010	2009
Client	$ 8.0	$ 14.4	$ 18.9
Proprietary	10.8	24.2	18.1
Technology and equipment	15.5	15.1	10.5
Total	$ 34.3	$ 53.7	$ 47.5

For further for information on our R&D, Patents and Licenses, etc., see Item 4B. Business Overview .

D. Trend Information

See Item 4B. Business Overview and Item 5A. Results of Operations for trend information.

E. Off-Balance Sheet Arrangements

As of December 31, 2011, we have no unconsolidated special purpose financing or partnership entities or other off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources, that are material to investors.

F. Tabular Disclosure of Contractual Obligations

The following table sets out (in millions), at December 31, 2011, our main contractual obligations due by period for debt principal and interest repayments and operating leases. These represent the major contractual, future payments that may be made by Elan. The table does not include items such as expected capital expenditures on plant and equipment or future investments in financial assets. As of December 31, 2011, the directors had authorized capital expenditures, which had been contracted for, of $3.0 million (2010: $8.0 million), primarily related to leasehold improvements for our buildings in South San Francisco. As of December 31, 2011, the directors had authorized capital expenditures, which had not been contracted for, of $6.4 million (2010: $12.5 million).

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
2016 Notes issued October 2009	$ 472.1	$	$	$ 472.1	$
2016 Notes issued August 2010	152.4			152.4	
Total debt principal obligations	$ 624.5	$	$	$ 624.5	$
Debt interest payments	261.8	54.6	109.3	97.9	
Operating lease obligations	216.7	32.4	42.4	29.3	112.6
Total contractual obligations	$ 1,103.0	$ 87.0	$ 151.7	$ 751.7	$ 112.6

On September 17, 2009, Janssen AI, a newly formed subsidiary of Johnson & Johnson, completed the acquisition of substantially all of our assets and rights related to the AIP. In addition, Johnson & Johnson, through its affiliate Janssen Pharmaceutical, invested $885.0 million in exchange for newly issued ADRs of Elan, representing 18.4% of our outstanding Ordinary Shares at the time. Johnson & Johnson also committed to fund up to $500.0 million towards the further development and commercialization of the AIP. As of December 31, 2011, the remaining unspent amount of the Johnson & Johnson $500.0 million funding commitment was $57.6 million (2010: $272.0 million), which

reflects the $214.4 million utilized in 2011 (2010: $179.0 million). Any required additional expenditures in respect of Janssen AI s obligations under the AIP collaboration in excess of the initial $500.0 million funding commitment is required to be funded by Elan and Johnson & Johnson in proportion to their respective shareholdings up to a maximum additional commitment of $400.0 million in total.

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Based on current spend levels, Elan anticipates that we may be called upon to provide funding to Janssen AI commencing in the second quarter of 2012. In the event that further funding is required beyond the $400.0 million, such funding will be on terms determined by the board of Janssen AI, with Johnson & Johnson and Elan having a right of first offer to provide additional funding. The table above does not reflect any amounts in relation to future funding that Elan may provide.

In December 2010, we modified our Collaboration Agreement with Transition and, in connection with this modification, Transition elected to exercise its opt-out right under the original agreement and we agreed to pay Transition $9.0 million, which we paid to them in January 2011. Under the modified Collaboration Agreement, Transition will be eligible to receive a further $11.0 million payment from us upon the commencement of the next ELND005 clinical trial, and will no longer be eligible to receive a $25.0 million milestone that would have been due upon the commencement of a Phase 3 trial for ELND005 under the terms of the original agreement.

As a consequence of Transition s decision to exercise its opt-out right, it will no longer fund the development or commercialization of ELND005 and has relinquished its 30% ownership of ELND005 to us. Consistent with the terms of the original agreement, following its opt-out decision, Transition will be entitled to receive milestone payments of up to $93.0 million (in addition to the $11.0 million described above), along with tiered royalty payments on net sales of ELND005 ranging in percentage from a high single digit to the mid teens, depending on level of sales.

At December 31, 2011, we had liabilities related to unrecognized tax benefits of $7.3 million (excluding total potential penalties and interest of $2.2 million). It is not possible to accurately assess the timing of or the amount of any settlement in relation to these liabilities.

At December 31, 2011, we had commitments to invest $2.6 million (2010: $3.4 million) in healthcare managed funds.

In disposing of assets or businesses, we often provide customary representations, warranties and indemnities (if any) to cover various risks. We do not have the ability to estimate the potential liability from such indemnities because they relate to unknown conditions. However, we have no reason to believe that these uncertainties would have a material adverse effect on our financial condition or results of operations.

Item 6. *Directors, Senior Management and Employees*.

A. Directors and Senior Management

Directors

Robert A. Ingram (69)

Position	Date of Appointment	Tenure as of December 31, 2011
Non-Executive Director	December 3, 2010	1 year
Chairman of the Board	January 26, 2011	11 months
Member of the Nominating and Governance Committee (NGC)	January 26, 2011	11 months

Mr. Ingram was appointed a director of Elan in December 2010, and assumed the role of chairman effective January 26, 2011. He is currently a general partner of Hatteras Venture Partners, and has served as an advisor to the CEO of GlaxoSmithKline plc since January 2010. Mr. Ingram served as vice chairman pharmaceuticals of GlaxoSmithKline, acting as a special advisor to the corporate executive team from January 2003 until December 2009. He was chief operating officer and president, pharmaceutical operations of GlaxoSmithKline from January 2001 to January 2003. Mr. Ingram was CEO of Glaxo Wellcome plc from 1997 to 2000, and chairman of Glaxo Wellcome Inc. from 1999 to 2000. He is lead director of CREE Inc. and Valeant Pharmaceuticals Inc. and a director of Allergan, Inc., HBM BioVentures AG and Edwards Lifesciences Corporation.

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Lars Ekman, MD, PhD (62)

Position	Date of Appointment	Tenure as of December 31, 2011
Non-Executive Director	May 26, 2005	6 years 7 months
Member and Chairman of the Science and Technology Committee	September 8, 2006	5 years 3 months

Dr. Ekman was appointed a director of Elan in May 2005. He transitioned from his role as Elan s president of R&D in 2007 to serve solely as a non-executive director. He joined Elan as executive vice president and president, global R&D, in 2001. Prior to joining Elan, Dr. Ekman was executive vice president, R&D, at Schwarz Pharma AG since 1997. From 1984 to 1997, Dr. Ekman was employed in a variety of senior scientific and clinical functions at Pharmacia (now Pfizer). Dr. Ekman is a board certified surgeon with a PhD in experimental biology and has held several clinical and academic positions in both the United States and Europe. He obtained his PhD and MD from the University of Gothenburg, Sweden. He serves as an executive partner to Sofinnova Ventures and as an advisor to Warburg Pincus. He is a director of Amarin Corporation, plc., Cebix Incorporated, InterMune, Inc., Ocera Inc and chairman of the board of Protox Therapeutics Inc.

Hans Peter Hasler (56)

Position	Date of Appointment	Tenure as of December 31, 2011
Non-Executive Director	September 15, 2011	3 months
Member of the Leadership, Development and Compensation Committee (LDCC)	September 15, 2011	3 months

Mr. Hasler was appointed a director of Elan in September 2011. He is currently the chairman of HBM Bioventures AG and principal of HPH Management GmbH. Previously, Mr. Hasler served with Biogen Idec in a number of key executive leadership roles from 2001 to 2009. Prior to his departure from Biogen Idec, Mr. Hasler served as its chief operating officer responsible for all commercial operations, business development, medical affairs and Biogen International. During his tenure at Biogen Idec, Mr. Hasler served as head of Global Neurology/Cardiovascular business and head of International business overseeing the launch of *Tysabri* in Europe and the management of Avonex. Before joining Biogen Idec, Mr. Hasler served as chief marketing officer and head of Global Strategic Marketing with Wyeth Pharmaceuticals.

Gary Kennedy (54)

Position	Date of Appointment	Tenure as of December 31, 2011
Non-Executive Director	May 26, 2005	6 years 7 months
Member of the Audit Committee	September 9, 2005	6 years 3 months
Chairman of the Audit Committee	May 24, 2007	4 years 7 months
Member of the LDCC	August 26, 2009	2 years 4 months

Mr. Kennedy was appointed a director of Elan in May 2005, and is currently a director of Greencore Group plc, IBRC Limited, Friends First, and serves as a board member to a number of private companies. From May 1997 to December 2005, he was group director, finance and enterprise technology, at Allied Irish Banks, plc (AIB) and a member of the main board of AIB, and was also on the board of M&T, AIB s associate in the United States. Prior to that, Mr. Kennedy was group vice president at Nortel Networks Europe after starting his management career at Deloitte & Touche. He served on the board of the Industrial Development Authority of Ireland for 10 years until he retired in December 2005 and is a Fellow of Chartered Accountants Ireland.

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Patrick Kennedy (42)

Position	Date of Appointment	Tenure as of December 31, 2011
Non-Executive Director	May 22, 2008	3 years 7 months
Member of the LDCC	September 10, 2008	3 years 3 months
Chairman of the LDCC	January 29, 2009	2 years 11 months

Mr. Kennedy was appointed a director of Elan in May 2008. He is currently chief executive of Paddy Power plc, an international betting and gaming group, listed on both the London and Irish Stock Exchanges; and is also a director of Bank of Ireland. Mr. Kennedy was previously chief financial officer of Greencore Group plc and prior to that worked with McKinsey & Company in both their London and Dublin offices. Mr. Kennedy also previously worked with KPMG s corporate finance arm, splitting his time between Dublin and the Netherlands. Mr. Kennedy is a graduate of University College Dublin, Trinity College Dublin and a Fellow of Chartered Accountants Ireland.

Giles Kerr (52)

Position	Date of Appointment	Tenure as of December 31, 2011
Non-Executive Director	September 13, 2007	4 years 3 months
Member of the Audit Committee	January 31, 2008	3 years 11 months
Member of the NGC	January 27, 2010	1 year 11 months

Mr. Kerr was appointed a director of Elan in September 2007. He is currently the director of finance with the University of Oxford, England, and a fellow of Keble College. At present Mr. Kerr is a member of the board and the chairman of the audit committee of Victrex plc and BTG plc. He is also a director of Isis Innovation Ltd and a number of other private companies. Previously, Mr. Kerr was the group finance director and chief financial officer of Amersham plc, and prior to that, he was a partner with Arthur Andersen in the United Kingdom. Mr. Kerr is a Fellow of the Institute of Chartered Accountants in England and Wales.

G. Kelly Martin (52)

Position	Date of Appointment	Tenure as of December 31, 2011
Executive Director & CEO	February 4, 2003	8 years 10 months

Mr. Martin was appointed a director of Elan in February 2003 following his appointment as president and CEO. Before joining Elan, Mr. Martin spent more than 20 years at Merrill Lynch & Co., Inc., where he held a broad array of operating responsibilities.

Kieran McGowan (68)

Position	Date of Appointment	Tenure as of December 31, 2011
Non-Executive Director	December 1, 1998	13 years 1 month
Lead Independent Director	February 1, 2006	5 years 11 months
Member of the NGC	May 31, 2002	9 years 7 months
Chairman of the NGC	September 9, 2005	6 years 3 months

Mr. McGowan was appointed a director of Elan in December 1998. He is currently chairman of CRH, plc and is also a director Charles Schwab Worldwide Funds, plc, as well as sitting on the board of a number of private companies. From 1990 until his retirement in December 1998, Mr. McGowan was chief executive of the Industrial Development Authority of Ireland, and served as president of the Irish Management Institute. In addition, Mr. McGowan has also chaired the Governing Authority at University College Dublin.

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Kyran McLaughlin (67)

Position	Date of Appointment	Tenure as of December 31, 2011
Non-Executive Director	January 30, 1998	13 years 11 months
Member of the NGC	May 31, 2002	9 years 7 months

Mr. McLaughlin was appointed a director of Elan in January 1998 and served as chairman from January 2005 to January 2011. He is deputy chairman at Davy, Ireland s largest stockbroker firm. He is also a director of Ryanair Holdings plc and is a director of a number of private companies.

Donal O Connor (61)

Position	Date of Appointment	Tenure as of December 31, 2011
Non-Executive Director	May 22, 2008	3 years 7 months
Member of the Audit Committee	September 10, 2008	3 years 3 months
Member of the LDCC	May 26, 2010	1 year 7 months

Mr. O Connor was appointed a director of Elan in May 2008 and is also a director of Readymix plc and the administrator of Icarom plc. Prior to joining the Elan Board, Mr. O Connor was the senior partner of PricewaterhouseCoopers in Ireland from 1995 until 2007. He was also a member of the PricewaterhouseCoopers Global Board and was a former chairman of the Eurofirms Board. Mr. O Connor is a graduate of University College Dublin and a Fellow of Chartered Accountants Ireland.

Richard Pilnik (54)

Position	Date of Appointment	Tenure as of December 31, 2011
Non-Executive Director	July 16, 2009	2 years 5 months

Mr. Pilnik was elected a director of Elan in July 2009. Mr. Pilnik served in several leadership positions during his 25-year career at Eli Lilly & Company, most recently as group vice president and chief marketing officer, where he was responsible for commercial strategy, market research and medical marketing. Currently, Mr. Pilnik serves as executive vice president and president of Quintiles Commercial Solutions, which is a global pioneer in pharmaceutical services. Mr. Pilnik holds a B.A. from Duke University and an M.B.A. from the Kellogg School of Management at Northwestern University.

Dennis J. Selkoe, MD (68)

Position	Date of Appointment	Tenure as of December 31, 2011
Non-Executive Director[(1)]	July 1, 1996	15 years 4 months
Member of the Science and Technology Committee	August 26, 2009	2 years 4 months
Member of the NGC	January 27, 2010	1 year 11 months

(1) *Retired as a director July 16, 2009 and subsequently reappointed on August 26, 2009.*

Dr. Selkoe was appointed a director of Elan in July 1996, following the acquisition of Athena Neurosciences, where he served as a director since July 1995. Dr. Selkoe was a scientific founder of Athena Neurosciences. Dr. Selkoe, a neurologist, is the Vincent and Stella Coates Professor of Neurologic Diseases at Harvard Medical School and co-director of the Center for Neurologic Diseases at the Brigham and Women s Hospital.

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Andrew von Eschenbach, MD (70)

Position	Date of Appointment	Tenure as of December 31, 2011
Non-Executive Director	September 15, 2011	3 months
Member of the Science and Technology Committee	September 15, 2011	3 months

Dr. von Eschenbach was appointed a director of Elan in September 2011. He is currently the President of Samaritan Health Initiatives Inc., a health care policy consultancy. He previously served as Commissioner of the FDA from 2005 to 2009. Prior to that he served as the Director of the National Cancer Institute and held a number of leadership roles at the University of Texas M.D. Anderson Cancer Center. He was educated at St. Joseph s University, Philadelphia and received his M.D. from Georgetown University. His current responsibilities include serving on the boards of BioTime Inc., Histosonics Inc., Viamet Pharmaceuticals, Focused Ultrasound Surgery Foundation, and the National Comprehensive Cancer Centers Network Foundation. He also serves on the advisory boards of the Chugai Pharmaceutical International Advisory Council and GE Heathymagination, the scientific advisory board of Arrowhead Research Corporation and the Johnson & Johnson Corporate Office of Science & Technology External Scientific Advisory Board and is a Senior Fellow at the Milken Institute.

Senior Management

Nigel Clerkin (38)

Executive Vice President and Chief Financial Officer

Mr. Clerkin was named chief financial officer in May 2011. Prior to that, he had served as senior vice president, finance and group controller since January 2004. He previously held a number of financial and strategic planning positions since joining Elan in January 1998. Mr. Clerkin is a Fellow of Chartered Accountants Ireland and a graduate of Queen s University Belfast.

William F. Daniel (59)

Executive Vice President and Company Secretary

Mr. Daniel was appointed a director of Elan in February 2003 and served until July 2007. He has served as the company secretary since December 2001, having joined Elan in March 1994 as group financial controller. From 1990 to 1992, Mr. Daniel was financial director of Xtravision, plc. Mr. Daniel is a Fellow of Chartered Accountants Ireland, a chartered director and a graduate of University College Dublin.

Fabiana Lacerca-Allen (44)

Chief Compliance Officer

Ms. Lacerca-Allen joined Elan as senior vice president, chief compliance officer in June 2010. Ms. Lacerca-Allen has more than 18 years of compliance and legal experience at Fortune 500 companies and law firms in the United States and in Argentina. She joined Elan from Mylan Laboratories, where she was senior vice president and chief compliance officer and led Mylan s compliance programs, including the establishment of policies and compliance processes. Prior to her role with Mylan, Lacerca-Allen served as legal compliance director for Bristol-Myers Squibb where she was a member of the executive team for Latin America, Canada and Puerto Rico and led all compliance initiatives in those regions. She has also held significant positions with Microsoft, Merck, Sharpe & Dohme (a subsidiary of Merck) and AT&T Capital.

Grainne McAleese (32)

Group Controller and Principal Accounting Officer

Ms. McAleese was appointed group controller and principal accounting officer of Elan in June 2011. Since joining Elan in July 2004, Ms. McAleese has worked in a number of roles in the Group Finance area. Prior to joining Elan, she worked with PricewaterhouseCoopers in New York and KPMG in Dublin. Ms. McAleese is a

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Certified Public Accountant in the United States, a Fellow of Chartered Accountants Ireland and a graduate of Dublin City University.

John B. Moriarty Jr. (44)

Senior Vice President and General Counsel

Mr. Moriarty was named general counsel in March 2010, having joined Elan in December 2008 as senior vice president, legal-commercial operations and litigation. Prior to joining Elan, Mr. Moriarty worked at Amgen, where he served as executive director and associate general counsel, global commercial operations, and was Amgen s senior counsel, complex litigation, products liability and government investigations. Before working at Amgen, Mr. Moriarty was in private practice with a national law firm where his areas of expertise included reimbursement (Medicare, Medicaid and third-party payment programs), federal and state government investigations and proceedings, and corporate internal investigations. Earlier in his career, he was a healthcare fraud prosecutor in the Virginia Office of the Attorney General and also served for two years as a Special Assistant United States Attorney for healthcare fraud. Mr. Moriarty graduated from the University of Virginia, with distinction, and the University of Georgia School of Law, cum laude.

Grainne Quinn, MD (42)

Chief Medical Officer

Dr. Quinn was appointed chief medical officer in October 2011. Dr. Quinn joined Elan in January 2009, and in April 2010 was named vice president of Elan s global pharmacovigilance and risk management group, which she continues to manage. Prior to joining Elan, Dr. Quinn worked with Quintiles Ireland Ltd., where she held several leadership positions, including executive director, medical and scientific services, global head of safety physicians. In addition, she has practiced as an internist in Boston, Massachusetts, and Minneapolis, Minnesota. Dr. Quinn earned her medical degree from the Royal College of Surgeons in Ireland, and received her board certification in internal medicine in 1995 from the American Board of Internal Medicine.

B. Compensation

Executive Officers and Directors Remuneration

For the year ended December 31, 2011, all directors and executive officers as a group that served during the year (19 persons) received total compensation of $7.8 million (2010: $8.5 million).

We reimburse directors and officers for their actual business-related expenses. For the year ended December 31, 2011, an aggregate of $0.5 million (2010: $0.2 million) was accrued to provide pension, retirement and other similar benefits for directors and officers. We also maintain certain health and medical benefit plans for our employees in which our executive directors and officers participate.

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Directors Remuneration

	Year Ended December, 31					
	2011 Salary/ Fees	2011 Bonus	2011 Pension	2011 Benefit in kind	2011 Total	2010 Total
Executive Directors:						
G. Kelly Martin	$ 1,000,000	$ 1,875,000	$ 7,350	$ 2,760	$ 2,885,110	$ 1,965,096
Shane Cooke[1]	359,037		87,913	20,644	467,594	1,199,994
Total	1,359,037	1,875,000	95,263	23,404	3,352,704	3,165,090
Non-Executive Directors:						
Robert A. Ingram[2]	240,793				240,793	4,334
Lars Ekman[3]	78,503				78,503	82,452
Jonas Frick[4]	25,714				25,714	67,500
Hans Peter Hasler[5]	19,626				19,626	
Gary Kennedy	92,500				92,500	92,500
Patrick Kennedy	75,000				75,000	75,000
Giles Kerr	82,500				82,500	81,563
Kieran McGowan [3]	95,000				95,000	86,923
Kyran McLaughlin[2] [3]	84,292				84,292	300,000
Donal O Connor	82,500				82,500	77,452
Richard Pilnik	60,604				60,604	71,971
Dennis J. Selkoe[6]	130,000				130,000	134,111
Andrew von Eschenbach[5]	19,626				19,626	
Total	$ 2,445,695	$ 1,875,000	$ 95,263	$ 23,404	$ 4,439,362	$ 4,238,896

(1) *Retired as a director on September 15, 2011.*

(2) *On January 26, 2011, Robert A. Ingram replaced Kyran McLaughlin as chairman of the board.*

(3) *In 2011, director s fee was received in the form of RSUs which vest on the earlier of 90 days after retirement from the board or 10 years. For further information refer to the Report of the LDCC on page 73.*

(4) *Retired as a director on May 26, 2011.*

(5) *Appointed as a director on September 15, 2011.*

(6) *Includes fees of $50,000 in 2011 and 2010 under a consultancy agreement. See Item 7B. Related Party Transactions for additional information.*

C. Board Practices

Policies

We are committed to the adoption and maintenance of the highest standards of corporate governance and compliance and have applied the provisions and principles of the U.K. Corporate Governance Code (the Code) as issued by the Financial Reporting Council (FRC) in June 2010 and adopted by the Irish Stock Exchange (ISE).

Our corporate governance guidelines (the Guidelines), which have been adopted by the board of directors cover the mission of the board, director responsibilities, board structure (including the roles of the chairman, CEO and the lead independent director, board composition, independent directors, definition of independence, board membership criteria, selection of new directors, time limits and mandatory retirement, board composition and evaluation), leadership development (including formal evaluation of the chairman and CEO, succession planning and director development), board committees, board meeting proceedings, board and independent director access to top management, independent advice and board interaction with institutional investors, research analysts and media.

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Our policy is to conduct our business in compliance with all applicable laws, rules and regulations and therefore our employees are expected to perform to the highest standards of ethical conduct, consistent with legal and regulatory requirements. Our Code of Conduct applies to directors, officers and employees and provides guidance on how to fulfill these requirements, how to seek advice and resolve questions about the appropriateness of conduct, and how to report possible violations of our legal obligations or ethical principles. All employees have a mandatory compliance objective, which accounts for 10% of their performance goals and objectives. This is designed to ensure that employees comply with our Code of Conduct and all policies and procedures that govern our daily business activities. Our Corporate Compliance Office manages our corporate compliance program, which establishes a framework for adherence to applicable laws, rules and regulations and ethical standards, as well as a mechanism for preventing and reporting any breach of same. An executive-level Corporate Compliance Steering Committee also provides oversight of our compliance activities.

In October 2011, we applied to the ISE for the re-classification of the listing of our Ordinary Shares on the Official List of the ISE from a primary listing to a secondary listing and this became effective on November 3, 2011. There was no change to our listing on the New York Stock Exchange (NYSE). Our Ordinary Shares continue to be traded on the main market for listed securities of the ISE but we are not subject to the same ongoing listing requirements as those which would apply to an Irish company with a primary listing on the ISE, including the requirement that certain transactions require the approval of shareholders. In addition, the provisions of the Irish Corporate Governance Annex ceased to apply to the Company following the re-classification, however we have voluntarily incorporated the recommendations of the Irish Corporate Governance Annex.

The Guidelines, the Committee Charters and Code of Conduct are available on our website, www.elan.com. Any amendments to, or waivers from the Code of Conduct, will also be posted to our website. There have been no such waivers.

Board Role and Responsibilities

The board is responsible to the shareholders for ensuring that the Company is appropriately managed and that it achieves its objectives.

The board regularly reviews its responsibilities and those of its committees and management. The board meets regularly throughout the year, and all of the directors have full and timely access to the information necessary to enable them to discharge their duties. At board and committee meetings, directors receive regular reports on the Company s financial position, risk management, key business issues and other material issues. The board held eight scheduled meetings in 2011. In addition, three meetings were held to deal with specific matters as they arose.

The board has reserved certain matters to its exclusive jurisdiction, thereby maintaining control of the Company and its future direction. All directors are appointed by the board, as nominated by its NGC, and subsequently elected by shareholders. Procedures are in place whereby directors and committees, in furtherance of their duties, may take independent professional advice, if necessary, at our expense.

Subject to certain limited exceptions, directors may not vote on matters in which they have a material interest. In the absence of an independent quorum, the directors may not vote compensation to themselves or any member of the board of directors. Directors are entitled to remuneration as shall, from time to time, be voted to them by ordinary resolution of the shareholders and to be paid such expenses as may be incurred by them in the course of the performance of their duties as directors. Directors who take on additional committee assignments or otherwise perform additional services for the Company, outside the scope of their ordinary duties as directors, shall be entitled to receive such additional remuneration as the board may determine. The directors may exercise all of the powers of the Company to borrow money. These powers may be amended by special resolution of the shareholders. There is no requirement for a director to hold shares.

The board has delegated authority over certain areas of our activities to four standing committees, as more fully described below.

For additional information, see Items 7B. Related Party Transactions and Item 10B. Memorandum and Articles of Association.

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Board Composition

The Company s Memorandum and Articles of Association provide that the number of directors will be no less than three and no more than fifteen. Currently the board comprises the non-executive chairman, 11 other non-executive directors and one executive director. The board considers that the current board size is appropriate and facilitates the work of the board and its committees whilst being small enough to maintain flexibility and to carry out its duties in a timely fashion.

The NGC keep the composition and skills profile of the board and its committees under review and recommends changes where appropriate. The board seeks to ensure that it has an appropriate mix of skills and experience in areas such as science, pharmaceuticals, finance, governance, management and general business amongst others. The board is satisfied that it has an appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their duties and responsibilities effectively. Further information on the work of the NGC is set out in its report on page 75.

Chairman

The roles of the chairman and CEO are separated. The chairman of the board is responsible for the leadership and management of the board. Our CEO is responsible for the operation of the business of the Company.

On January 26, 2011, Mr. Ingram replaced Mr. McLaughlin as chairman. Other significant commitments of the chairman are set out on page 61. On appointment, the chairman fulfilled the independence criteria set out in our Guidelines and the Code.

Lead Independent Director

The chair of the NGC serves as the lead independent director. The lead independent director coordinates, in a lead capacity, the other independent directors and provides ongoing and direct feedback from the directors to the chairman and the CEO. The specific responsibilities of the lead independent director are set out in our Guidelines. Mr. McGowan has served as the lead independent director since February 1, 2006.

Board Tenure

Under the terms of our Articles of Association, directors serve for a term of three years expiring at the Annual General Meeting (AGM) in the third year following their election at an AGM or as the case may be, their re-election at the AGM. Directors are not required to retire at any set age. Following our adoption of the requirements of the Code, all directors will stand for annual re-election with effect from the 2012 AGM.

The directors may from time to time appoint any person to be a director either to fill a casual vacancy or as an additional director. A director so appointed shall hold office until the conclusion of the AGM immediately following their appointment, where they shall retire and may offer themselves for election.

A director retiring at an AGM shall retain office until the close or adjournment of the meeting. No person shall be eligible for election or re-election to the office of director at any General Meeting unless recommended by the directors or proposed by a duly qualified and authorized member within the prescribed time period.

Induction and Development

Directors are provided with extensive induction materials on appointment and meet with key executives, with a particular focus on ensuring non-executive directors are fully informed on issues of relevance to the Company and its operations. All directors are encouraged to update and refresh their skills and knowledge, for example, through attending courses on technical areas or external briefings for non-executive directors.

Independence of Directors

Under our Guidelines, at minimum, two-thirds of the board are required to be independent. In addition to the provisions of the Code, we adopted a definition of independence based on the rules of the NYSE, the exchange

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on which the majority of our shares are traded. For a director to be considered independent, the board must affirmatively determine that he or she has no material relationship with the Company. The specific criteria that affect independence are set out in the Guidelines and include former employment with the Company, former employment with the Company s independent auditors, receipt of compensation other than directors fees, material business relationships and interlocking directorships.

In December 2011, the board considered the independence of each non-executive director, with the exception of Dr. Ekman who had retired as a full-time executive of the Company on December 31, 2007, and considers that the following non-executive directors, Mr. Hasler, Mr. Ingram, Mr. Gary Kennedy, Mr. Patrick Kennedy, Mr. Kerr, Mr. McGowan, Mr. McLaughlin, Mr. O Connor, Mr. Pilnik, Dr. Selkoe and Dr. von Eschenbach, who represent in excess of two-thirds of the board were independent in character and judgment and there are no relationships or circumstances that are likely to affect their independent judgment. Under the Guidelines and the NYSE definition of independence, Dr. Ekman is considered to be an independent director as he has retired more than three years previously. Under the provisions of the Code, he will not be considered independent until five years has elapsed since his full time employment with the Company ceased.

In reaching this conclusion, the board gave due consideration to participation by board members in our equity compensation plans. The board also considered the positions of Mr. McLaughlin, Mr. McGowan and Dr. Selkoe who have served as non-executive directors for in excess of nine years. Additionally, Mr. McLaughlin is deputy chairman of Davy, the Company s broker and sponsor on the ISE and Dr. Selkoe has an ongoing consultancy agreement with the Company, details of both these arrangements are set out in detail in Item 7B. Related Party Transactions . It is the board s view that each of these non-executive directors discharges his duties in a thoroughly independent manner and constructively and appropriately challenges the executive directors and the board. For these reasons, the board considers that they are independent.

Conflicts of Interest

In January 2011, the board adopted a comprehensive Conflicts of Interests Policy for the board which sets out procedures covering the identification and management of such conflicts. The policy covers directors personal interests which may conflict with the interests of the Company, interfere with the director s ability to perform his or her duties and responsibilities to the Company or give rise to a situation where a director may receive an improper personal benefit because of his or her position. The policy also extends to the director s immediate family.

Where a director considers that they may have a conflict of interest with respect to any matter they must immediately notify this to the chairman of the Audit Committee or, if the chairman of the Audit Committee is the interested director, to the lead independent director. The Audit Committee (excluding, if applicable, the interested director) considers each notification to determine whether a conflict of interest exists. Until the Audit Committee has completed its determination the director will not participate in any vote, deliberation or discussion on the potential conflict with any other director or employee of the Company and the director will not be furnished with any board materials relating, directly or indirectly, to the potential conflict.

Board Effectiveness

Our Guidelines require that the board will conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively. An evaluation of the performance of the board and board committees was conducted during the year by the lead independent director through meetings with each member of the board. The results were presented to the NGC and to the board. The board concluded that it and its committees had operated satisfactorily during the year.

In December 2011, the lead independent director completed a separate evaluation of the CEO, the results of which were presented to the board in executive session.

In 2010, McKenna, Long & Aldridge LLP completed two reports which encompassed a thorough evaluation of the functioning of the board and its committees. The board intend to conduct a further external evaluation of its own performance and that of its committees and individual directors in 2013.

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Board Committees

The board currently has four committees to assist it in exercising its authority. The current committees of the board are the Audit Committee, the LDCC, the NGC and the Science and Technology Committee. The Commercial Committee was abolished in April 2011.

Each of the committees has a charter under which authority is delegated to it by the board. The charter for each committee is available on our website, www.elan.com, or from the company secretary on request. Reports of each committee, except for the Audit Committee, are set out on pages 73 to 76. The Report of the Audit Committee is set out on pages 99 to 101.

Board and Board Committee Meetings

The following table shows the number of scheduled board and board committee meetings held and attended by each director and secretary during the year. In addition to regular scheduled board and board committee meetings, a number of other meetings were held to deal with specific matters. If directors are unable to attend a board or board committee meeting because of a prior unavoidable engagement, they are provided with all the documentation and information relevant to that meeting and are encouraged to discuss issues arising in that meeting with the chairman, CEO or company secretary.

	Board	Audit Committee	LDCC	NGC	Science & Technology Committee
Directors					
Robert A. Ingram	8/8			4/4	
Shane Cooke[1]	7/7				
Lars Ekman	8/8				2/2
Jonas Frick[2]	4/5				
Hans Peter Hasler[3]	2/2		1/1		
Gary Kennedy	8/8	8/8	4/4		
Patrick Kennedy	8/8		4/4		
Giles Kerr	8/8	7/8		4/4	
G. Kelly Martin	8/8				
Kieran McGowan	6/8			4/4	
Kyran McLaughlin	8/8			4/4	
Donal O Connor	8/8	8/8	4/4		
Richard Pilnik	7/8				
Dennis J. Selkoe	6/8			4/4	2/2
Andrew von Eschenbach[3]	1/2[4]				1/1
Secretary					
William F. Daniel	8/8	8/8	3/4	4/4	2/2

(1) *Resigned as a director on September 15, 2011*

(2) *Resigned as a director on May 26, 2011*

(3) *Appointed as a director on September 15, 2011*

(4) *Dr. von Eschenbach joined the board on September 15, 2011, however, due to a prior outstanding commitment could not attend the board meeting on December 1, 2011*

Company Secretary

All directors have access to the advice and services of the company secretary. The company secretary supports the chairman in ensuring the board functions effectively and fulfils its role. He is secretary to the Audit Committee, the LDCC, the NGC and the Science and Technology Committee. The company secretary ensures compliance with applicable rules and regulations. The appointment and removal of the company secretary is a matter for the board.

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Relations with Shareholders

We communicate regularly with our shareholders throughout the year, specifically following the release of quarterly and annual results, and after major developments. Our website, www.elan.com, is the primary method of communication for the majority of our shareholders. We publish our annual report and accounts, quarterly results, Form 20-F, notice of AGM and other public announcements on our website. In addition, our AGMs, quarterly conference calls and presentations at healthcare investor conferences are webcast and are available on our website.

The directors consider it important to understand the views of shareholders and, in particular, any issues which concern them. The board periodically receives presentations on investor perceptions and during the year the NGC met with a number of institutional shareholders to discuss issues facing the Company.

Our investor relations department, with offices in Ireland and the United States, provides a point of contact for shareholders and full contact details are set out on the investor relations section of our website. Shareholders can also submit an information request through the shareholder services section of our website.

The principal forum for discussion with shareholders is our AGM and shareholder participation is encouraged. Formal notification, together with an explanation of each proposed resolution, is sent to shareholders at least 21 calendar days in advance of the AGM. At the meeting, the CEO provides a summary of the period s events after which the board and senior management are available to answer questions from shareholders. All directors normally attend the AGM and shareholders are invited to ask questions during the meeting and to meet with directors after the formal proceedings have ended.

In accordance with the Code, the Company counts all proxy votes. On each resolution that is voted on with a show of hands, the Company indicates the level of proxies lodged, the number of votes for and against each resolution and the number of votes withheld. This information is made available on our website following the AGM.

Going Concern

The directors, having made inquiries, including consideration of the factors discussed in Item 5B. Liquidity and Capital Resources, believe that the Company has adequate resources to continue in operational existence for at least the next 12 months and that it is appropriate to continue to adopt the going concern basis in preparing our Consolidated Financial Statements.

Internal Control

The board of directors has overall responsibility for our system of internal control and for monitoring its effectiveness. The system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedures that have been established to provide effective internal control include:

A clear focus on business objectives is set by the board having considered the risk profile of the Company;

A formalized risk reporting system, with significant business risks addressed at each board meeting;

A clearly defined organizational structure under the day-to-day direction of our CEO. Defined lines of responsibility and delegation of authority have been established within which our activities can be planned, executed, controlled and monitored to achieve the strategic objectives that the board has adopted for the Company;

A comprehensive system for reporting financial results to the board, including a budgeting system with an annual budget approved by the board;

A system of management and financial reporting, treasury management and project appraisal the system of reporting covers trading activities, operational issues, financial performance, working capital, cash flow and asset management; and

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To support our system of internal control, we have separate Corporate Compliance and Internal Audit departments. Each of these departments reports periodically to the Audit Committee. The Internal Audit function includes responsibility for the Company s compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

The directors reviewed our system of internal control and also examined the full range of risks affecting us and the appropriateness of the internal control structures to manage and monitor these risks. This process involved a confirmation that appropriate systems of internal control were in place throughout the financial year and up to the date of signing of the Consolidated Financial Statements. It also involved an assessment of the ongoing process for the identification, management and control of the individual risks and of the role of the various risk management functions and the extent to which areas of significant challenges facing us are understood and are being addressed. No material unaddressed issues emerged from this assessment.

Refer to Item 15. Controls and Procedures, for management s annual report on internal control over financial reporting.

Compliance Statement

The directors confirm that the Company has complied throughout the year ended December 31, 2011 with the provisions of the Code. We follow a U.S. style compensation system for our senior management and our non-executive directors. As a result, we include the non-executive directors in our equity compensation plans. In accordance with the Code, we sought and received shareholder approval to make certain equity grants to our non-executive directors at our 2004 AGM.

Report of the Leadership Development and Compensation Committee

The LDCC held four scheduled meetings in 2011. Details of meeting attendance by LDCC members are included in the table on page 71. In addition, three meetings were held to deal with specific matters.

Committee Membership

Name	Status During 2011
Patrick Kennedy (Chairman)	Member for the whole period
Hans Peter Hasler	Member from September 15, 2011
Gary Kennedy	Member for the whole period
Donal O Connor	Member for the whole period

The LDCC is composed entirely of independent non-executive directors. Each member of the committee is nominated to serve for a three-year term subject to a maximum of two terms of continuous service.

Role and Focus

The LDCC reviews the Company s compensation philosophy and policies with respect to executive compensation, fringe benefits and other compensation matters. The LDCC determines, amongst other things, the compensation, terms and conditions of employment of the CEO and other executive directors. In addition, the LDCC reviews the recommendations of the CEO with respect to the remuneration and terms and conditions of employment of our senior management. The LDCC also exercises all the powers of the board of directors to issue Ordinary Shares on the exercise of share options and vesting of RSUs and to generally administer our equity award plans.

Remuneration Policy

Our policy on executive directors remuneration is to set remuneration levels that are appropriate for our senior executives having regard to their substantial responsibilities, their individual performance and the Company s performance as a whole. The LDCC sets remuneration levels after reviewing remuneration packages

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of executives in the pharmaceutical and biotech industries. The LDCC takes external advice from independent benefit consultants and considers Section D of the Code. The typical elements of the remuneration package for executive directors include basic salary and benefits, annual cash incentive bonus, pensions and participation in equity award plans. The LDCC grants equity awards to encourage identification with shareholders interests.

The LDCC has engaged Semler Brossy Consulting Group, LLC (SBCG) as independent compensation consultants to ensure that it receives objective advice in making recommendations to the board on compensation matters and to assist the LDCC in fulfilling its mission of actively overseeing the design and operation of Elan s compensation program on behalf of the board of directors. The services provided by SBCG include, among other things: regular attendance at LDCC meetings; review of the LDCC s charter and terms of reference; updates on trends in compensation, corporate governance, and regulatory/accounting developments; review and update of peer groups; evaluation of the market competitiveness of current compensation; review and provide updates on evolving practice in the area of severance; and input to discussions on CEO pay and CEO recommendations for senior executives. SBCG do not provide any other services to Elan.

Elements of Non-Executive Director Remuneration

Non-executive directors are compensated with fee payments and equity awards with additional payments where directors are members of board committees. Non-executive directors may elect to receive their fee payments in the form of RSUs, which will vest on the earlier of 90 days after retirement from the board or 10 years. In 2011, Dr. Ekman, Mr. McGowan and Mr. McLaughlin elected to receive their fee payments in the form of RSUs. Non-executive directors are also reimbursed for reasonable travel expenses to and from board meetings. For further details on non-executive directors terms of appointment, refer to Item 7B. Related Party Transactions.

Elements of Executive Director Remuneration

Executive Directors Basic Salary

The basic salaries of executive directors are reviewed annually having regard to personal performance, Company performance and market practice.

Annual Cash Incentive Bonus

We operate a cash bonus plan in which all employees, including executive directors, are eligible to participate if and when we achieve our strategic and operating goals. Bonuses are not pensionable. The cash bonus plan operates on a calendar year basis. We measure our performance against a broad series of financial, operational and scientific objectives and measurements and set annual metrics relating to them. A bonus target, expressed as a percentage of basic salary, is set for all employees. Payment will be made based on a combination of individual, team, group and company performance.

Share-Based Compensation

It is our policy, in common with other companies operating in the biotechnology industry, to award share options and RSUs to management and employees, in line with the best interests of the Company. In 2006, shareholders approved the Elan Corporation, plc 2006 Long Term Incentive Plan (2006 LTIP) which was amended in 2008. Equity awards are usually awarded annually if and when we achieve our strategic and operating goals. Equity awards are also granted to some individuals on joining the Company. The equity awards under this plan generally vest between one and four years and do not contain any performance conditions other than service.

In addition, we have an EEPP in which our employees, including executive directors, are eligible to participate. This plan allows eligible employees to purchase shares at a discount of up to 15% of the lower of the fair market value at the beginning or last trading day of the offering period. Purchases are limited and subject to certain U.S. Internal Revenue Code (IRC) restrictions.

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Activities Undertaken During the Year

During the year, the LDCC reviewed the non-executive directors remuneration policy, the CEO and executive management compensation plans and the appropriateness of the 2011 Elan performance goals and objectives for all staff. In addition, the LDCC continued to monitor general compensation trends and CEO compensation in particular.

The LDCC also reviewed and commented on the arrangements for succession planning, severance packages and general talent management at Elan during the period. The committee was further involved in responding to the developments in the talent pool following the sale of the EDT business. The committee also engaged in a review of its charter with slight amendments recommended for implementation in early 2012.

On behalf of the LDCC,

Patrick Kennedy

Chairman of the LDCC and

Non-Executive Director

February 23, 2012

Report of the Nominating and Governance Committee

The NGC held four scheduled meetings in 2011. Details of meeting attendance by NGC members are included in the table on page 71. In addition there was one meeting held to deal with specific matters.

Committee Membership

Name	Status During 2011
Kieran McGowan (Chairman)	Member for the whole period
Robert Ingram	Member from January 26, 2011
Kyran McLaughlin	Member for the whole period
Giles Kerr	Member for the whole period
Dennis Selkoe	Member for the whole period

Role and Focus

The NGC reviews, on an ongoing basis, the membership of the board of directors and of the board committees and the performance of the directors. It recommends new appointments to fill any vacancy that is anticipated or arises on the board of directors. The NGC reviews and recommends changes in the functions of the various committees of the board. The guidelines and the charter of the committee set out the manner in which the performance evaluation of the board, its committees and the directors is to be performed and by whom.

Activities Undertaken During the Year

In December 2010, following a comprehensive selection process overseen by the NGC, Mr. Robert Ingram was appointed as a non-executive director and subsequently as chairman on January 26, 2011.

Under his employment agreement, Mr. Martin has agreed to serve as CEO and a director until May 1, 2012. During 2011, the NGC engaged CT Partners to assist the committee and the board of directors in recruiting a new CEO to succeed Mr. Martin in 2012. This process is ongoing.

Over the past number of years the board has engaged in an intensive process of board refreshment and renewal with over half of current directors being appointed during the previous six years. This process has continued, overseen by the NGC, in 2011 with the search for and appointment of two new directors, Mr. Hasler and Dr. von Eschenbach, as well as the consideration of a number of other candidates. In considering director appointments, the NGC evaluates the balance of skills, experience, independence and knowledge of the Company

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on the board and compares this to the needs of the Company. This analysis allows the NGC to determine the role and capabilities required for a particular appointment. In assembling candidate lists, the NGC uses external search firms as well as considering candidates recommended by board members and/or shareholders.

During the year, the NGC reviewed the membership of the board s committees and recommended a number of changes. The NGC also undertook a review of board and CEO performance, making recommendations and reporting its findings to the board and senior management.

On behalf of the NGC,

Kieran McGowan

Chairman of the NGC and

Non-Executive Director

February 23, 2012

Report of the Science and Technology Committee

The Science and Technology Committee held two scheduled meetings in 2011. Details of meeting attendance by Science and Technology Committee members are included in the table on page 71.

Committee Membership

Name	Status During 2011
Lars Ekman (Chairman)	Member for the whole period
Dennis Selkoe	Member for the whole period
Andrew von Eschenbach	Member from September 15, 2011

Role and Focus

The Science and Technology Committee advises the board in its oversight of matters pertaining to our research and technology strategy and provides a perspective on those activities to the board. It does so by reviewing the discovery approaches within our internal research effort and external innovation network and by reviewing internal and external technology capabilities against long-term trends and advancements.

Activities Undertaken During the Year

During the year the Science and Technology Committee met with the research & development leadership team and senior management and reviewed the direction and progress of the Company s clinical programs.

On behalf of the Science and Technology Committee,

Lars Ekman

Chairman of the Science and Technology Committee and

Non-Executive Director

February 23, 2012

D. Employees

See Item 4B. Business Overview Employees for information on our employees.

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E. Share Ownership

Directors and Secretary s Ordinary Shares

The beneficial interests of those persons who were directors and the secretary of Elan Corporation, plc at December 31, 2011, including their spouses and children under 18 years of age, were as follows:

	Ordinary Shares; Par Value 0.05 Each	
	2011[2]	2010[2]
Directors		
Robert A. Ingram		
Lars Ekman	90,387	90,387
Hans Peter Hasler[1]		
Gary Kennedy	7,650	7,650
Patrick Kennedy	10,500	10,500
Giles Kerr		
G. Kelly Martin	147,476	152,996
Kieran McGowan	6,200	1,200
Kyran McLaughlin	190,000	190,000
Donal O Connor	18,900	18,900
Richard Pilnik		
Dennis J. Selkoe	180,675	180,675
Andrew von Eschenbach[1]		
Secretary		
William F. Daniel	46,274	73,246

(1) *Appointed as a director on September 15, 2011*

(2) *No director or executive officer beneficially owns 1% or more of our outstanding shares as of December 31, 2011, or as of December 31, 2010.*

Directors and Secretary s Options and Restricted Stock Units

	Date of Grant	At December 31, 2010[1]	Exercise Price $	Granted 2011[1]	Exercised or Vested/ Cancelled 2011[1]	Market Price at Exercise/ Vest Date	At December 31, 2011[1]	Earliest Vest Date	Option Expiry/ RSU Latest Vest Date
Robert A. Ingram	February 9, 2011		RSU	29,412			29,412		February 9, 2021[2]
	February 9, 2011		RSU	29,412			29,412		February 9, 2021[3]
				58,824			58,824		
Lars Ekman	February 14, 2008	10,000	RSU				10,000		February 14, 2018[2]
	February 11, 2009	7,500	RSU				7,500		February 11, 2019[2]
	May 26, 2010	23,855	RSU				23,855		May 26, 2020[2]
	February 9, 2011		RSU	18,382			18,382		February 9, 2021[2]
	April 21, 2011		RSU	2,745			2,745		April 21, 2021[3]
	July 28, 2011		RSU	1,685			1,685		July 28, 2021[3]
	October 28, 2011		RSU	1,544			1,544		October 28, 2021[3]
		41,355		24,356			65,711		

Hans Peter Hasler[4]

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	Date of Grant	At December 31, 2010[1]	Exercise Price $	Granted 2011[1]	Exercised or Vested/ Cancelled 2011[1]	Market Price at Exercise/ Vest Date	At December 31, 2011[1]	Earliest Vest Date	Option Expiry/ RSU Latest Vest Date
Gary Kennedy	May 26, 2005	15,000	$ 8.05				15,000	May 26, 2007	May 25, 2015
	February 1, 2006	10,000	$ 15.90				10,000	February 1, 2008	January 31, 2016
	February 21, 2007	10,000	$ 13.95				10,000	February 21, 2009	February 20, 2017
	February 14, 2008	10,000	RSU				10,000		February 14, 2018[2]
	February 11, 2009	7,500	RSU				7,500		February 11, 2019[2]
	May 26, 2010	23,855	RSU				23,855		May 26, 2020[2]
	February 9, 2011		RSU	18,382			18,382		February 9, 2021[2]
		76,355		18,382			94,737		
Patrick Kennedy	May 22, 2008	20,000	$ 25.09				20,000	May 22, 2009	May 21, 2018
	February 11, 2009	7,500	RSU				7,500		February 11, 2019[2]
	May 26, 2010	23,855	RSU				23,855		May 26, 2020[2]
	February 9, 2011		RSU	18,382			18,382		February 9, 2021[2]
		51,355		18,382			69,737		
Giles Kerr	September 13, 2007	20,000	$ 19.51				20,000	September 13, 2008	September 12, 2017
	February 14, 2008	10,000	RSU				10,000		February 14, 2018[2]
	February 11, 2009	7,500	RSU				7,500		February 11, 2019[2]
	May 26, 2010	23,855	RSU				23,855		May 26, 2020[2]
	February 9, 2011		RSU	18,382			18,382		February 9, 2021[2]
		61,355		18,382			79,737		
G. Kelly Martin	February 6, 2003	944,000	$ 3.85				944,000	December 31, 2003	February 5, 2013
	November 13, 2003	1,000,000	$ 5.28				1,000,000	December 31, 2003	November 12, 2013
	March 10, 2004	60,000	$ 16.27				60,000	January 1, 2005	March 9, 2014
	March 10, 2005	280,000	$ 7.47				280,000	January 1, 2006	March 9, 2015
	December 7, 2005	750,000	$ 12.03				750,000	December 31, 2006	December 6, 2015
	February 21, 2007	494,855	$ 13.95				494,855	February 21, 2008	February 20, 2017
	February 14, 2008	329,590	$ 25.01				329,590	February 14, 2009	February 13, 2018
	September 18, 2009	150,000	$ 7.18				150,000	March 18, 2012	September 17, 2019
	February 11, 2010	673,797	$ 7.05				673,797	February 11, 2011	February 10, 2020
	February 11, 2010	124,113	RSU		41,371	$ 6.86	82,742	February 11, 2011	February 11, 2013
	February 9, 2011		$ 6.80	932,134			932,134	February 9, 2012	February 8, 2021
	February 9, 2011		RSU	136,029			136,029	February 9, 2012	February 9, 2014
		4,806,355		1,068,163	41,371		5,833,147		
Kieran McGowan	March 2, 2001	5,000	$ 54.85		5,000			March 2, 2002	March 1, 2011
	March 10, 2004	40,000	$ 16.27				40,000	March 10, 2005	March 9, 2014
	March 10, 2005	7,500	$ 7.47				7,500	January 1, 2006	March 9, 2015
	February 1, 2006	10,000	$ 15.90				10,000	February 1, 2008	January 31, 2016
	February 21, 2007	10,000	$ 13.95				10,000	February 21, 2009	February 20, 2017
	February 14, 2008	10,000	RSU				10,000		February 14, 2018[2]
	February 11, 2009	7,500	RSU				7,500		February 11, 2019[2]
	May 26, 2010	23,855	RSU				23,855		May 26, 2020[2]
	February 9, 2011		RSU	18,382			18,382		February 9, 2021[2]
	April 21, 2011		RSU	2,980			2,980		April 21, 2021[3]
	July 28, 2011		RSU	2,093			2,093		July 28, 2021[3]
	October 28, 2011		RSU	1,956			1,956		October 28, 2021[3]

	113,855	25,411	5,000	134,266

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	Date of Grant	At December 31, 2010[1]	Exercise Price $	Granted 2011[1]	Exercised or Vested/ Cancelled 2011[1]	Market Price at Exercise/ Vest Date	At December 31, 2011[1]	Earliest Vest Date	Option Expiry/ RSU Latest Vest Date
Kyran McLaughlin	March 2, 2001	5,000	$ 54.85		5,000			March 2, 2002	March 1, 2011
	March 10, 2004	40,000	$ 16.27				40,000	March 10, 2005	March 9, 2014
	March 10, 2005	7,500	$ 7.47				7,500	January 1, 2006	March 9, 2015
	February 1, 2006	10,000	$ 15.90				10,000	February 1, 2008	January 31, 2016
	February 21, 2007	10,000	$ 13.95				10,000	February 21, 2009	February 20, 2017
	February 14, 2008	10,000	RSU				10,000		February 14, 2018[2]
	February 11, 2009	11,250	RSU				11,250		February 11, 2019[2]
	May 26, 2010	28,626	RSU				28,626		May 26, 2020[2]
	February 9, 2011		RSU	18,382			18,382		February 9, 2021[2]
	April 21, 2011		RSU	4,224			4,224		April 21, 2021[3]
	July 28, 2011		RSU	1,487			1,487		July 28, 2021[3]
	October 28, 2011		RSU	1,390			1,390		October 28, 2021[3]
		122,376		25,483	5,000		142,859		
Donal O Connor	May 22, 2008	20,000	25.09				20,000	May 22, 2009	May 21, 2018
	February 11, 2009	7,500	RSU				7,500		February 11, 2019[2]
	May 26, 2010	23,855	RSU				23,855		May 26, 2020[2]
	February 9, 2011		RSU	18,382			18,382		February 9, 2021[2]
		51,355		18,382			69,737		
Richard Pilnik	May 26, 2010	23,855	RSU				23,855		May 26, 2020[2]
	February 9, 2011		RSU	18,382			18,382		February 9, 2021[2]
		23,855		18,382			42,237		
Dennis J. Selkoe	March 10, 2004	40,000	$ 16.27		40,000			March 10, 2005	July 16, 2011
	March 10, 2005	7,500	$ 7.47		7,500			January 1, 2006	July 16, 2011
	February 1, 2006	10,000	$ 15.90		10,000			February 1, 2008	July 16, 2011
	February 21, 2007	10,000	$ 13.95		10,000			February 21, 2009	July 16, 2011
	May 26, 2010	23,855	RSU				23,855		May 26, 2020[2]
	February 9, 2011		RSU	18,382			18,382		February 9, 2021[2]
		91,355		18,382	67,500		42,237		
Andrew Von Eschenbach[4]									
Secretary									
William F. Daniel	March 2, 2001	25,000	$ 54.85		25,000			January 1, 2002	March 1, 2011
	March 1, 2002	30,000	$ 14.07				30,000	January 1, 2003	February 29, 2012
	May 1, 2003	6,000	$ 3.84				6,000	January 1, 2004	April 30, 2013
	March 10, 2004	30,000	$ 16.27				30,000	January 1, 2005	March 9, 2014
	March 10, 2005	50,000	$ 7.47				50,000	January 1, 2006	March 9, 2015
	February 1, 2006	47,925	$ 15.90				47,925	January 1, 2007	January 31, 2016
	February 21, 2007	69,372	$ 13.95				69,372	February 21, 2008	February 20, 2017
	February 21, 2007	2,689	RSU		2,689	$ 6.55		February 21, 2008	February 21, 2011
	February 14, 2008	17,758	$ 25.01				17,758	February 14, 2009	February 13, 2018
	February 14, 2008	4,998	RSU		2,499	$ 6.94	2,499	February 14, 2009	February 14, 2012
	February 11, 2009	77,643	$ 7.75				77,643	August 11, 2011	February 10, 2019
	February 11, 2009	18,479	RSU		18,479	$ 9.86		August 11, 2011	August 11, 2011
	February 11, 2010	51,337	$ 7.05				51,337	February 11, 2011	February 10, 2020
	February 11, 2010	28,369	RSU		9,457	$ 6.72	18,912	February 11, 2011	February 11, 2013
	February 9, 2011		$ 6.80	103,458			103,458	February 9, 2012	February 8, 2021
	February 9, 2011		RSU	45,294			45,294	February 9, 2012	February 9, 2014

	459,570	148,752	58,124	550,198

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(1) *The amounts shown represent the number of Ordinary Shares callable by options or Ordinary Shares issuable upon the vesting of RSUs.*

(2) *Will vest, after 90 days if after having served for a minimum of three years the non-executive director retires or is removed from the board of directors for any reason other than cause, or on the tenth anniversary of the grant date.*

(3) *RSUs granted in fulfillment of director s fee, and will vest, after 90 days if the non-executive director concerned retires or is removed from the board of directors for any reason other than cause, or on the tenth anniversary of the grant date.*

(4) *Appointed as a director on September 15, 2011*

During the year ended December 31, 2011, the closing market price ranged from $5.83 to $13.85 per ADS. The closing market price at February 17, 2012, on the NYSE, of our ADSs was $12.50.

The following changes in directors and secretary s interests occurred between December 31, 2011, and February 17, 2012:

	Grant Date	Exercise Price	No. of Options	No. of RSUs
Directors				
Robert A. lngram	February 9, 2012	$		30,372
Lars Ekman	February 9, 2012	$		16,610(1)
Hans Peter Hasler	February 9, 2012	$		15,186
Gary Kennedy	February 9, 2012	$		15,186
Patrick Kennedy	February 9, 2012	$		15,186
Giles Kerr	February 9, 2012	$		15,186
G. Kelly Martin	February 9, 2012	$ 13.17	225,000	37,500
Kieran McGowan	February 9, 2012	$		16,989(2)
Kyran McLaughlin	February 9, 2012	$		16,467(3)
Donal O Connor	February 9, 2012	$		15,186
Richard Pilnik	February 9, 2012	$		15,186
Dennis J. Selkoe	February 9, 2012	$		15,186
Andrew von Eschenbach	February 9, 2012	$		15,186
Secretary				
William F. Daniel	February 9, 2012	$ 13.17	105,146	37,965

(1) *Includes 1,424 RSUs granted in fulfillment of director s fee for September to December 2011.*

(2) *Includes 1,803 RSUs granted in fulfillment of director s fee for September to December 2011.*

(3) *Includes 1,281 RSUs granted in fulfillment of director s fee for September to December 2011.*

	Date	RSUs Vested	Options Exercised	ADRs Sold
Directors				
G. Kelly Martin	February 9, 2012	45,343		
G. Kelly Martin	February 10, 2012			15,405

G. Kelly Martin	February 13, 2012	41,371	
G. Kelly Martin	February 14, 2012		14,819
Secretary			
William F. Daniel	February 9, 2012	15,098	11,324
William F. Daniel	February 13, 2012	9,456	7,092
William F. Daniel	February 14, 2012	2,499	1,874

Executive Directors Pension Arrangements

Pensions for executive directors are calculated on basic salary only (no incentive or benefit elements are included).

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From July 2001 to December 2004, Mr. Cooke participated in a defined benefit pension plan, which is designed to provide eligible employees based in Ireland two-thirds of their basic salary at retirement at age 60 for full service. Mr. Cooke left the service of the Company in September 2011 and on that date had a total accumulated accrued annual benefit of 15,290 (2010: 15,290). Between December 2004 and September 2011 Mr. Cooke participated in a small self-administered pension fund to which we contributed.

Mr. Martin participates in a defined contribution plan (401(k) plan) for U.S. based employees.

Non-executive directors do not receive pensions.

For additional information on pension benefits for our employees, refer to Note 25 to the Consolidated Financial Statements.

Item 7. ***Major Shareholders and Related Party Transactions.***

A. Major Shareholders

The following table sets forth certain information regarding the ownership of Ordinary Shares or ADSs of which we are aware at February 17, 2012 by major shareholders and all of our directors and officers as a group (either directly or by virtue of ownership of our ADSs):

Name of Owner or Identity of Group	No. of Shares	Date of Disclosure[1]	Percent of Issued Share Capital[2]
Janssen Pharmaceuticals	107,396,285[3]	September 18, 2009	18.2%
Fidelity Management and Research Company	70,508,640	February 17, 2012	11.9%
Wellington Management	37,305,855	December 31, 2011[4]	6.3%
Invesco Limited	29,861,469	February 7, 2012	5.1%
Blackrock Inc.	23,735,433	September 28, 2011	4.0%
All directors and officers as a group (17 persons)	6,441,112[5]	February 17, 2012	1.1%

(1) *Since the date of disclosure, the interest of any person listed above in our Ordinary Shares may have increased or decreased. No requirement to notify us of any change would have arisen unless the holding moved up or down through a whole number percentage level.*

(2) *Based on 591.2 million Ordinary Shares outstanding on February 17, 2012.*

(3) *These shares were issued as part of the Johnson & Johnson Transaction. Refer to page 7 for additional information.*

(4) *Sourced from SEC filings.*

(5) *Includes 5.6 million Ordinary Shares issuable upon exercise of currently exercisable options held by directors and officers as a group as of February 17, 2012.*

Except for these interests, we have not been notified as of February 17, 2012 of any interest of 3% or more of our issued share capital. Neither Janssen Pharmaceuticals, Fidelity Management and Research Company, Wellington Management, Invesco Limited nor Blackrock Inc. has voting rights different from other shareholders.

We, to our knowledge, are not directly or indirectly owned or controlled by another entity or by any government. We do not know of any arrangements, the operation of which might result in a change of control of the Company.

A total of 591,178,503 Ordinary Shares of Elan were issued and outstanding as of February 17, 2012, of which 3,163 Ordinary Shares were held by holders of record in the United States, excluding shares held in the form of ADRs. 493,602,812 Ordinary Shares were represented by our ADSs, evidenced by ADRs, issued by Citibank, N.A., as depositary, pursuant to a deposit agreement. As of February 17, 2012, the number of holders of record of Ordinary Shares was 7,474, which includes ten holders of record in the United States, and the number of registered holders of ADRs was 3,059. Because certain of these Ordinary Shares and ADRs were held by brokers or other nominees, the number of holders of record or registered holders in the United States is not representative of the number of beneficial holders or of the residence of beneficial holders.

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B. Related Party Transactions

There were no significant transactions with related parties during the year ended December 31, 2011, other than as outlined in Note 31 to the Consolidated Financial Statements.

Transactions with Directors

Except as set out below, there are no service contracts in existence between any of the directors and Elan.

Non-Executive Directors Terms of Appointment

Period	Three-year term which can be extended by mutual consent, contingent on satisfactory performance and re-election at the AGM.	
Termination	By the director or the Company at each party s discretion without compensation.	
Fees	Board Membership Fees	
	Chairman s Fee	$ 150,000[1]
	Director s Fee	$ 55,000[2]
	Additional Board/Committee Fees	
	Lead Independent Director s Fee	$ 20,000
	Audit Committee Chairman s Fee	$ 25,000[3]
	Audit Committee Member s Fee	$ 15,000
	Other Committee Chairman s Fee	$ 20,000[3]
	Other Committee Member s Fee	$ 12,500
Equity	Non-executive directors are entitled to be considered for an annual equity award, based on the recommendation of the LDCC and supported by the advice of the LDCC s compensation consultants. Such equity awards are normally granted in February of each year and are currently made in the form of RSUs. The awards made in February 2012 had the following grant date fair values:	
	Chairman	$ 400,000[1]
	Other non-executive directors	$ 200,000[2]
Expenses	Reimbursement of travel and other expenses reasonably incurred in the performance of their duties.	
Time commitment	Five scheduled in-person board meetings, the AGM and relevant committee meetings depending upon board/committee requirements and general corporate activity. Non-executive board members are also expected to be available for a number of unscheduled board and committee meetings, where applicable, as well as to devote appropriate preparation time ahead of each meeting.	
Confidentiality	Information acquired by each director in carrying out their duties is deemed confidential and cannot be publicly released without prior clearance from the chairman of the board.	

(1) *The chairman s compensation for 2012 consists of a fee of $150,000 (2011: $250,000) and RSUs with a grant date fair value of $400,000 (2011:$200,000), amounting to a total value of $550,000 in 2012 (2011: $450,000). The chairman does not receive additional compensation for sitting on board committees.*

(2) *Non-executive directors can elect to receive their fee payments in the form of RSUs, which will vest on the earlier of 90 days after their retirement from the board or 10 years. In 2011, Dr. Ekman, Mr. McGowan and Mr. McLaughlin elected to receive their fee payments in the form of RSUs.*

(3) *Inclusive of committee membership fee.*

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Dr. Ekman

Effective December 31, 2007, Dr. Lars Ekman resigned from his operational role as president of R&D and has continued to serve as a member of the board of directors of Elan.

Under the agreement reached with Dr. Ekman, we agreed by reference to Dr. Ekman s contractual entitlements and in accordance with our severance plan to (a) make a lump-sum payment of $2,500,000; (b) make milestone payments to Dr. Ekman, subject to a maximum amount of $1,000,000, if we achieve certain milestones in respect of our Alzheimer s disease program; (c) accelerate the vesting of, and grant a two-year exercise period, in respect of certain of his equity awards, with a cash payment being made in respect of one grant of RSUs (which did not permit accelerated vesting); and (d) continue to make annual pension payments in the amount of $60,000 per annum, provide the cost of continued health coverage and provide career transition services to Dr. Ekman for a period of up to two years. A total severance charge of $3.6 million was expensed in 2007 for Dr. Ekman, excluding potential future success milestone payments related to our Alzheimer s disease program. To date, none of the milestones has been triggered, and they remain in effect.

Mr. Martin

On January 7, 2003, we and EPI entered into an agreement with Mr. G. Kelly Martin such that Mr. Martin was appointed president and CEO effective February 3, 2003.

Effective December 7, 2005, we and EPI entered into a new employment agreement with Mr. Martin, under which Mr. Martin continues to serve as our CEO with an initial base annual salary of $798,000. Mr. Martin is eligible to participate in our annual bonus plan, performance-based stock awards and merit award plans. Under the new agreement, Mr. Martin was granted an option to purchase 750,000 Ordinary Shares with an exercise price per share of $12.03, vesting in three equal annual instalments (the 2005 Options). Mr. Martin s employment agreement was amended on December 19, 2008 to comply with the requirements of Section 409A of the IRC.

On June 2, 2010, Elan and Mr. Martin agreed to amend his 2005 employment contract from an open-ended agreement to a fixed term agreement. Under this 2010 agreement, Mr. Martin committed to remain in his current roles as CEO and director of the Company through to May 1, 2012. It was agreed that upon the completion of this fixed term Mr. Martin will then serve the board as executive adviser through to January 31, 2013. Under this amendment, Mr. Martin s base salary was increased from $800,000 to $1,000,000 per year effective June 1, 2010, and when Mr. Martin moves to the role of executive adviser, his base salary will be reduced to $750,000 per year, he will not be eligible for a bonus and he will resign from the board.

The agreement, as amended, continues until Mr. Martin resigns, is involuntarily terminated, is terminated for cause or dies, or is disabled. In general, if Mr. Martin s employment is involuntarily terminated (other than for cause, death or disability) or Mr. Martin leaves for good reason, we will pay Mr. Martin a lump sum equal to two (three, in the event of a change in control) times his salary and target bonus and his options will be exercisable until the earlier of (i) January 31, 2015 or (ii) tenth anniversary of the date of grant. In the event of a change in control, his options will be exercisable until the earlier of (i) three years from the date of termination, or January 31, 2015, whichever is later or (ii) the tenth anniversary of the date of grant of the stock option.

In the event of such an involuntary termination (other than as the result of a change in control), Mr. Martin will, for a period of two years (three years in the event of a change in control), or, if earlier, the date Mr. Martin obtains other employment, continue to participate in our health and medical plans and we shall pay Mr. Martin a lump sum of $50,000 to cover other costs and expenses. Mr. Martin will also be entitled to career transition assistance and the use of an office and the services of a full-time secretary for a reasonable period of time not to exceed two years (three years in the event of a change in control).

In addition, if it is determined that any payment or distribution to Mr. Martin would be subject to excise tax under Section 4999 of the IRC, or any interest or penalties are incurred by Mr. Martin with respect to such excise tax, then Mr. Martin shall be entitled to an additional payment in an amount such that after payment by Mr. Martin of all taxes on such additional payment, Mr. Martin retains an amount of such additional payment equal to such excise tax amount.

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The agreement also obligates us to indemnify Mr. Martin if he is sued or threatened with suit as the result of serving as our officer or director. We will be obligated to pay Mr. Martin s attorney s fees if he has to bring an action to enforce any of his rights under the employment agreement.

Mr. Martin is eligible to participate in the retirement, medical, disability and life insurance plans applicable to senior executives in accordance with the terms of those plans. He may also receive financial planning and tax support and advice from the provider of his choice at a reasonable and customary annual cost.

No other director has an employment contract extending beyond 12 months or pre-determined compensation on termination which exceeds one year s salary.

Mr. McLaughlin

In 2011 and 2010, Davy, an Irish based stockbroking, wealth management and financial advisory firm, of which Mr. McLaughlin is deputy chairman, provided advisory services to the company. The total invoiced value of these services was $0.2 million (2010: $0.3 million). Services rendered in 2011 included work in relation to the EDT divestment.

In November 2011, the Company engaged an adult son of Kyran McLaughlin as a consultant in relation to the Company s investor relations programs for a six month period. The amount invoiced for these services in 2011 was 11,800. Mr. McLaughlin s son is not an executive officer and does not have a key strategic role within Elan.

Mr. Pilnik

In 2009, prior to his joining the board of directors of Elan, Mr. Pilnik was paid a fee of $15,230 for consultancy services provided to Elan.

Dr. Selkoe

Effective as of July 1, 2009, EPI entered into a consultancy agreement with Dr. Selkoe under which Dr. Selkoe agreed to provide consultant services with respect to the treatment and/or prevention of neurodegenerative and autoimmune diseases. We pay Dr. Selkoe a fee of $12,500 per quarter under this agreement. The agreement is effective for three years unless terminated by either party upon 30 days written notice and supersedes all prior consulting agreements between Dr. Selkoe and Elan. Previously, Dr. Selkoe was a party to a similar consultancy agreement with EPI and Athena. Under the consultancy agreements, Dr. Selkoe received $50,000 in 2011, 2010 and 2009.

Dr. Selkoe serves as a Company-nominated director of Janssen AI, a subsidiary of Johnson & Johnson in which Elan holds a 49.9% equity interest. In December 2010, Dr Selkoe entered into a consulting agreement with Johnson & Johnson Pharmaceutical Research & Development LLC. This agreement was amended in November 2011 to extend it until December 31, 2012. During 2011, Dr. Selkoe received a fee of $1,600 in respect of services provided under this agreement. On February 2, 2012, this consulting agreement was terminated.

Arrangements with Former Directors

Agreements with Mr. Schuler, Mr. Bryson and Crabtree Partners L.L.C.

On September 17, 2010, we entered into agreements with Mr. Schuler and Mr. Bryson whereby we agreed to pay to Mr. Schuler and Mr. Bryson the aggregate amount of $300,000 in settlement of all costs, fees and expenses incurred by them in respect of any and all matters relating to the Irish High Court litigation and the U.S. Securities and Exchange Commission (SEC) investigation of Mr. Schuler. Under the agreements, Mr. Schuler and Mr. Bryson agreed to resign from the board, and they subsequently resigned on October 29, 2010.

On June 8, 2009, we entered into an agreement with Mr. Schuler, Mr. Bryson and Crabtree Partners L.L.C. (an affiliate of Mr. Schuler and a shareholder of the Company) (collectively the Crabtree Group). Pursuant to this Agreement, we agreed to nominate Mr. Schuler and Mr. Bryson for election as directors of the Company at the 2009 AGM. Mr. Schuler and Mr. Bryson irrevocably agreed to resign as directors of the Company effective

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on the first date on which Mr. Schuler, Mr. Bryson and Crabtree Partners L.L.C. cease to beneficially own, in aggregate, at least 0.5% of the Company s issued share capital. The Agreement also included a standstill provision providing that, until the later of December 31, 2009, amended to January 1, 2012, pursuant to the 2010 agreement, and the date that was three months after the date on which Mr. Schuler and Mr. Bryson cease to be directors of the Company, none of Mr. Schuler, Mr. Bryson, Crabtree Partners L.L.C. or any of their respective affiliates would, among other things, acquire any additional equity interest in the Company if, after giving effect to the acquisition, Mr. Schuler, Mr. Bryson, Crabtree Partners L.L.C. and their affiliates would own more than 3% of the Company s issued share capital. Finally, we agreed to reimburse the Crabtree Group for $500,000 of documented out-of-pocket legal expenses incurred by their outside counsel in connection with the Agreement and the matters referenced in the Agreement.

Dr. Bloom

On July 17, 2009, EPI entered into a consultancy agreement with Dr. Bloom under which Dr. Bloom agreed to provide consultant services to Elan with respect to the treatment and/or prevention of neurodegenerative diseases and to act as an advisor to the science and technology committee. Effective July 17, 2011, this agreement was extended for a further year (the Amended Agreement) and we pay Dr. Bloom a fee of $12,500 per quarter under the Amended Agreement. This agreement can be terminated by either party upon 30 days written notice. Under the consultancy agreements, Dr. Bloom received $44,674 in 2011 (2010: $58,125, of which $18,152 related to services rendered during 2009).

Mr. Cooke

In connection with the EDT transaction, as described in note 5, and Mr. Cooke s transfer of employment from the Company to Alkermes plc, the Company and Mr. Cooke agreed on September 16, 2011, that if his employment with Alkermes plc is terminated otherwise than for disciplinary reasons, and the date of expiry of notice of his termination of employment is not later than August 15, 2012, we will make up the shortfall, if any, between the severance amount payable to him by Alkermes plc, and the amount that he would have received under our current Elan severance plan had his employment continued and been terminated by us.

External Appointments and Retention of Fees

Executive directors may accept external appointments as non-executive directors of other companies and retain any related fees paid to them.

C. Interest of Experts and Counsel
Not applicable.

Item 8. ***Financial Information.***

A. Consolidated Statements and Other Financial Information
See Item 18 Consolidated Financial Statements.

B. Significant Changes
None.

Item 9. ***The Offer and Listing.***

A. Offer and Listing Details
See Item 9C Markets.

B. Plan of Distribution

Not applicable.

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C. Markets

Our Ordinary Shares are traded on the ISE and our ADSs, each representing one Ordinary Share and evidenced by ADRs, are traded on the NYSE under the symbol ELN. The ADR depositary is Citibank, N.A.

The following table sets forth the high and low sales prices of the Ordinary Shares during the periods indicated, based upon mid-market prices at close of business on the ISE and the high and low sales prices of the ADSs, as reported in published financial sources:

	0.05 Ordinary Shares		American Depositary Shares[1]	
	High	Low	High	Low
	( )		($)	
Year ended December 31				
2007	16.89	9.04	24.52	11.98
2008	23.47	4.02	36.82	5.36
2009	6.37	3.42	8.70	5.00
2010	6.04	3.48	8.18	4.33
2011	10.72	4.33	13.85	5.83
Calendar Year				
2010				
Quarter 1	5.72	4.66	8.12	6.65
Quarter 2	6.04	3.70	8.18	4.50
Quarter 3	4.13	3.48	5.75	4.33
Quarter 4	4.71	3.88	6.15	5.08
2011				
Quarter 1	5.38	4.33	7.11	5.83
Quarter 2	8.00	4.87	11.37	6.80
Quarter 3	8.80	6.19	12.48	9.20
Quarter 4	10.72	7.33	13.85	9.87
Month Ended				
August 2011	8.02	6.19	11.22	9.20
September 2011	7.97	6.86	10.69	9.40
October 2011	8.52	7.53	12.14	9.87
November 2011	8.56	7.33	11.91	9.92
December 2011	10.72	8.16	13.85	10.75
January 2012	11.06	10.17	13.92	13.01

(1) *An ADS represents one Ordinary Share, par value 0.05.*

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

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Item 10. ***Additional Information.***

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Our objects, which are detailed in our Memorandum of Association include, but are not limited to, manufacturing, buying, selling and distributing pharmaceutical products.

Directors

Subject to certain limited exceptions, directors may not vote on matters in which they have a material interest. In the absence of an independent quorum, the directors may not vote compensation to themselves or any member of the board of directors. Directors are entitled to remuneration as shall, from time to time, be voted to them by ordinary resolution of the shareholders and to be paid such expenses as may be incurred by them in the course of the performance of their duties as directors. Directors who take on additional committee assignments or otherwise perform additional services for the Company, outside the scope of their ordinary duties as directors, shall be entitled to receive such additional remuneration as the board may determine. The directors may exercise all of the powers of Elan to borrow money. These powers may be amended by special resolution of the shareholders. There is no requirement for a director to hold shares.

The names of the directors are shown in Item 6A. Directors and Senior Management . Dr. Andrew von Eschenbach and Mr. Hans Peter Hasler were appointed as directors on September 15, 2011. Mr. Frick retired from the board on May 26, 2011 and Mr. Cooke retired from the board on September 15, 2011.

Under the terms of our Articles of Association, directors serve for a term of three years expiring at the AGM in the third year following their appointment at an AGM or as the case may be, their re-appointment at the AGM. Additionally, in line with the provisions of the Combined Code, non-executive directors who have served on the board for in excess of nine years are subject to annual re-election by shareholders. Directors are not required to retire at any set age and may, if recommended by the board of directors, offer themselves for re-election at any AGM where they are deemed to have retired by rotation. Following our adoption of the requirements of the U.K. Corporate Governance Code, all directors will stand for annual re-election with effect from the date of the 2012 AGM.

Meetings

The AGM shall be held in such place and at such time as shall be determined by the board, but no more than 15 months shall pass between the dates of consecutive AGMs. Directors may call Extraordinary General Meetings at any time. The members, in accordance with our Articles of Association and Irish company law, may also requisition Extraordinary General Meetings. Notice of an AGM (or any special resolution) must be given at least 21 clear days prior to the scheduled date and, in the case of any other general meeting, with not less than 14 clear days notice.

Rights, Preferences and Dividends Attaching to Shares

All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of Elan until claimed. All shareholders entitled to attend and vote at the AGM are likewise entitled to vote on the re-election of directors. We are permitted under our Memorandum and Articles of Association to issue redeemable shares on such terms and in such manner as the shareholders may determine by special resolution. The liability of the shareholders to further capital calls is limited to the amounts remaining unpaid on shares.

Liquidation Rights

In the event of the Company being wound up, the liquidator may, with the authority of a special resolution, divide among the holders of Ordinary Shares the whole or any part of the net assets of the Company (after the

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return of capital on the non-voting Executive Shares), and may set such value as is deemed fair upon each kind of property to be so divided and determine how such division will be carried out.

Actions Necessary to Change the Rights of Shareholders

The rights attaching to the different classes of shares may be varied by special resolution passed at a class meeting of that class of shareholders. The additional issuance of further shares ranking *pari passu* with, or subordinate to, an existing class shall not, unless specified by the Articles or the conditions of issue of that class of shares, be deemed to be a variation of the special rights attaching to that class of shares.

Limitations on the Right to Own Shares

There are no limitations on the right to own shares in the Memorandum and Articles of Association. However, there are some restrictions on financial transfers between Ireland and other specified countries, more particularly described in the section on Exchange Controls and Other Limitations Affecting Security Holders.

Other Provisions of the Memorandum and Articles of Association

There are no provisions in the Memorandum and Articles of Association:

- Delaying or prohibiting a change in control of Elan that operate only with respect to a merger, acquisition or corporate restructuring;
- Discriminating against any existing or prospective holder of shares as a result of such shareholder owning a substantial number of shares; or
- Governing changes in capital, where such provisions are more stringent than those required by law.

We incorporate by reference all other information concerning our Memorandum and Articles of Association from the section entitled Description of Ordinary Shares in the Registration Statement on Form 8-A/A3 (SEC File No. 001-13896) we filed with the SEC on December 6, 2004 and our Memorandum and Articles of Association filed with the SEC as Exhibit 1.1 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2010.

C. Material Contracts

Indentures

Indentures governing the 2016 Notes issued October 2009 and the 2016 Notes issued August 2010 contain covenants that restrict or prohibit our ability to engage in or enter into a variety of transactions. These restrictions and prohibitions could have a material and adverse effect on us. During 2011, as of December 31, 2011, and as of the date of filing of this Form 20-F, we were not in violation of any of our debt covenants. For additional information with respect to the restrictive covenants contained in our indentures, refer to Note 22 to the Consolidated Financial Statements.

Development and Marketing Collaboration Agreement with Biogen Idec

In August 2000, we entered into a development and marketing collaboration agreement with Biogen Idec, successor to Biogen, Inc., to collaborate in the development and commercialization of *Tysabri* for MS and Crohn s disease, with Biogen Idec acting as the lead party for MS and Elan acting as the lead party for Crohn s disease.

In November 2004, *Tysabri* received regulatory approval in the United States for the treatment of relapsing forms of MS. In February 2005, Elan and Biogen Idec voluntarily suspended the commercialization and dosing in clinical trials of *Tysabri.* This decision was based on reports of serious adverse events involving cases of PML, a rare and potentially fatal, demyelinating disease of the central nervous system.

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In June 2006, the FDA approved the reintroduction of *Tysabri* for the treatment of relapsing forms of MS. Approval for the marketing of *Tysabri* in the European Union was also received in June 2006 and has subsequently been received in a number of other countries. The distribution of *Tysabri* in both the United States and the European Union commenced in July 2006. Global in-market net sales of *Tysabri* in 2011 were $1,510.6 million (2010: $1,230.0 million; 2009: $1,059.2 million), consisting of $746.5 million (2010: $593.2 million; 2009: $508.5 million) in the U.S. market and $764.1 million (2010: $636.8 million; 2009: $550.7 million) in the ROW.

In January 2008, the FDA approved the supplemental Biologics License Application (sBLA) for *Tysabri* for the treatment of patients with Crohn s disease, and *Tysabri* was launched in this indication at the end of the first quarter of 2008. In December 2008, we announced a realignment of our commercial activities in *Tysabri* for Crohn s disease, shifting our efforts from a traditional sales model to a model based on clinical support and education.

Tysabri was developed and is now being marketed in collaboration with Biogen Idec. In general, subject to certain limitations imposed by the parties, we share with Biogen Idec most development and commercialization costs. Biogen Idec is responsible for manufacturing the product. In the United States, we purchase *Tysabri* from Biogen Idec and are responsible for distribution. Consequently, we record as revenue the net sales of *Tysabri* in the U.S. market. We purchase product from Biogen Idec as required at a price, which includes the cost of manufacturing, plus Biogen Idec s gross profit on *Tysabri* and this cost, together with royalties payable to other third parties, is included in cost of sales.

In the ROW markets, Biogen Idec is responsible for distribution and we record as revenue our share of the profit or loss on ROW sales of *Tysabri*, plus our directly incurred expenses on these sales. In 2011, we recorded revenue of $317.6 million (2010: $258.3 million; 2009: $215.8 million).

As a result of the strong growth in *Tysabri* sales, in July 2008, we made an optional payment of $75.0 million to Biogen Idec in order to maintain our approximate 50% share of *Tysabri* for annual global in-market net sales of *Tysabri* that are in excess of $700.0 million. In addition, in December 2008, we exercised our option to pay a further $50.0 million milestone to Biogen Idec in order to maintain our percentage share of *Tysabri* at approximately 50% for annual global in-market net sales of *Tysabri* that are in excess of $1.1 billion. There are no further milestone payments required for us to retain our approximate 50% profit share.

The collaboration agreement will expire in November 2019, but may be extended by mutual agreement of the parties. If the agreement is not extended, then each of Biogen Idec and Elan has the option to buy the other party s rights to *Tysabri* upon expiration of the term. Each party has a similar option to buy the other party s rights to *Tysabri* if the other party undergoes a change of control (as defined in the collaboration agreement). In addition, 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.

For additional information relating to *Tysabri*, refer to Note 3.

Johnson & Johnson AIP Agreements

On September 17, 2009, Janssen AI, a newly formed subsidiary of Johnson & Johnson, completed the acquisition of substantially all of our assets and rights related to the AIP. In addition, Johnson & Johnson, through its affiliate Janssen Pharmaceutical, invested $885.0 million in exchange for newly issued ADRs of Elan, representing 18.4% of our outstanding Ordinary Shares at the time. Johnson & Johnson also committed to fund up to $500.0 million towards the further development and commercialization of the AIP. As of December 31, 2011, the remaining unspent amount of the Johnson & Johnson $500.0 million funding commitment was $57.6 million (2010: $272.0 million), which reflects the $214.4 million utilized in 2011 (2010: $179.0 million). In the event that either an AIP product reaches market and Janssen AI is in a positive operating cash flow position, or the AIP is terminated before the initial $500.0 million funding commitment has been drawn down, Johnson & Johnson is not required to contribute the full $500.0 million. Any required additional expenditures in

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respect of Janssen AI s obligations under the AIP collaboration in excess of the initial $500.0 million funding commitment is required to be funded by Elan and Johnson & Johnson in proportion to their respective shareholdings up to a maximum additional commitment of $400.0 million in total. Based on current spend levels, we anticipate that we will be called upon to provide funding to Janssen AI commencing in the second quarter of 2012. In the event that further funding is required beyond the $400.0 million, such funding will be on terms determined by the board of Janssen AI, with Johnson & Johnson and Elan having a right of first offer to provide additional funding. If we fail to provide our share of the $400.0 million commitment or any additional funding that is required for the development of the AIP, and if Johnson & Johnson elects to fund such an amount, our interest in Janssen AI could, at the option of Johnson & Johnson, be commensurately reduced.

In consideration for the transfer of these assets and rights, we received a 49.9% equity interest in Janssen AI. In general, Elan is entitled to a 49.9% share of all net profits generated by Janssen AI beginning from the date Janssen AI becomes net profitable and certain royalty payments upon the commercialization of products under the AIP collaboration. The AIP represented our interest in that collaboration to research, develop and commercialize products for the treatment and/or prevention of neurodegenerative conditions, including Alzheimer s disease. Janssen AI has assumed our activities with Pfizer under the AIP. Under the terms of the Johnson & Johnson Transaction, if we undergo a change of control, an affiliate of Johnson & Johnson will be entitled to purchase our 49.9% interest in Janssen AI at the then fair value.

Transition Therapeutics Collaboration Agreements

In September 2006, we entered into an exclusive, worldwide collaboration with Transition for the joint development and commercialization of a novel therapeutic agent for Alzheimer s disease. The small molecule, ELND005, is a beta amyloid anti-aggregation agent that has been granted fast track designation by the FDA. In December 2007, the first patient was dosed in a Phase 2 clinical study. This 18-month, randomized, double-blind, placebo-controlled, dose-ranging study was designed to evaluate the safety and efficacy of ELND005 in approximately 340 patients with mild to moderate Alzheimer s disease. In December 2009, we announced that patients would be withdrawn from the two highest dose groups due to safety concerns. In August 2010, Elan and Transition announced the top-line summary results of the Phase 2 clinical study and in September 2011, the Phase 2 clinical study data was published in the journal *Neurology*. The study s cognitive and functional co-primary endpoints did not achieve statistical significance. The 250mg twice daily dose demonstrated a biological effect on amyloid-beta protein in the CSF, in a subgroup of patients who provided CSF samples. This dose achieved targeted drug levels in the CSF and showed some effects on clinical endpoints in an exploratory analysis.

In December 2010, we modified our Collaboration Agreement with Transition and, in connection with this modification, Transition elected to exercise its opt-out right under the original agreement. Under this amendment, we paid Transition $9.0 million and Transition will be eligible to receive a further $11.0 million payment from us upon the commencement of the next ELND005 clinical trial, and will no longer be eligible to receive a $25.0 million milestone that would have been due upon the commencement of a Phase 3 trial for ELND005 under the terms of the original agreement.

As a consequence of Transition s decision to exercise its opt-out right, it will no longer fund the development or commercialization of ELND005 and has relinquished its 30% ownership of ELND005 to us. Consistent with the terms of the original agreement, following its opt-out decision, Transition will be entitled to receive milestone payments of up to $93.0 million (in addition to the $11.0 million described above), along with tiered royalty payments ranging in percentage from a high single digit to the mid teens (subject to offsets) based on net sales of ELND005 should the drug receive the necessary regulatory approvals for commercialization.

The term of the Collaboration Agreement runs until we are no longer developing or commercializing ELND005. We may terminate the Collaboration Agreement upon not less than 90 days notice to Transition and either party may terminate the Collaboration Agreement for material breach or because of insolvency of the other party. In addition, if we have not initiated a new ELND005 clinical trial by December 31, 2012, or otherwise paid Transition $11.0 million by January 31, 2013, the Collaboration Agreement will terminate.

We are continuing to explore pathways forward for the ELND005 asset.

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See Item 4B. Business Overview for additional information regarding our collaboration activities and related clinical trials.

D. Exchange Controls

Irish exchange control regulations ceased to apply from and after December 31, 1992. Except as indicated below, there are no restrictions on non-residents of Ireland dealing in domestic securities, which includes shares or depositary receipts of Irish companies such as us. Except as indicated below, dividends and redemption proceeds also continue to be freely transferable to non-resident holders of such securities. The Financial Transfers Act, 1992 gives power to the Minister for Finance of Ireland to make provision for the restriction of financial transfers between Ireland and other countries and persons. Financial transfers are broadly defined and include all transfers that would be movements of capital or payments within the meaning of the treaties governing the member states of the European Union. The acquisition or disposal of ADSs or ADRs representing shares issued by an Irish incorporated company and associated payments falls within this definition. In addition, dividends or payments on redemption or purchase of shares and payments on a liquidation of an Irish incorporated company would fall within this definition. At present the Financial Transfers Act, 1992 prohibits financial transfers involving the late Slobodan Milosevic and associated persons, Burma (Myanmar), Belarus, certain persons indicted by the International Criminal Tribunal for the former Yugoslavia, the late Usama bin Laden, Al-Qaida, the Taliban of Afghanistan, Democratic Republic of Congo, Democratic People s Republic of Korea (North Korea), Iran, Iraq, Côte d Ivoire, Lebanon, Liberia, Zimbabwe, Sudan, Somalia, Republic of Guinea, Afghanistan, Egypt, Eritrea, Libya, Syria, Tunisia, certain known terrorists and terrorist groups, and countries that harbor certain terrorist groups, without the prior permission of the Central Bank of Ireland.

Any transfer of, or payment in respect of, an ADS involving the government of any country that is currently the subject of United Nations sanctions, any person or body controlled by any of the foregoing, or by any person acting on behalf of the foregoing, may be subject to restrictions pursuant to such sanctions as implemented into Irish law. We do not anticipate that orders under the Financial Transfers Act, 1992 or United Nations sanctions implemented into Irish law will have a material effect on our business.

E. Taxation

The following is a general description of Irish taxation inclusive of certain Irish tax consequences to U.S. Holders (as defined below) of the purchase, ownership and disposition of ADSs or Ordinary Shares. As used herein, references to the Ordinary Shares include ADSs representing such Ordinary Shares, unless the tax treatment of the ADSs and Ordinary Shares has been specifically differentiated. This description is for general information purposes only and does not purport to be a comprehensive description of all the Irish tax considerations that may be relevant in a U.S. Holder s decision to purchase, hold or dispose of our Ordinary Shares. It is based on the various Irish Taxation Acts, all as in effect on February 17, 2012, and all of which are subject to change (possibly on a retroactive basis). The Irish tax treatment of a U.S. Holder of Ordinary Shares may vary depending upon such holder s particular situation, and holders or prospective purchasers of Ordinary Shares are advised to consult their own tax advisors as to the Irish or other tax consequences of the purchase, ownership and disposition of Ordinary Shares.

For the purposes of this tax description, a U.S. Holder is a holder of Ordinary Shares that is: (i) a citizen or resident of the United States; (ii) a corporation or partnership created or organized in or under the laws of the United States or of any political subdivision thereof; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust, if a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

Taxation of Corporate Income

We are a public limited company incorporated and resident for tax purposes in Ireland. Under current Irish legislation, a company is regarded as resident for tax purposes in Ireland if it is centrally managed and controlled

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in Ireland, or, in certain circumstances, if it is incorporated in Ireland. Trading income of an Irish company is generally taxable at the Irish corporation tax rate of 12.5%. Non-trading income of an Irish company e.g. interest income, rental income or other passive income, is taxable at a rate of 25%. Previously, income from a qualifying patent was disregarded for Irish tax purposes up to a cap of 5 million per annum. A qualifying patent means a patent in relation to which the research, planning, processing, experimenting, testing, devising, designing, developing or similar activities leading to the invention that is the subject of the patent were carried out in an European Economic Area state. This relief was withdrawn on November 24, 2010. In addition, manufacturing profits of an Irish company were subject to a reduced tax rate of 10%; however this relief was withdrawn with effect from January 1, 2011. Any future manufacturing profits from an Irish trade will now be taxable at the 12.5% tax rate referred to above.

Taxation of Capital Gains and Dividends

A person who is neither resident nor ordinarily resident in Ireland and who does not carry on a trade in Ireland through a branch or agency will not be subject to Irish capital gains tax on the disposal of Ordinary Shares.

Unless exempted, all dividends paid will be subject to Irish withholding tax at the standard rate of income tax in force at the time the dividend is paid, currently 20%, and no additional Irish income tax liability or liability to the universal social charge in Ireland arises as the withholding tax deducted discharges such liability to Irish tax. An individual shareholder resident in a country with which Ireland has a double tax treaty, which includes the United States, or in a member state of the European Union, other than Ireland (together, a Relevant Territory), will be exempt from withholding tax, income tax and the universal social charge provided he or she makes the requisite declaration.

Corporate shareholders who: (i) are ultimately controlled by residents of a Relevant Territory; (ii) are resident in a Relevant Territory and are not controlled by Irish residents; (iii) have the principal class of their shares, or of a 75% parent, traded on a stock exchange in Ireland or in a Relevant Territory; or (iv) are wholly owned by two or more companies, each of whose principal class of shares is substantially and regularly traded on one or more recognized stock exchanges in Ireland or in a Relevant Territory or Territories, will be exempt from withholding tax on the production of the appropriate certificates and declarations.

Holders of our ADSs will be exempt from withholding tax and the universal social charge if they are beneficially entitled to the dividend and their address on the register of depositary shares maintained by the depositary is in the United States, provided that the depositary has been authorized by the Irish Revenue Commissioners as a qualifying intermediary and provided the appropriate declaration is made by the holders of the ADSs. Where such withholding is made, it will satisfy the liability to Irish tax and the universal social charge of the shareholder except in certain circumstances where an individual shareholder may have an additional liability. A charge to Irish social security taxes arise for individuals. However, under the Social Welfare Agreement between Ireland and the United States, an individual who is liable for U.S. social security contributions can normally claim exemption from these taxes and levies.

Irish Capital Acquisitions Tax

A gift or inheritance of Ordinary Shares will be and, in the case of our warrants or American Depositary Warrant Shares (ADWSs) representing such warrants, may be, within the charge to Irish capital acquisitions tax, notwithstanding that the person from whom the gift or inheritance is received is domiciled or resident outside Ireland. Capital acquisitions tax is charged at the rate of 30% above a tax-free threshold. This tax-free threshold is determined by the relationship between the donor and the successor or donee. It is also affected by the amount of the current benefit and previous benefits taken since December 5, 1991 from persons within the same capital acquisitions tax relationship category. Gifts and inheritances between spouses are not subject to capital acquisitions tax.

The Estate Tax Convention between Ireland and the United States generally provides for Irish capital acquisitions tax paid on inheritances in Ireland to be credited against tax payable in the United States and for tax

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paid in the United States to be credited against tax payable in Ireland, based on priority rules set forth in the Estate Tax Convention, in a case where warrants, ADWSs, ADSs or Ordinary Shares are subject to both Irish capital acquisitions tax with respect to inheritance and U.S. federal estate tax. The Estate Tax Convention does not apply to Irish capital acquisitions tax paid on gifts.

Irish Stamp Duty

Under current Irish law, no stamp duty, currently at the rate and on the amount referred to below, will be payable by U.S. Holders on the issue of ADSs, Ordinary Shares or ADWSs of Elan. Under current Irish law, no stamp duty will be payable on the acquisition of ADWSs or ADSs by persons purchasing such ADWSs or ADSs, or on any subsequent transfer of an ADWS or ADS of Elan. A transfer of Ordinary Shares, whether on sale, in contemplation of a sale or by way of gift will attract duty at the rate of 1% on the consideration given or, where the purchase price is inadequate or unascertainable, on the market value of the shares. Similarly, any such transfer of a warrant may attract duty at the rate of 1%. Transfers of Ordinary Shares that are not liable to duty at the rate of 1% are exempt. The person accountable for payment of stamp duty is the transferee or, in the case of a transfer by way of gift or for a consideration less than the market value, all parties to the transfer. Stamp duty is normally payable within 30 days after the date of execution of the transfer. Late or inadequate payment of stamp duty will result in a liability to pay interest penalties and fines.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

The Company is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act). In accordance with these requirements, the Company files Annual Reports on Form 20-F with, and furnishes Reports of Foreign Issuer on Form 6-K to, the SEC. These materials, including our Annual Report on Form 20-F for the fiscal year ended December 31, 2011 and the exhibits thereto, may be inspected and copied at the SEC s Public Reference Room at 100 F Street, NE, Washington D.C. 20549. Copies of the materials may be obtained from the SEC s Public Reference Room at prescribed rates. The public may obtain information on the operation of the SEC s Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330. As a foreign private issuer, all documents that we filed or submitted after November 4, 2002 on the SEC s EDGAR system are available for retrieval on the website maintained by the SEC at http://www.sec.gov. These filings and submissions are also available from commercial document retrieval services.

Copies of our Memorandum and Articles of Association may be obtained at no cost by writing or telephoning the Company at our principal executive offices. Our Memorandum and Articles of Association were filed with the SEC as Exhibit 1.1 to our Annual Report on Form 20-F for the fiscal year ended December 31, 2010. You may also inspect or obtain a copy of our Memorandum and Articles of Association using the procedures prescribed above.

I. Subsidiary Information

Not applicable.

Item 11. ***Quantitative and Qualitative Disclosures about Market Risk.***

Market risk is the risk of loss from adverse changes in market prices, interest rates and foreign exchange rates. Our future earnings and cash flows are dependent upon prevailing market rates. Accordingly, we manage our market risk by matching projected cash inflows from operating, investing and financing activities with projected cash outflows for debt service, capital expenditures and other cash requirements.

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Inflation Risk

Inflation had no material impact on our operations during the year.

Exchange Rate Risk

We are a multinational business operating in a number of countries and the U.S. dollar is the primary currency in which we conduct business. The U.S. dollar is used for planning and budgetary purposes and is the functional currency for financial reporting. We do, however, have revenues, costs, assets and liabilities denominated in currencies other than U.S. dollars. Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. The resulting monetary assets and liabilities are translated into the appropriate functional currency at exchange rates prevailing at the balance sheet date and the resulting gains and losses are recognized in the income statement.

We actively manage our foreign exchange exposures to reduce the exchange rate volatility on our results of operations. The principal foreign currency risk to which we are exposed relates to movements in the exchange rate of the U.S. dollar against the euro. Our main exposure is the revenue received in euro arising from sales of *Tysabri* in the European Union and expenses denominated in euro from a corporate office in Dublin. We closely monitor expected euro cash flows to identify exposures and, if considered appropriate, enter into forward foreign exchange contracts or other derivative instruments to reduce our foreign currency risk.

During 2011, average exchange rates were $1.393 = 1.00. We had entered into a number of forward foreign exchange contracts at various rates of exchange that required us to sell euro for U.S. dollars on various dates during 2011. These forward contracts expired on various dates throughout 2011 and there were no forward contracts outstanding as of December 31, 2011.

Interest Rate Risk on Debt

Our long-term debt at December 31, 2011 is all at fixed rates, therefore we are not exposed to cash flow interest rate risk in relation to our debt.

As of December 31, 2011, the fair value of our debt was $665.1 million. For additional information on the fair values of debt instruments, refer to Note 27 to the Consolidated Financial Statements.

Interest Rate Risk on Investments

Our liquid funds are invested primarily in U.S. dollars, except for the working capital balances of subsidiaries operating outside of the United States. Interest rate changes affect the returns on our investment funds. Our exposure to interest rate risk on liquid funds is actively monitored and managed with an average duration of less than three months. By calculating an overall exposure to interest rate risk rather than a series of individual instrument cash flow exposures, we can more readily monitor and hedge these risks. Duration analysis recognizes the time value of money and, in particular, prevailing interest rates by discounting future cash flows.

The interest rate risk profile of our investments at December 31, 2011, was as follows (in millions):

	Fixed	Floating	No Interest	Total
Cash and cash equivalents	$	$ 271.7	$	$ 271.7
Restricted cash and cash equivalents current	$	$ 2.6	$	$ 2.6
Restricted cash and cash equivalents non-current	$	$ 13.7	$	$ 13.7
Investment securities current	$	$	$ 0.3	$ 0.3
Investment securities non-current	$	$	$ 9.8	$ 9.8

Variable interest rates on cash and liquid resources are generally based on the appropriate Euro Interbank Offered Rate, London Interbank Offer Rate (LIBOR) or bank rates dependent on principal amounts on deposit.

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Credit Risk

Our treasury function transacts business with counterparties that are considered to be low investment risks. Credit limits are established commensurate with the credit rating of the financial institution that business is being transacted with. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

For customers, we have a credit policy in place that involves credit evaluation and ongoing account monitoring.

Our principal sovereign risk relates to investments in U.S. Treasuries funds; however, we consider this risk to be remote.

At the balance sheet date, we have a significant concentration of credit risk given that our main customer or collaborator, AmerisourceBergen and Biogen Idec account for all of our gross accounts receivable balance at December 31, 2011. However, we do not believe our credit risk in relation with these two customers is significant, as they each have an investment grade credit rating.

Equity Price and Commodity Risks

We do not have any material equity price or commodity risks.

Item 12. ***Description of Securities Other than Equity Securities.***

A. Debt Securities
Not applicable.

B. Warrants and Rights
Not applicable.

C. Other Securities
Not applicable.

D. American Depositary Shares.
In February 2011, Citibank, N.A. replaced the Bank of New York Mellon as our ADS depositary. According to our Depositary Agreement with the ADS depositary, Citibank, N.A., the depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

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Depositing or withdrawing shares must pay the following costs:

Service	Rate	By Whom Paid
(1) Issuance of ADSs upon deposit of Shares (excluding issuances as a result of distributions described in paragraph 4) below).	Up to U.S. $5.00 per 100 ADSs (or fraction thereof) issued.	Person depositing Shares or person receiving ADSs.
(2) Delivery of Deposited Securities against surrender of ADSs.	Up to U.S. $5.00 per 100 ADSs (or fraction thereof) surrendered.	Person surrendering ADSs for the purpose of withdrawal of Deposited Securities or person to whom Deposited Securities are delivered.
(3) Distribution of cash dividends or other cash distributions (*i.e.*, sale of rights and other entitlements).	Up to U.S. $5.00 per 100 ADSs (or fraction thereof) held.	Person to whom distribution is made.
(4) Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs.	Up to U.S. $5.00 per 100 ADSs (or fraction thereof) held.	Person to whom distribution is made.
(5) Distribution of securities other than ADSs or rights to purchase additional ADSs (i.e., spin-off shares).	Up to U.S. $5.00 per 100 ADSs (or fraction thereof) held.	Person to whom distribution is made.
(6) Depositary Services.	Up to U.S. $5.00 per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the Depositary.	Person holding ADSs on the applicable record date(s) established by the Depositary.

From January 1, 2011, to February 17, 2012, we did not receive any money from the depositary or any reimbursement relating to the ADS facility.

In 2011, Bank of New York Mellon waived certain fees relating to products and services provided by the depositary which were repaid by the Company in February 2012. In 2010, the fees waived by Bank of New York Mellon amounted to $144,673. Citibank, N.A., was appointed as depositary on February 3, 2012 and has agreed to waive certain fees and make certain payments relating to products and services provided by them as depositary.

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Part II

Item 13. ***Defaults, Dividend Arrearages and Delinquencies.***
None.

Item 14. ***Material Modifications to the Rights of Security Holders and Use of Proceeds.***
None.

Item 15. ***Controls and Procedures.***
Disclosure Controls and Procedures

We conducted an evaluation as of December 31, 2011 under the supervision and with the participation of management, including our CEO and chief financial officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on the evaluation conducted, our management, including our CEO and CFO, concluded that at December 31, 2011 such disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Management s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Our internal control system is designed to provide reasonable assurance regarding the preparation and fair presentation of financial statements for external purposes in accordance with U.S. GAAP. All internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable assurance that the objectives of the internal control system are met. It must be noted that even those systems that management deems to be effective can only provide reasonable assurance with respect to the preparation and presentation of our financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or the degree of compliance with the policies and procedures.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal controls over financial reporting, based on the criteria set forth in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation conducted, our management, including our CEO and CFO, concluded that as of December 31, 2011, internal control over financial reporting was effective.

Our independent registered public accounting firm, KPMG, has issued an auditor s report on the Company s internal control over financial reporting as of December 31, 2011, which is included under Item 15 Controls and Procedures in this Annual Report on Form 20-F.

Changes in Internal Control over Financial Reporting

Changes that have materially affected, or are reasonably likely to material affect, our internal control over financial reporting during the period covered by the annual report, need to be identified and reported as required by paragraph (d) of Rule 13a-15.

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Elan Corporation, plc:

We have audited Elan Corporation, plc s 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). Elan Corporation, plc s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting, appearing under Item 15 in this Annual Report on Form 20-F. Our responsibility is to express an opinion on Elan Corporation, plc s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

In our opinion, Elan Corporation, plc 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 COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Elan Corporation, plc and subsidiaries, as of December 31, 2011 and 2010, and the related consolidated statements of operations, shareholders equity/(deficit) and comprehensive income/(loss) and cash flows for each of the years in the three-year period ended December 31, 2011, and the related financial statement schedule, and our report dated February 23, 2012 expressed an unqualified opinion on those consolidated financial statements and the related financial statement schedule.

/s/ KPMG

Dublin, Ireland

February 23, 2012

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Item 16. ***Reserved.***

Item 16A. ***Audit Committee Financial Expert.***

The board of directors of Elan has determined that Mr. Gary Kennedy, Mr. Kerr and Mr. O Connor qualify as Audit Committee financial experts and as independent directors within the meaning of the NYSE listing standards.

Item 16B. ***Code of Ethics.***

Our board of directors adopted a code of conduct that applies to our directors, officers and employees. The Code of Conduct was revised and updated in April 2011. There have been no material modifications to, or waivers from, the provisions of such Code. This Code is available on the corporate governance section of our website at the following address: www.elan.com.

Item 16C. ***Principal Accountant Fees and Services.***

Our principal accountants are KPMG. The table below summarizes the fees for professional services rendered by KPMG for the audit of our Consolidated Financial Statements and fees billed for other services rendered by KPMG (in millions):

	2011	2010
Auditors remuneration:		
Audit fees[1]	$ 2.0	$ 2.0
Audit-related fees[2]		
Total audit and audit-related fees	$ 2.0	$ 2.0
Tax fees[3]	1.2	0.6
All other fees		
Total auditors remuneration	$ 3.2	$ 2.6

(1) *Audit services include audit of our Consolidated Financial Statements, as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and discussions surrounding the proper application of financial accounting or reporting standards.*

(2) *Audit-related services are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to mergers, acquisitions and disposals, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.*

(3) *Tax fees consist of fees for professional services for tax compliance, tax advice and tax planning. This category includes fees related to the preparation and review of tax returns.*

Report of the Audit Committee

The Audit Committee held eight scheduled meetings in 2011. Details of meeting attendance by Audit Committee members are included in the table on page 71. In addition three further meetings were held to deal with specific matters.

Committee Membership

Name	Status During 2011
Gary Kennedy (Chairman)	Member for the whole period
Giles Kerr	Member for the whole period
Donal O Connor	Member for the whole period

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The current members of the Audit Committee are all non-executive directors of the Company. The board considers each member to be independent under the Guidelines, the Code and the criteria of the NYSE corporate governance listing standards concerning the composition of Audit Committee.

The board is satisfied that at least one member of the Audit Committee has recent and relevant financial experience. The board has determined that Mr. Kennedy, Mr. Kerr and Mr. O Connor are Audit Committee financial experts for the purposes of the Sarbanes-Oxley Act of 2002.

Role and Focus

The Audit Committee helps the board in its general oversight of the Company s accounting and financial reporting practices, internal controls and audit functions, and is directly responsible for the appointment, compensation and oversight of the work of our independent auditors.

The core responsibilities of the Audit Committee include reviewing and reporting to the board on:

- Matters relating to the periodic financial reporting prepared by the Company;
- The independent auditors qualifications and independence;
- The performance of the internal auditor and the corporate compliance functions;
- Compliance with legal and regulatory requirements including the operation of the Company s Securities Trading Policy and Code of Conduct;
- The Company s overall framework for internal control over financial reporting and other internal controls and processes; and
- The Company s overall framework for risk management.

The Audit Committee oversees the maintenance and review of the Company s Code of Conduct. It has established procedures for the receipt and handling of complaints concerning accounting or audit matters.

The Audit Committee appoints and agrees on the compensation for the independent external auditors subject, in each case, to the approval of the Company s shareholders at general meeting. It maintains policies and procedures for the pre-approval of all audit services and permitted non-audit services undertaken by the independent external auditor. The principal purpose of these policies and procedures is to ensure that the independence of the independent external auditor is not impaired. The policies and procedures cover three categories of work: audit services, audit-related services and non-audit services. The pre-approval procedures permit certain audit, audit-related and non-audit services to be performed by the independent external auditor during the year subject to fee limits agreed with the Audit Committee in advance. Authority to approve, between Audit Committee meetings, work in excess of the pre-agreed fee limits is delegated to members of the Audit Committee if required. Regular reports to the full Audit Committee are also provided for and, in practice, are a standing agenda item at Audit Committee meetings.

Following the entering into of a Corporate Integrity Agreement between the Company and the Office of Inspector General of the U.S. Department of Health and Human Services, the Audit Committee, on behalf of the board of directors, is responsible for the review and oversight of matters related to compliance with federal healthcare program requirements, FDA requirements and the obligations of the Corporate Integrity Agreement.

Activities Undertaken During the Year

The Audit Committee held a number of private meetings without management present with the Company s general counsel, chief compliance officer and head of internal audit and with the engagement partner from the Company s independent external auditors. The purpose of these meetings was to facilitate free and open discussions between the Audit Committee members and those individuals separate from the main sessions of the Audit Committee, which were attended by the CFO, the group controller and the Company s general counsel.

At each regularly scheduled board meeting, the chairman of the Audit Committee reported to the board on the principal matters covered at the preceding Audit Committee meetings. The minutes of all Audit Committee

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meetings were also circulated to all board members. During 2011, the Audit Committee considered and reviewed various aspects of the Company and its business including, but not limited to the matters referred to below.

The Company s financial reports and financial guidance were reviewed and various accounting matters and policies were considered.

Reports were received from the independent external auditors concerning their audit strategy, the planning and the results of their audit of the financial statements of the Company and from management, the internal audit function and chief compliance office on the effectiveness of the Company s system of internal controls and, in particular, its internal control over financial reporting.

The Audit Committee reviewed the operations of the Company s Code of Conduct, the employee helpline and email system. No material issues were reported through this route during the year. No waivers to the Code of Conduct were made in 2011.

The implementation of the measures required under the terms of the Corporate Integrity Agreement between the Company and the Inspector General of the U.S. Department of Health and Human Services.

Reviewed and approved, or recommended for approval to the board of directors, various aspects of the EDT/Alkermes transaction entered into in May 2011 and completed in September 2011.

Reviewed proposals for the restructuring of the Company s debts.

Reviewed correspondences between the Company and the SEC.

The Audit Committee reviewed the further implementation of the comprehensive enterprise-wide risk management process in the Company, including the role of the Turnbull Guidance for Directors, other corporate governance measures and the utilization of the insurance function in the control and management Company wide risk.

Matters concerning the internal audit function, corporate compliance function and financial functions were reviewed. The Company s continuing work to comply with the applicable provisions of the Sarbanes-Oxley Act of 2002 was monitored by the Audit Committee.

The Audit Committee charter, the Company s Security Trading policy and the operation of the Audit Committee were reviewed during 2011.

The amount of audit and non-audit fees of the independent auditor was monitored throughout 2011. The Audit Committee was satisfied throughout the year that the objectivity and independence of the independent external auditor were not in any way impaired by either the nature of the non-audit work undertaken, the level of non-audit fees charged for such work or any other facts or circumstances.

On behalf of the Audit Committee,

Gary Kennedy

Chairman of the Audit Committee and

Non-Executive Director

February 23, 2012

Item 16D. ***Exemptions from the Listing Standards for Audit Committees.***
Not applicable.

Item 16E. ***Purchases of Equity Securities by the Issuer and Affiliated Purchasers.***
Not applicable.

Item 16F. ***Change in Registrant s Certifying Accountant.***
Not applicable.

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Item 16G. ***Corporate Governance.***

We are required to disclose any significant ways in which our corporate governance practices differ from those required to be followed by domestic companies under NYSE listing standards.

Under Section 303A of the NYSE Listed Company Manual, we may, in general, follow Irish corporate governance practices in lieu of most of the NYSE corporate governance requirements. However, we are required to comply with NYSE Sections 303A.06, 303A.11, 303A.12(b) and 303A.12(c).

The following table contains a summary of our corporate governance practices and those required of domestic companies under NYSE listing standards. There are no significant differences between our corporate governance practices and those required of domestic companies under NYSE listing standards.

NYSE Standards for U.S. Listed Companies under Listed Company Manual Section 303A	**Elan Corporate Governance Practices**
NYSE Section 303A.01 A NYSE-listed company must have a majority of independent directors on its board of directors.	At minimum, two-thirds of the members of our board of directors are independent directors.
NYSE Section 303A.02 NYSE Section 303A.02 establishes general standards to evaluate directors independence.	We have adopted the definition of independent director under NYSE Section 303A.02, as described in Elan s Corporate Governance Guidelines.
NYSE Section 303A.03 Non-management directors must meet at regularly scheduled executive meetings not attended by management.	Our Corporate Governance Guidelines provide that the non-management directors of the board will meet without management at regularly scheduled executive sessions, and at such other times as they deem appropriate, under the chairmanship of the Lead Independent Director.
NYSE Section 303A.04 U.S. listed companies must have a nominating/corporate governance committee comprised entirely of independent directors. The committee must have a written charter establishing certain minimum responsibilities as set forth in NYSE Section 303A.04(b)(i) and providing for an annual evaluation of the committee s performance.	Our board of directors maintains a Nominating & Governance Committee composed entirely of independent directors. The Nominating & Governance Committee has a written charter which, among other things, meets the requirements set forth in NYSE Section 303A.04(b)(i) and provides for an annual evaluation of the Nominating & Governance Committee s performance.
NYSE Section 303A.05 Listed companies must have a compensation committee comprised entirely of independent directors. The committee must have a written charter establishing certain minimum responsibilities as set forth in NYSE Section 303A.05(b)(i) and providing for an annual evaluation of the committee s performance.	Our board of directors maintains a LDCC composed entirely of independent directors. The LDCC has a written charter which, among other things, meets the requirements set forth in NYSE Section 303A.05(b)(i) (except that the LDCC s report set forth in Elan s annual report is based on Irish rules and regulations rather than the SEC proxy rules) and provides for an annual evaluation of the LDCC s performance.
NYSE Section 303A.06 U.S. listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 (the Exchange Act).	Our board of directors maintains an Audit Committee that meets the requirements of Rule 10A-3 of the Exchange Act.

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NYSE Standards for U.S. Listed Companies under Listed Company Manual Section 303A	Elan Corporate Governance Practices
NYSE Section 303A.07 The audit committee must consist of at least three members, all of whom must be independent under NYSE Section 303A.02 and be financially literate or must acquire such financial knowledge within a reasonable period. At least one member must have experience in accounting or financial administration. The committee must have a written charter establishing certain minimum responsibilities as set forth in NYSE Section 303A.07(b)(iii) and providing for an annual evaluation of the committee s performance.	Our Audit Committee is comprised of no fewer than three directors, each of whom is an independent director under NYSE Section 303A.02 and each member of the Audit Committee meets all applicable financial literacy requirements. The Audit Committee has a written charter that meets the requirements set forth in NYSE Section 303A.07(b)(iii) and provides for an annual evaluation of the Audit Committee s performance.
NYSE Section 303A.07(c) Each U.S. listed company must have an internal audit function in order to provide to management and to the audit committee permanent assessments on the company s risk management processes and internal control system.	To support our system of internal control, we have separate Corporate Compliance and Internal Audit departments. Each of these departments reports periodically to the Audit Committee.
NYSE Section 303A.08 Shareholders must be given the opportunity to vote on all equity-based compensation plans and material revisions thereto with certain exceptions.	Under Section 13.13 of the Listing Rules of the ISE, in general, all employee share plans that contemplate the issuance of new shares must, with certain limited exceptions, be approved by our shareholders prior to their adoption.
NYSE Section 303A.09 U.S. listed companies must adopt and disclose corporate governance guidelines, including several issues for which such reporting is mandatory, and include such information on the company s website, which should also include the charters of the audit committee, the nominating committee, and the compensation committee. In addition, the board of directors must make a self-assessment of its performance at least once a year to determine if it or its committees function effectively and report thereon.	We have adopted Corporate Governance Guidelines that, together with the charters of the Audit Committee, the Nominating & Governance Committee and the LDCC, are published on our website. Our Corporate Governance Guidelines require that our board of directors conducts a self-assessment at least annually to determine whether the board of directors and its committees function effectively.
NYSE Section 303A.10 U.S. listed companies must adopt a Code of Business Conduct and Ethics for directors, officers and employees.	We have adopted a Code of Conduct for directors, officers and employees that is published on our website.
NYSE Section 303A.12 The CEO of each listed U.S. company must, on a yearly basis, certify to the NYSE that he or she knows of no violation by the company of NYSE rules relating to corporate governance. The CEO must notify the NYSE in writing whenever any executive officer of the company becomes aware of any non-fulfillment of any applicable provision under NYSE Section 303A. Finally, each U.S. listed company must submit an executed Written Affirmation annually to the NYSE and Interim Written Affirmation each time a change occurs in the board or any of the committees subject to NYSE Section 303A.	Our CEO will notify the NYSE in writing whenever any executive officer of Elan becomes aware of any non-fulfillment of any applicable provision under NYSE Section 303A. In addition, we will comply with the NYSE s rules relating to the submission of annual and interim affirmations.

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Part III

Item 17. ***Consolidated Financial Statements.***
Not applicable.

Item 18. ***Consolidated Financial Statements.***
Report of Independent Registered Public Accounting Firm

Consolidated Financial Statements of Elan Corporation, plc and subsidiaries

Notes to the Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Elan Corporation, plc:

We have audited the accompanying consolidated balance sheets of Elan Corporation, plc and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, shareholders equity/(deficit) and comprehensive income/(loss), and cash flows for each of the years in the three-year period ended December 31, 2011. In connection with our audits of the consolidated financial statements, we have also audited financial statement Schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Elan Corporation, plc and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Elan Corporation plc s 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), and our report dated February 23, 2012 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG

Dublin, Ireland

February 23, 2012

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Elan Corporation, plc

Consolidated Statements of Operations

For the Years Ended December 31, 2011, 2010 and 2009

	Notes	2011	2010	2009
		(In millions, except per share data)		
Product revenue		$ 1,236.1	$ 1,156.0	$ 1,094.3
Contract revenue		9.9	13.7	18.7
Total revenue	3	1,246.0	1,169.7	1,113.0
Cost of sales		639.7	583.3	560.7
Gross margin		606.3	586.4	552.3
Operating expenses:				
Selling, general and administrative expenses		228.7	254.7	268.2
Research and development expenses		232.5	258.7	293.6
Net gain on divestment of business	5	(652.9)	(1.0)	(108.7)
Other net (gains)/charges	6	(42.2)	56.3	67.3
Settlement reserve charge	7		206.3	
Total operating (gains)/expenses		(233.9)	775.0	520.4
Operating income/(loss)		840.2	(188.6)	31.9
Net interest and investment gains and losses:				
Net interest expense	8	105.9	117.8	137.9
Net loss on equity method investments	9	81.8	26.0	
Net charge on debt retirement	10	47.0	3.0	24.4
Net investment gains	15	(2.6)	(12.8)	(0.6)
Net interest and investment gains and losses		232.1	134.0	161.7
Net income/(loss) before income taxes		608.1	(322.6)	(129.8)
Provision for income taxes	11	47.6	2.1	46.4
Net income/(loss)		$ 560.5	$ (324.7)	$ (176.2)
Basic net income/(loss) per Ordinary Share	12	$ 0.95	$ (0.56)	$ (0.35)
Basic weighted-average number of Ordinary Shares outstanding		587.6	584.9	506.8
Diluted net income/(loss) per Ordinary Share	12	$ 0.94	$ (0.56)	$ (0.35)
Diluted weighted-average number of Ordinary Shares outstanding		593.5	584.9	506.8

The accompanying notes are an integral part of these Consolidated Financial Statements.

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Elan Corporation, plc

Consolidated Balance Sheets

As of December 31, 2011 and 2010

	Notes	2011	2010
		(In millions, except shares and par values)	
ASSETS			
Current Assets:			
Cash and cash equivalents		$ 271.7	$ 422.5
Restricted cash and cash equivalents current	13	2.6	208.2
Accounts receivable, net	14	167.7	191.6
Investment securities current	15	0.3	2.0
Inventory	16	23.8	39.0
Deferred tax assets current	11	26.2	41.8
Prepaid and other current assets	17	25.7	15.4
Total current assets		518.0	920.5
Property, plant and equipment, net	18	83.2	287.5
Goodwill and other intangible assets, net	19	309.9	376.5
Equity method investments	9	675.8	209.0
Investment securities non-current	15	9.8	9.4
Restricted cash and cash equivalents non-current	13	13.7	14.9
Deferred tax assets non-current	11	118.9	154.3
Other assets	20	24.5	45.4
Total assets		$ 1,753.8	$ 2,017.5
LIABILITIES AND SHAREHOLDERS EQUITY			
Current Liabilities:			
Accounts payable		$ 46.4	$ 39.2
Accrued and other current liabilities	21	229.9	442.5
Total current liabilities		276.3	481.7
Long-term debt	22	615.0	1,270.4
Other liabilities	21	60.7	71.1
Total liabilities		952.0	1,823.2
Shareholders Equity:			
Ordinary Shares, 0.05 par value, 810,000,000 shares authorized 589,346,275 and 585,201,576 shares issued and outstanding at December 31, 2011 and 2010, respectively	23	36.2	35.9
Executive Shares, 1.25 par value, 1,000 shares authorized, 1,000 shares issued and outstanding at December 31, 2011 and 2010	23		
B Executive Shares, 0.05 par value, 25,000 shares authorized, 21,375 shares issued and outstanding at December 31, 2011 and 2010	23		
Additional paid-in capital		6,485.9	6,444.9
Accumulated deficit		(5,682.9)	(6,243.4)
Accumulated other comprehensive loss	24	(37.4)	(43.1)
Shareholders equity		801.8	194.3

Total liabilities and shareholders equity	$ 1,753.8	$ 2,017.5

The accompanying notes are an integral part of these Consolidated Financial Statements.

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Elan Corporation, plc

Consolidated Statements of Shareholders Equity/(Deficit) and Comprehensive Income/(Loss)

For the Years Ended December 31, 2011, 2010 and 2009

	Number of Shares	Share Capital	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders Equity/ (Deficit)
				(In millions)		
Balance at December 31, 2008	474.7	$ 27.6	$ 5,521.5	$ (5,742.5)	$ (38.8)	$ (232.2)
Comprehensive loss:						
Net loss				(176.2)		(176.2)
Unrealized gain on investment securities					4.0	4.0
Unrealized components of defined pension plans					(1.2)	(1.2)
Currency translation adjustments					(0.1)	(0.1)
Total comprehensive loss						(173.5)
Net tax shortfalls related to equity awards			(3.6)			(3.6)
Stock issued, net of issuance costs	109.2	8.2	863.8			872.0
Share-based compensation			31.5			31.5
Balance at December 31, 2009	583.9	35.8	6,413.2	(5,918.7)	(36.1)	494.2
Comprehensive loss:						
Net loss				(324.7)		(324.7)
Unrealized loss on investment securities					(2.8)	(2.8)
Unrealized components of defined pension plans					(4.1)	(4.1)
Currency translation adjustments					(0.1)	(0.1)
Total comprehensive loss						(331.7)
Net tax shortfalls related to equity awards			(1.2)			(1.2)
Stock issued, net of issuance costs	1.3	0.1	1.7			1.8
Share-based compensation			31.2			31.2
Balance at December 31, 2010	585.2	35.9	6,444.9	(6,243.4)	(43.1)	194.3
Comprehensive income:						
Net income				560.5		560.5
Unrealized loss on investment securities					(1.5)	(1.5)
Unrealized components of defined pension plans					(3.9)	(3.9)
Currency translation adjustments					11.1	11.1
Total comprehensive income						566.2
Stock issued, net of issuance costs	4.1	0.3	6.0			6.3
Share-based compensation			35.0			35.0
Balance at December 31, 2011	589.3	$ 36.2	$ 6,485.9	$ (5,682.9)	$ (37.4)	$ 801.8

The accompanying notes are an integral part of these Consolidated Financial Statements.

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Elan Corporation, plc

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2011, 2010 and 2009

	2011	2010	2009
		(In millions)	
Cash flows from operating activities:			
Net income/(loss)	$ 560.5	$ (324.7)	$ (176.2)
Adjustments to reconcile net income/(loss) to net cash (used in)/ provided by operating activities:			
Amortization of deferred revenue	(0.5)	(0.3)	(0.2)
Amortization of financing costs	5.3	5.4	5.5
Depreciation and amortization	35.8	63.3	75.0
Gain on sale of investment securities	(2.6)	(12.8)	(1.2)
Impairment of property, plant and equipment	10.0	11.0	15.0
Impairment of intangible assets	0.3	0.9	30.6
Net gain on divestment of business	(654.5)		(126.0)
EDT divestment transaction costs	(34.1)		
Net loss on equity method investments	81.8	26.0	
Settlement reserve charge		206.3	
Share-based compensation	35.3	31.5	31.5
Excess tax benefit from share-based compensation			(2.3)
Utilization/write-down of deferred tax asset	51.0	0.1	36.8
Net charge on debt retirement	47.0	3.0	24.4
Derivative fair value gain		(1.2)	(0.3)
Other	(1.1)	1.7	4.3
Net changes in assets and liabilities:			
Decrease in accounts receivable	23.9	0.8	3.7
(Increase)/decrease in prepaid and other assets	(2.2)	10.7	(16.8)
Decrease/(increase) in inventory	15.2	14.2	(24.3)
(Decrease)/increase in debt interest accrual	(6.9)	(0.7)	4.3
(Decrease)/increase in accounts payable and accruals and other liabilities	(213.5)	33.0	29.9
Decrease in working capital from divestment of EDT business	(70.9)		
Net cash (used in)/provided by operating activities	(120.2)	68.2	(86.3)
Cash flows from investing activities:			
Decrease/(increase) in restricted cash	206.8	(191.4)	3.5
Proceeds from disposal of property, plant and equipment	1.3	0.1	7.3
Purchase of property, plant and equipment	(27.3)	(40.9)	(43.5)
Purchase of intangible assets	(2.5)	(3.6)	(52.4)
Purchase of equity method investment	(20.0)		
Purchase of non-current investment securities	(0.6)	(0.9)	(0.6)
Sale of non-current investment securities	2.5	7.9	
Sale of current investment securities	0.3	8.5	28.9
Proceeds from business disposals	500.0	4.3	
Net cash provided by/(used in) investing activities	660.5	(216.0)	(56.8)
Cash flows from financing activities:			
Issue of share capital			868.0
Proceeds from share based compensation stock issuances	6.3	1.8	4.0
Repayment of loans	(697.3)	(455.0)	(867.8)
Net proceeds from debt issuances		187.1	603.0
Excess tax benefit from share-based compensation			2.3
Repayment of government grants			(5.4)
Net cash (used in)/provided by financing activities	(691.0)	(266.1)	604.1

Effect of exchange rate changes on cash	(0.1)	(0.1)	0.2
Net (decrease)/increase in cash and cash equivalents	(150.8)	(414.0)	461.2
Cash and cash equivalents at beginning of year	422.5	836.5	375.3
Cash and cash equivalents at end of year	$ 271.7	$ 422.5	$ 836.5
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ (108.1)	(117.2)	$ (126.1)
Income taxes	$ (1.5)	(0.4)	$ (4.2)
Non-cash investing activities:			
Purchase of equity method investment	$ (528.6)		$ (235.0)

The accompanying notes are an integral part of these Consolidated Financial Statements.

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Elan Corporation, plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Elan Corporation, plc, an Irish public limited company (also referred to hereafter as we, our, us, Elan or the Company), is a neuroscience-based biotechnology company headquartered in Dublin, Ireland. We were incorporated as a private limited company in Ireland in December 1969 and became a public limited company in January 1984. Our principal executive offices are located at Treasury Building, Lower Grand Canal Street, Dublin 2, Ireland and our telephone number is 353-1-709-4000. Our principal research and development (R&D) facilities are located in the United States.

Our business engages in research, development and commercial activities primarily in the areas of Alzheimer s disease, Parkinson s disease and multiple sclerosis (MS).

2. Significant Accounting Policies

The following accounting policies have been applied in the preparation of our Consolidated Financial Statements.

(a) Basis of consolidation and presentation of financial information

The accompanying Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). In addition to the financial statements included in this Form 20-F, we also prepare separate Consolidated Financial Statements, included in our Annual Report, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), which differ in certain significant respects from U.S. GAAP. The Annual Report under IFRS is a separate document from this Form 20-F.

Unless otherwise indicated, our financial statements and other financial data contained in this Form 20-F are presented in U.S. dollars ($). The accompanying Consolidated Financial Statements include our financial position, results of operations and cash flows and those of our wholly-owned subsidiaries. All significant intercompany amounts have been eliminated. We use the equity method to account for equity investments in instances in which we own common stock and have the ability to exercise significant influence, but not control, over the investee.

Our directors believe that we have adequate resources to continue in operational existence for at least the next 12 months and that it is appropriate to continue to prepare our Consolidated Financial Statements on a going concern basis.

(b) Use of estimates

The preparation of the Consolidated Financial Statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates are used in determining items such as the carrying amounts of intangible assets, property, plant and equipment and equity method investments, revenue recognition, sales rebates and discounts, the fair value of share-based compensation, the accounting for contingencies and income taxes, among other items. Because of the uncertainties inherent in such estimates, actual results may differ materially from these estimates.

(c) Fair value measurements

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or

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Elan Corporation, plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including our own credit risk.

We disclose our financial instruments that are measured at fair value on a recurring basis using the following fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1:	Inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
Level 2:	Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3:	Inputs are generally unobservable and typically reflect management s estimates of assumptions that market participants would use in pricing the asset or liability.

(d) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with original maturities on acquisition of three months or less.

(e) Accounts receivable

Accounts receivable are initially recognized at fair value, which represents the invoiced amounts, less adjustments for estimated revenue deductions such as product returns, chargebacks and cash discounts. An allowance for doubtful accounts is established based upon the difference between the recognized value and the estimated net collectible amount with the estimated loss recognized within operating expenses in the Consolidated Statement of Operations. When an account receivable balance becomes uncollectible, it is written off against the allowance for doubtful accounts.

(f) Investment securities and impairment

Marketable equity securities and debt securities are classified into one of three categories including trading, held-to-maturity, or available-for-sale. The classification depends on the purpose for which the financial assets were acquired.

Marketable equity and debt securities are considered trading when purchased principally for the purpose of selling in the near term. These securities are recorded as current investments and are carried at fair value. Unrealized holding gains and losses on trading securities are included in other income. We did not hold any trading securities at December 31, 2011 and 2010.

Marketable debt securities are considered held-to-maturity when we have the positive intent and ability to hold the securities to maturity. These securities are carried at amortized cost, less any impairment. We did not hold any held-to-maturity securities at December 31, 2011 and 2010.

Marketable equity and debt securities not classified as trading or held-to-maturity are considered available-for-sale. These securities are recorded as either current or non-current investments and are carried at fair value, with unrealized gains and losses included in accumulated other comprehensive

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Elan Corporation, plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

income/(loss) (OCI) in shareholders equity. The assessment for impairment of marketable securities classified as available-for-sale is based on established financial methodologies, including quoted market prices for publicly traded equity and debt securities. Non-marketable equity securities are carried at cost, less write-down-for-impairments, and are adjusted for impairment based on methodologies, including the Black-Scholes option-pricing model, the valuation achieved in the most recent private placement by an investee, an assessment of the impact of general private equity market conditions, and discounted projected future cash flows.

The factors affecting the assessment of impairments include both general financial market conditions and factors specific to a particular company. In the case of equity classified as available-for-sale, a significant and prolonged decline in the fair value of the security below its carrying amount is considered in determining whether the security is impaired. If any such evidence exists, an impairment loss is recognized.

(g) Inventory

Inventory is valued at the lower of cost or market value. In the case of raw materials and supplies, cost is calculated on a first-in, first-out basis and includes the purchase price, including import duties, transport and handling costs and any other directly attributable costs, less trade discounts. In the case of work-in-progress and finished goods, costs include direct labor, material costs and attributable overheads, based on normal operating capacity.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Buildings	15-40 years
Plant and equipment	3-10 years
Leasehold improvements	Shorter of expected useful life or lease term

Land is not depreciated as it is deemed to have an indefinite useful life.

Where events or circumstances indicate that the carrying amount of a property, plant and equipment may not be recoverable, we review the carrying value for impairment. The carrying amount of the asset is not deemed recoverable if its carrying amount exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of that asset. In such event, an impairment loss is recognized for the excess of the carrying amount over the asset s fair value.

(i) Leasing

Property, plant and equipment acquired under a lease that transfers substantially all of the risks and rewards of ownership to us (a capital lease) are capitalized. Amounts payable under such leases, net of finance charges, are shown as current or non-current as appropriate. An asset acquired through capital lease is stated at an amount equal to the lower of its fair value or the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses, and is included in property, plant and equipment. Finance charges on capital leases are expensed over the term of the lease to give a constant periodic rate of interest charge in proportion to the capital balances outstanding.

All other leases that are not capital leases are considered operating leases. Rentals on operating leases are charged to expense on a straight-line basis over the period of the lease. Leased property, plant and equipment sub-let to third parties are classified according to their substance as either finance or operating leases. All such arrangements that we have entered into as lessor are operating leases. Income received as lessor is recognized on a straight-line basis over the period of the lease.

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Elan Corporation, plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(j) Goodwill, other intangible assets and impairment

Goodwill is not amortized, but instead is tested for impairment at least annually.

Intangible assets with estimable useful lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values and, as with other long-lived assets such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, we compare undiscounted cash flows expected to be generated by an asset to the carrying amount of the asset. If the carrying amount of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. We determine fair value using the income approach based on the present value of expected cash flows. Our cash flow assumptions consider historical and forecasted revenue and operating costs and other relevant factors.

We review our goodwill for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The goodwill impairment test is a two-step process and is performed at the reporting unit level. Following the divestment of our Elan Drug Technologies (EDT) business on September 16, 2011, Elan is comprised of a single reporting unit. Prior to the two-step process, we first assess qualitative factors to determine whether it is necessary to perform the two-step goodwill impairment test. The qualitative factors assessed include, but are not limited to, the macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant events affecting the reporting unit and the share price performance of the Company. If, after assessing the relevant qualitative factors, we determine that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill, then the first and second steps of the goodwill impairment test are not performed. If, after assessing the relevant qualitative factors, we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill, then the first step of the goodwill impairment test is performed.

Under the first step, we compare the fair value of each reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired and step two does not need to be performed. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment charge, if any. The second step compares the implied fair value of the reporting-unit goodwill with the carrying amount of that goodwill, and any excess of the carrying amount over the implied fair value is recognized as an impairment charge. The implied fair value of goodwill is determined, by allocating the fair value of a reporting unit to individual assets and liabilities. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. In evaluating goodwill for impairment, we determine the fair values of the reporting units using the income approach, based on the present value of expected cash flows.

(k) Equity method investments

Janssen AI

As part of the transaction whereby Janssen Alzheimer Immunotherapy (Janssen AI), a subsidiary of Johnson & Johnson, acquired substantially all of our assets and rights related to our Alzheimer s Immunotherapy Program (AIP) collaboration with Wyeth (which has been acquired by Pfizer Inc. (Pfizer)), we received a 49.9% equity investment in Janssen AI. Johnson & Johnson also committed to fund up to an initial $500.0 million towards the further development and commercialization of the AIP to the extent the funding is required by the collaboration. In the event that either an AIP product reaches market and Janssen AI is in a positive operating cash flow position, or the AIP is terminated before the initial $500.0 million funding commitment has been drawn down, Johnson & Johnson is not required to contribute the full $500.0 million. Any required additional

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Elan Corporation, plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

expenditures in respect of Janssen AI s obligations under the AIP collaboration in excess of the initial $500.0 million funding commitment is required to be funded by Elan and Johnson & Johnson in proportion to their respective shareholdings up to a maximum additional commitment of $400.0 million in total. Based on current spend levels, we anticipate that we will be called upon to provide funding to Janssen AI commencing in the second quarter of 2012. In the event that further funding is required beyond the $400.0 million, such funding will be on terms determined by the board of Janssen AI, with Johnson & Johnson and Elan having a right of first offer to provide additional funding. If we fail to provide our share of the $400.0 million commitment or any additional funding that is required for the development of the AIP, and if Johnson & Johnson elects to fund such an amount, our interest in Janssen AI could, at the option of Johnson & Johnson, be commensurately reduced. We have recorded our investment in Janssen AI as an equity method investment on the Consolidated Balance Sheet as we have the ability to exercise significant influence, but not control, over the investee. The investment was initially recognized based on the estimated fair value of the investment acquired, representing the fair value of our proportionate 49.9% share of Janssen AI s total net assets at inception, which were comprised of the AIP assets and the asset created by the Johnson & Johnson contingent funding commitment.

Under the equity method, investors are required to recognize their share of the earnings or losses of an investee in the periods for which they are reported in the financial statements of the investee as this is normally considered an appropriate means of recognizing increases or decreases in the economic resources underlying the investments. However, Johnson & Johnson has committed to wholly fund up to an initial $500.0 million of development and commercialization expenses incurred by Janssen AI so the recognition by Elan of a share of Janssen AI losses that are solely funded by Johnson & Johnson s $500.0 million commitment would result in an inappropriate decrease in Elan s share of the economic resources underlying the investment in Janssen AI. Accordingly, until the $500.0 million funding commitment is fully utilized, we have applied the hypothetical liquidation at book value (HLBV) method to determine how an increase or decrease in net assets of Janssen AI affects Elan s interest in the net assets of Janssen AI on a period by period basis. Under the HLBV method, an investor determines its share of the earnings or losses of an investee by determining the difference between its claim on the investee s book value at the end and beginning of the period.

The difference between the cost of our equity method investment and the amount of our underlying equity in Janssen AI s reported net assets relates to the lower estimated value of Janssen AI s AIP assets when the equity method investment was initially recorded, and the asset created by the Johnson & Johnson $500.0 million contingent funding commitment. In relation to the AIP assets, in the event that an AIP product reaches market, our proportionate share of Janssen AI s reported results will be adjusted over the estimated remaining useful lives of those assets to recognize the difference in the carrying values. In relation to the asset created by the Johnson & Johnson contingent funding commitment, which is a limited life asset, the basis difference is amortized to the Consolidated Statement of Operations on a pro rata basis; based on the actual amount of Janssen AI losses that are solely funded by Johnson & Johnson in each period as compared to the total $500 million, which is the total amount we estimate will be solely funded by Johnson & Johnson.

Alkermes plc and Proteostasis Therapeutics, Inc.

We have recorded our investments in Alkermes plc and Proteostasis Therapeutics Inc. (Proteostasis) as equity method investments on the Consolidated Balance Sheet as we have the ability to exercise significant influence, but not control, over the investees. The investments were initially recognized based on the estimated fair value of the investment acquired. The carrying amount of the Alkermes plc equity method investment is approximately $300 million higher than our share of the book value of the net assets of Alkermes plc. Based on our preliminary assessment of the fair value of the net assets of Alkermes plc on the date of the transaction, this difference principally relates to identifiable intangible assets and goodwill attributable to the Alkermes Inc. business prior to its acquisition of the EDT business. Under the equity method, we recognize our share of the earnings or losses of our investees, adjusted for the amortization of the basis differences, in the Consolidated

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Elan Corporation, plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Statement of Operations with a corresponding increase or decrease in the carrying amount of the investments on the Consolidated Balance Sheet. We recognize our share of the earnings or losses of Proteostasis in the same periods for which they are reported in the financial statements of the investee; and we recognize our share of the earnings or losses of Alkermes plc on a one-quarter time lag as Alkermes plc s financial information is generally not publicly available when our quarterly and annual results are reported.

(l) Financing costs

Debt financing costs are comprised of transaction costs and original issue discount on borrowings. Debt financing costs are allocated to financial reporting periods over the term of the related debt using the effective interest rate method.

The carrying amount of debt includes any related unamortized original issue discount. All other unamortized debt financing costs are presented as deferred financing costs in other assets.

(m) Derivative financial instruments

We enter into transactions in the normal course of business using various financial instruments in order to hedge against exposures to fluctuating exchange and interest rates. We use derivative financial instruments to reduce exposure to fluctuations in foreign exchange rates and interest rates. A derivative is a financial instrument or other contract whose value changes in response to some underlying variable, that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable and that will be settled at a future date. We do not enter into derivative financial instruments for trading or speculative purposes. We did not hold any interest rate swap contracts or forward currency contracts at December 31, 2011 or 2010.

Our accounting policies for derivative financial instruments are based on whether they meet the criteria for designation as cash flow or fair value hedges. A designated hedge of the exposure to variability in the future cash flows of an asset or a liability, or of a forecasted transaction, is referred to as a cash flow hedge. A designated hedge of the exposure to changes in fair value of an asset or a liability is referred to as a fair value hedge. The criteria for designating a derivative as a hedge include the assessment of the instrument s effectiveness in risk reduction, matching of the derivative instrument to its underlying transaction, and the probability that the underlying transaction will occur. For derivatives with cash flow hedge accounting designation, we report the gain or loss from the effective portion of the hedge as a component of accumulated OCI and reclassify it into earnings in the same period or periods in which the hedged transaction affects earnings, and within the same income statement line item as the impact of the hedged transaction. For derivatives with fair value hedge accounting designation, we recognize gains or losses from the change in fair value of these derivatives, as well as the offsetting change in the fair value of the underlying hedged item, in earnings. Fair value gains and losses arising on derivative financial instruments not qualifying for hedge accounting are reported in our Consolidated Statement of Operations. The carrying amount of derivative financial instruments is reported within current assets or other current liabilities.

(n) Revenue

We recognize revenue from the sale of our products, royalties earned and contract arrangements. Our revenues are classified into two categories: product revenue and contract revenue.

Product Revenue Product revenue includes: (i) the sale of our products, (ii) royalties and (iii) manufacturing fees. We recognize revenue from product sales when there is persuasive evidence that an arrangement exists, title passes, the price is fixed or determinable, and collectability is reasonably assured. Revenue is recorded net of applicable sales tax and sales discounts and allowances, which are described below.

(i) The sale of our products consists of the sale of pharmaceutical drugs, primarily to wholesalers and physicians.

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Elan Corporation, plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(ii) We earn royalties on licensees sales of our products or third-party products that incorporate our technologies. Royalties are recognized as earned in accordance with the contract terms when royalties can be reliably measured and collectability is reasonably assured.

(iii) We received manufacturing fees for products that were manufactured by EDT on behalf of other third-party customers.

Tysabri® (natalizumab) was developed and is now being marketed in collaboration with Biogen Idec, Inc (Biogen Idec). In general, subject to certain limitations imposed by the parties, we share with Biogen Idec most development and commercialization costs. Biogen Idec is responsible for manufacturing the product. In the United States, we purchase *Tysabri* from Biogen Idec and are responsible for distribution. Consequently, we record as revenue the net sales of *Tysabri* in the U.S. market. We purchase product from Biogen Idec as required at a price, which includes the cost of manufacturing, plus Biogen Idec s gross profit on *Tysabri* and this cost, together with royalties payable to other third parties, is included in cost of sales. Outside of the United States, Biogen Idec is responsible for distribution and we record as revenue our share of the profit or loss on rest of world (ROW) sales of *Tysabri*, plus our directly incurred expenses on these sales, which are primarily comprised of royalties we incur and are payable by us to third parties and are reimbursed by the collaboration.

Contract Revenue Contract revenue generally arose from EDT contracts to perform R&D services on behalf of clients, or from technology licensing. Contract revenue is recognized when earned and non-refundable, and when we have no future obligation with respect to the revenue, in accordance with the terms prescribed in the applicable contract. Contract research revenue consists of payments or milestones arising from R&D activities we perform on behalf of third parties. Our revenue arrangements with multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the customer and whether there is objective and reliable evidence of the fair value of the undelivered items. The consideration we receive is allocated among the separate units based on their respective fair values, and the applicable revenue recognition criteria are applied to each of the separate units. Advance payments received in excess of amounts earned are classified as deferred revenue until earned.

Up-front fees received by us are deferred and amortized when there is a significant continuing involvement by us (such as an ongoing product manufacturing contract or joint development activities) after an asset disposal. We defer and amortize up-front license fees to income over the performance period as applicable. The performance period is the period over which we expect to provide services to the licensee as determined by the contract provisions.

Accounting for milestone payments depends on the facts and circumstances of each contract. We apply the milestone method in accounting for substantive milestone payments under contracts that include R&D deliverables. A milestone is considered substantive if consideration earned from achievement of the milestone (1) is commensurate with either the vendor s performance to achieve the milestone or the enhancement of the value of the delivered item, (2) relates solely to past performance, and (3) is reasonable in comparison to all of the deliverables and payment terms in the arrangement. If a milestone is considered substantive the consideration is recognized as revenue in the period in which the milestone is achieved. It is expected that the substantive milestone method will be appropriate for most contracts. If we determine the milestone method is not appropriate, we apply the proportional performance method to the relevant contracts. This method recognizes as revenue the percentage of cumulative non-refundable cash payments earned under the contract, based on the percentage of costs incurred to date compared to the total costs expected under the contract.

(o) Sales discounts and allowances

We recognize revenue on a gross revenue basis (except for *Tysabri* revenue outside of the United States) and make various deductions to arrive at net revenue as reported in our Consolidated Statements of Operations. These adjustments are referred to as sales discounts and allowances and are described in detail below. Sales

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Elan Corporation, plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

discounts and allowances include charge-backs, managed healthcare rebates and other contract discounts, Medicaid rebates, cash discounts, sales returns, and other adjustments. Estimating these sales discounts and allowances is complex and involves significant estimates and judgments, and we use information from both internal and external sources, including historical experience, to generate reasonable and reliable estimates.

We do not conduct our sales using the consignment model. All of our product sales transactions are based on normal and customary terms whereby title to the product and substantially all of the risks and rewards transfer to the customer upon either shipment or delivery. Furthermore, we do not have an incentive program that would compensate a wholesaler for the costs of holding inventory above normal inventory levels thereby encouraging wholesalers to hold excess inventory.

Charge-backs

In the United States, we participate in charge-back programs with a number of entities, principally the U.S. Department of Defense, the U.S. Department of Veterans Affairs, Group Purchasing Organizations and other parties whereby pricing on products is extended below wholesalers list prices to participating entities. These entities purchase products through wholesalers at the lower negotiated price, and the wholesalers charge the difference between these entities acquisition cost and the lower negotiated price back to us. We account for charge-backs by reducing accounts receivable in an amount equal to our estimate of charge-back claims attributable to a sale. We determine our estimate of the charge-backs primarily based on historical experience on a product-by-product and program basis, and current contract prices under the charge-back programs. We consider vendor payments, estimated levels of inventory in the wholesale distribution channel, and our claim processing time lag and adjust the accrual and revenue periodically throughout each year to reflect actual and future estimated experience.

Medicaid rebates

In the United States, we are required by law to participate in state government-managed Medicaid programs as well as certain other qualifying federal and state government programs whereby discounts and rebates are provided to participating state and local government entities. Discounts and rebates provided through these other qualifying federal and state government programs are included in our Medicaid rebate accrual and are considered Medicaid rebates for the purposes of this discussion. We account for Medicaid rebates by establishing an accrual in an amount equal to our estimate of Medicaid rebate claims attributable to a sale. We determine our estimate of the Medicaid rebates accrual primarily based on our estimates of Medicaid claims, Medicaid payments, claims processing time lag, inventory in the distribution channel, as well as legal interpretations of the applicable laws related to the Medicaid and qualifying federal and state government programs, and any new information regarding changes in the Medicaid programs regulations and guidelines that would impact the amount of the rebates on a product-by-product basis. We adjust the accrual and revenue periodically throughout each year to reflect actual and future estimated experience.

Cash and other discounts

Cash and other discounts include cash discounts, generally at 2% of the sales price, as an incentive for prompt payment by customers in the United States. We account for cash discounts by reducing accounts receivable by the full amount of the discounts. We consider payment performance of each customer and adjust the accrual and revenue periodically throughout each year to reflect actual experience and future estimates.

Managed healthcare rebates and other contract discounts

We offer rebates and discounts to managed healthcare organizations in the United States. We account for managed healthcare rebates and other contract discounts by establishing an accrual equal to our estimate of the amount attributable to a sale. We determine our estimate of this accrual primarily based on historical experience on a product-by-product and program basis and current contract prices. We consider the sales performance of

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

products subject to managed healthcare rebates and other contract discounts, processing claim lag time and estimated levels of inventory in the distribution channel and adjust the accrual and revenue periodically throughout each year to reflect actual and future estimated experience.

Sales returns

We account for sales returns by reducing accounts receivable in an amount equal to our estimate of revenue recorded for which the related products are expected to be returned.

Our sales return accrual is estimated principally based on historical experience, the estimated shelf life of inventory in the distribution channel, price increases, and our return goods policy (goods may only be returned six months prior to expiration date and for up to 12 months after expiration date). We also take into account product recalls and introductions of generic products. All of these factors are used to adjust the accrual and revenue periodically throughout each year to reflect actual and future estimated experience.

In the event of a product recall, product discontinuance or introduction of a generic product, we consider a number of factors, including the estimated level of inventory in the distribution channel that could potentially be returned, historical experience, estimates of the severity of generic product impact, estimates of continuing demand and our return goods policy. We consider the reasons for, and impact of, such actions and adjust the sales returns accrual and revenue as appropriate.

Other adjustments

In addition to the sales discounts and allowances described above, we make other sales adjustments primarily related to estimated obligations for credits to be granted to wholesalers under wholesaler service agreements we have entered into with many of our pharmaceutical wholesale distributors in the United States. Under these agreements, the wholesale distributors have agreed, in return for certain fees, to comply with various contractually defined inventory management practices and to perform certain activities such as providing weekly information with respect to inventory levels of product on hand and the amount of out-movement of product. As a result, we, along with our wholesale distributors, are able to manage product flow and inventory levels in a way that more closely follows trends in prescriptions. We generally account for these other sales discounts and allowances by establishing an accrual in an amount equal to our estimate of the adjustments attributable to the sale. We generally determine our estimates of the accruals for these other adjustments primarily based on contractual agreements and other relevant factors, and adjust the accruals and revenue periodically throughout each year to reflect actual experience.

Use of information from external sources

We use information from external sources to identify prescription trends and patient demand, including inventory pipeline data from the three major drug wholesalers in the United States. The inventory information received from these wholesalers is a product of their record-keeping process and excludes inventory held by intermediaries to whom they sell, such as retailers and hospitals. We also receive information from IMS Health, a supplier of market research to the pharmaceutical industry, which we use to project the prescription demand-based sales for our pharmaceutical products. Our estimates are subject to inherent limitations of estimates that rely on third-party information, as certain third-party information is itself in the form of estimates, and reflect other limitations including lags between the date as of which third-party information is generated and the date on which we receive such information.

(p) Advertising expenses

We expense the costs of advertising as incurred. Advertising expenses were $0.6 million in 2011 (2010: $0.7 million; 2009: $1.7 million).

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(q) Research and development

R&D costs are expensed as incurred. Acquired in-process research and development (IPR&D) is expensed as incurred. Costs to acquire intellectual property, product rights and other similar intangible assets are capitalized and amortized on a straight-line basis over the estimated useful life of the asset. The method of amortization chosen best reflects the manner in which individual intangible assets are consumed.

(r) Taxation

We account for income tax expense based on income before taxes using the asset and liability method. Deferred tax assets (DTAs) and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using the enacted tax rates projected to be in effect for the year in which the differences are expected to reverse. DTAs are recognized for the expected future tax consequences, for all deductible temporary differences and operating loss and tax credit carryforwards. A valuation allowance is required for DTAs if, based on available evidence, it is more likely than not that all or some of the asset will not be realized due to the inability to generate sufficient future taxable income.

Significant estimates are required in determining our provision for income taxes. Some of these estimates are based on management s interpretations of jurisdiction-specific tax laws or regulations and the likelihood of settlement related to tax audit issues. Various internal and external factors may have favorable or unfavorable effects on our future effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, changes in estimates of prior years items, past and future levels of R&D spending, likelihood of settlement, and changes in overall levels of income before taxes.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We account for interest and penalties related to unrecognized tax benefits in income tax expense.

(s) Accumulated other comprehensive income/(loss)

Comprehensive income/(loss) is comprised of our net income or loss and OCI. OCI includes certain changes in shareholders equity that are excluded from net income. Specifically, we include in OCI changes in the fair value of unrealized gains and losses on our investment securities, certain foreign currency translation adjustments, and adjustments relating to our defined benefit pension plans.

Comprehensive income/(loss) for the years ended December 31, 2011, 2010 and 2009 has been reflected in the Consolidated Statements of Shareholders Equity/(Deficit) and Comprehensive Income/(Loss).

(t) Foreign operations

Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. The resulting monetary assets and liabilities are translated into U.S. dollars at exchange rates prevailing at subsequent balance sheet dates, and the resulting gains and losses are recognized in the Consolidated Statement of Operations and, where material, separately disclosed.

The functional currency of Elan and most of our subsidiaries is U.S. dollars. For those subsidiaries with a non-U.S. dollar functional currency, their assets and liabilities are translated using year-end rates and income and expenses are translated at average rates. The cumulative effect of exchange differences arising on consolidation of the net investment in overseas subsidiaries are recognized as OCI in the Consolidated Statements of Shareholders Equity/(Deficit) and Comprehensive Income/(Loss).

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(u) Share-based compensation

Share-based compensation expense for equity-settled awards made to employees and directors is measured and recognized based on estimated grant date fair values. These awards include employee stock options, restricted stock units (RSUs) and stock purchases related to our employee equity purchase plan (EEPP).

Share-based compensation cost for RSUs awarded to employees and directors is measured based on the closing fair market value of the Company s shares on the date of grant. Share-based compensation cost for stock options awarded to employees and directors and shares issued under our EEPP is estimated at the grant date based on each option s fair value as calculated using an option-pricing model. The value of awards expected to vest is recognized as an expense over the requisite service periods.

Share-based compensation expense for equity-settled awards to non-employees in exchange for goods or services is based on the fair value of the awards on the measurement date; which is the earlier of the date at which the commitment for performance by the non-employees to earn the awards is reached and the date at which the non-employees performance is complete. We have determined that the expected vest date is the measurement date for awards granted to non-employees.

Estimating the fair value of share-based awards as of the grant or vest date using an option-pricing model, such as the binomial model, is affected by our share price as well as assumptions regarding a number of complex variables. These variables include, but are not limited to, the expected share price volatility over the term of the awards, risk-free interest rates, and actual and projected employee exercise behaviors.

(v) Pensions and other employee benefit plans

We have two defined benefit pension plans covering employees based in Ireland. These plans were closed to new entrants from March 31, 2009. These plans are managed externally and the related pension costs and liabilities are assessed at least annually in accordance with the advice of a qualified professional actuary. Two significant assumptions, the discount rate and the expected rate of return on plan assets, are important elements of expense and/or liability measurement. We evaluate these assumptions at least semi-annually, with the assistance of an actuary. Other assumptions involve employee demographic factors such as retirement patterns, mortality, turnover and the rate of compensation increase. We use a December 31 measurement date and all plan assets and liabilities are reported as of that date. The cost or benefit of plan changes, which increase or decrease benefits for prior employee service, is included in expense on a straight-line basis over the period the employee is expected to receive the benefits.

We recognize actuarial gains and losses using the corridor method. Under the corridor method, to the extent that any cumulative unrecognized net actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets, that portion is recognized over the expected average remaining working lives of the plan participants. Otherwise, the net actuarial gain or loss is recorded in OCI.

We recognize the funded status of benefit plans in our Consolidated Balance Sheet. In addition, we recognize as a component of OCI the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic pension cost of the period.

An event that significantly reduces the expected years of future service of present employees or eliminates for a significant number of employees the accrual of defined benefits for some or all of their future services is a curtailment. A gain arising on a curtailment is recorded in the Consolidated Statement of Operations to the extent that such a gain exceeds any net loss included in OCI. A loss arising on a curtailment is recorded in the Consolidated Statement of Operations to the extent that such a loss exceeds any net gain included in OCI.

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We also have a number of other defined contribution benefit plans, primarily for employees outside of Ireland. The cost of providing these plans is expensed as incurred.

(w) Contingencies

We assess the likelihood of any adverse outcomes to contingencies, including legal matters, as well as the potential range of probable losses. We record accruals for such contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. If an unfavorable outcome is probable, but the amount of the loss cannot be reasonably estimated, we estimate the range of probable loss and accrue the most probable loss within the range. If no amount within the range is deemed more probable, we accrue the minimum amount within the range. If neither a range of loss nor a minimum amount of loss is estimable, then appropriate disclosure is provided, but no amounts are accrued.

(x) Recent accounting pronouncements

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2011-08, Intangibles Goodwill and Other: Testing Goodwill for impairment (Topic 350) , which gives entities the option to first assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 per cent) that the fair value of the reporting unit is less than its carrying amount, including goodwill. If, after assessing the relevant qualitative factors, we determine that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill, then the first and second steps of the goodwill impairment test are not performed. If, after assessing the relevant qualitative factors, we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill, then the first step of the goodwill impairment test is performed. Previous guidance under Topic 350 required an entity to test goodwill for impairment, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, including goodwill (step one). If the fair value of a reporting unit is less than its carrying amount, then the second step of the test must be performed to measure the amount of the impairment loss, if any. The amendment in this update is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, but early adoption is permitted. We have early adopted the amendment for the 2011 fiscal year annual goodwill impairment review and after assessing the relevant qualitative factors, we determined that it was not more likely than not that the fair value of the reporting unit was less than its carrying amount, including goodwill, so the first and second steps of the goodwill impairment test were not performed.

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 , which results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. The amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Some of the amendments clarify the FASB s intent about the application of existing fair value measurement requirements while other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The amendments are effective for fiscal years beginning after December 15, 2011. We do not expect that the adoption of ASU 2011-04 will have an impact on our consolidated financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income , to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in OCI. To increase the prominence of items reported in OCI and to facilitate convergence of U.S. GAAP and IFRS, the FASB decided to eliminate the option to present components of OCI as part of the statement of changes in shareholders equity. The amendments require that all nonowner

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changes in shareholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total OCI, the components of OCI, and the total of comprehensive income. The amendments are effective for fiscal years beginning after December 15, 2011. We do not expect that the adoption of ASU 2011-05 will have an impact on our consolidated financial position, results of operations or cash flows.

3. Revenue

Revenue for the years ended December 31 consisted of the following (in millions):

	2011	2010	2009
Revenue from the BioNeurology business	$ 1,068.1	$ 895.6	$ 837.1
Revenue from the EDT business[1]	177.9	274.1	275.9
Total revenue	$ 1,246.0	$ 1,169.7	$ 1,113.0

[1] *The 2011 EDT revenue is for the period up to September 16, 2011, the date of divestment of the EDT business. For further information on the EDT divestment, refer to Note 5.*

Revenue from the BioNeurology business for the years ended December 31 consisted of the following (in millions):

	2011	2010	2009
Product revenue:			
Tysabri U.S.	$ 746.5	$ 593.2	$ 508.5
Tysabri ROW	317.6	258.3	215.8
Total *Tysabri*	1,064.1	851.5	724.3
Azactam®	0.9	27.2	81.4
Maxipime®	0.4	8.2	13.2
Prialt®		6.1	16.5
Royalties	2.7	1.6	1.7
Total product revenue from the BioNeurology business	1,068.1	894.6	837.1
Contract revenue from the BioNeurology business		1.0	
Total revenue from BioNeurology business	$ 1,068.1	$ 895.6	$ 837.1

Tysabri was developed and is now being marketed in collaboration with Biogen Idec. In general, subject to certain limitations imposed by the parties, we share with Biogen Idec most of the development and commercialization costs for *Tysabri*. Biogen Idec is responsible for manufacturing the product. In the United States, we purchase *Tysabri* from Biogen Idec and are responsible for distribution. Consequently, we record as revenue the net sales of *Tysabri* in the U.S. market. We purchase product from Biogen Idec at a price that includes the cost of manufacturing, plus Biogen Idec s gross profit on *Tysabri*, and this cost, together with royalties payable to other third parties, is included in cost of sales.

Global in-market net sales of *Tysabri* for the years ended December 31 consisted of the following (in millions):

	2011	2010	2009
United States	$ 746.5	$ 593.2	$ 508.5
ROW	764.1	636.8	550.7
Total *Tysabri* global in-market net sales	$ 1,510.6	$ 1,230.0	$ 1,059.2

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Outside of the United States, Biogen Idec is responsible for distribution and we record as revenue our share of the profit or loss on these sales of *Tysabri*, plus our directly incurred expenses on these sales, which are primarily comprised of royalties, that we incur and are payable by us to third parties and are reimbursed by the collaboration.

In 2011, we recorded net *Tysabri* ROW revenue of $317.6 million (2010: $258.3 million; 2009: $215.8 million), which was calculated as follows (in millions):

	2011	2010	2009
ROW in-market sales by Biogen Idec	$ 764.1	$ 636.8	$ 550.7
ROW operating expenses incurred by Elan and Biogen Idec	(349.3)	(303.8)	(280.6)
ROW operating profit generated by Elan and Biogen Idec	414.8	333.0	270.1
Elan s 50% share of *Tysabri* ROW collaboration operating profit	207.4	166.5	135.0
Elan s directly incurred costs	110.2	91.8	80.8
Net *Tysabri* ROW revenue	$ 317.6	$ 258.3	$ 215.8

We ceased distributing Azactam as of March 31, 2010, and Maxipime as of September 30, 2010. The revenue for these products in 2011 relates to adjustments to discounts and allowances associated with sales prior to the cessation of distribution. We divested our Prialt assets and rights in May 2010.

Revenue from the EDT business for the period up to September 16, 2011, the date of divestment of the EDT business, and for the years ended December 31, 2010 and 2009 consisted of the following (in millions):

	2011	2010	2009
Product revenue:			
Manufacturing revenue and royalties:			
TriCor® 145	$ 35.5	$ 54.5	$ 61.6
Focalin® XR/Ritalin® LA	25.9	33.0	32.6
Ampyra®	22.6	56.8	
Verelan®	18.1	21.8	22.1
Naprelan®	5.9	12.6	16.0
Skelaxin®		5.9	34.9
Other	60.0	76.8	90.0
Total product revenue from the EDT business	168.0	261.4	257.2
Contract revenue:			
Research revenue	6.0	8.2	8.2
Milestone payments	3.9	4.5	10.5
Total contract revenue from the EDT business	9.9	12.7	18.7

Total revenue from the EDT business	$ 177.9	$ 274.1	$ 275.9

4. Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). Our CODM has been identified as Mr. G. Kelly Martin, chief executive officer (CEO). On September 16, 2011, we announced the completion of the merger between Alkermes, Inc. and

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EDT. Prior to the divestment of the EDT business, our business was organized into two business units: BioNeurology and EDT, and our CEO reviewed the business from this perspective. BioNeurology engages in research, development and commercial activities primarily in the areas of Alzheimer s disease, Parkinson s disease and MS. EDT developed and manufactured innovative pharmaceutical products that deliver clinically meaningful benefits to patients, using its extensive experience and proprietary drug technologies in collaboration with pharmaceutical companies. Following the divestment of EDT, we are organized in a single operating segment structure.

Segment performance is evaluated based on operating income/(loss) and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). The same accounting principles used for the Group as a whole are applied to segment reporting. Inter-segment pricing is determined on an arm s length basis.

Our segment results of operations and revenue for the years ended December 31, 2011, 2010 and 2009 for our BioNeurology business unit are disclosed below. The segment results of operations and revenue for the EDT business for the period beginning on January 1, 2011 and ending on September 16, 2011, the date of divestment of the EDT business, and for the years ended December 31, 2010 and 2009 are also disclosed below.

Analysis of results of operations by segment (in millions):

	BioNeurology			EDT			Total		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Segment Revenue	$ 1,068.1	$ 895.6	$ 837.1	$ 178.1	$ 275.4	$ 277.7	$ 1,246.2	$ 1,171.0	$ 1,114.8
Less intersegment sales				(0.2)	(1.3)	(1.8)	(0.2)	(1.3)	(1.8)
Total revenue from external customers	1,068.1	895.6	837.1	177.9	274.1	275.9	1,246.0	1,169.7	1,113.0
Cost of sales	572.7	464.9	444.4	67.0	118.4	116.3	639.7	583.3	560.7
Gross margin	495.4	430.7	392.7	110.9	155.7	159.6	606.3	586.4	552.3
Operating expenses:									
Selling, general and administrative expenses	204.9	215.8	232.3	23.8	38.9	35.9	228.7	254.7	268.2
Research and development expenses	198.2	205.0	246.1	34.3	53.7	47.5	232.5	258.7	293.6
Net gain on divestment of business	(652.9)	(1.0)	(108.7)				(652.9)	(1.0)	(108.7)
Other net (gains)/charges	25.9	54.0	61.6	(68.1)	2.3	5.7	(42.2)	56.3	67.3
Settlement reserve charge		206.3						206.3	
Total operating (gains)/expenses	(223.9)	680.1	431.3	(10.0)	94.9	89.1	(233.9)	775.0	520.4
Segment operating income/(loss)	$ 719.3	$ (249.4)	$ (38.6)	$ 120.9	$ 60.8	$ 70.5	$ 840.2	$ (188.6)	$ 31.9
Segment Adjusted EBITDA	$ 146.7	$ 62.7	$ (20.9)	$ 66.3	$ 103.8	$ 117.2	$ 213.0	$ 166.5	$ 96.3
Equity method investments	$ 675.8	$ 209.0	$ 235.0	$	$	$	$ 675.8	$ 209.0	$ 235.0
Depreciation and amortization	$ 28.0	$ 30.3	$ 41.2	$ 7.8	$ 33.0	$ 33.8	$ 35.8	$ 63.3	$ 75.0
Capital expenditures	$ 23.8	$ 28.8	$ 34.8	$ 7.6	$ 15.4	$ 8.9	$ 31.4	$ 44.2	$ 43.7
Share-based compensation expense	$ 29.1	$ 23.6	$ 24.3	$ 6.2	$ 7.9	$ 7.2	$ 35.3	$ 31.5	$ 31.5
Intangible asset impairment charges	$ 0.3	$ 0.9	$ 30.6	$	$	$	$ 0.3	$ 0.9	$ 30.6
	$ 10.0	$ 11.0	$ 56.2	$	$	$	$ 10.0	$ 11.0	$ 56.2

Property, plant and equipment impairment charges	

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Reconciliation of segment operating income/(loss) to segment Adjusted EBITDA (in millions):

	BioNeurology			EDT			Total		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Segment operating income/(loss)	$ 719.3	$ (249.4)	$ (38.6)	$ 120.9	$ 60.8	$ 70.5	$ 840.2	$ (188.6)	$ 31.9
Depreciation and amortization	28.0	30.3	41.2	7.8	33.0	33.8	35.8	63.3	75.0
Amortized fees, net	(0.5)	(0.1)	(0.2)		(0.2)		(0.5)	(0.3)	(0.2)
Share-based compensation expense [(1)]	26.9	22.6	23.8	5.7	7.9	7.2	32.6	30.5	31.0
Net gain on divestment of business	(652.9)	(1.0)	(108.7)				(652.9)	(1.0)	(108.7)
Other net charges	25.9	54.0	61.6	(68.1)	2.3	5.7	(42.2)	56.3	67.3
Settlement reserve charge		206.3						206.3	
Segment Adjusted EBITDA	$ 146.7	$ 62.7	$ (20.9)	$ 66.3	$ 103.8	$ 117.2	$ 213.0	$ 166.5	$ 96.3

(1) *Share-based compensation expense excludes share-based compensation included in other charges of $1.1 million (2010: $1.0 million; 2009: $1.7 million) and share-based compensation expense of $1.6 million (2010: Nil; 2009: $1.2 million credit) included in the net gain on divestment of business.*

Reconciliation of operating income/(loss) to net income/(loss) (in millions):

	2011	2010	2009
Operating income/(loss)	$ 840.2	$ (188.6)	$ 31.9
Net interest and investment losses	232.1	134.0	161.7
Provision for income taxes	47.6	2.1	46.4
Net income/(loss)	$ 560.5	$ (324.7)	$ (176.2)

Revenue analysis by segment:

For an analysis of revenue by segment, please refer to Note 3.

Goodwill (in millions):

	2011	2010
BioNeurology	$ 207.4	$ 207.4
EDT		49.7
Total goodwill	$ 207.4	$ 257.1

As part of the EDT transaction with Alkermes, Inc., we disposed of goodwill of $49.7 million which had been allocated to the EDT business. For additional information on this transaction, refer to Note 5.

Total assets (in millions):

	2011	2010
BioNeurology	$ 1,753.8	$ 1,595.2
EDT		422.3
Total assets	$ 1,753.8	$ 2,017.5

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For fiscal years 2011, 2010 and 2009, our revenue is presented below by geographical area. Similarly, total assets, property, plant and equipment, and goodwill and intangible assets are presented below on a geographical basis at December 31, 2011 and 2010.

Revenue by region (by destination of customers) (in millions):

	2011	2010	2009
United States	$ 867.8	$ 822.8	$ 791.0
Ireland	37.7	56.0	65.8
Rest of world	340.5	290.9	256.2
Total revenue	$ 1,246.0	$ 1,169.7	$ 1,113.0

Total assets by region (in millions):

	2011	2010
Ireland	$ 920.0	$ 852.6
United States	753.8	1,081.7
Bermuda	41.9	56.9
Rest of world	38.1	26.3
Total assets	$ 1,753.8	$ 2,017.5

Property, plant and equipment by region (in millions):

	2011	2010
United States	$ 78.4	$ 116.5
Ireland	4.8	171.0
Total property, plant and equipment	$ 83.2	$ 287.5

Goodwill and other intangible assets by region (in millions):

	2011	2010
United States	$ 192.1	$ 242.9
Ireland	109.1	124.9
Rest of world	8.7	8.7

To