ELAN CORP PLC
Form 20-F
February 12, 2013
Table of Contents

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, 2012

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)

Treasury Building, Lower Grand Canal Street,

Ireland	**Dublin 2, Ireland**
(Jurisdiction of incorporation or organization)	**(Address of principal executive offices)**

William F. 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: 594,949,536 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

Table of Contents

TABLE OF CONTENTS

Table of Contents

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) our agreement to dispose of all of the intellectual property (IP) and other assets related to *Tysabri*® (natalizumab) (the *Tysabri* Transaction, refer to Item 4.B Business Overview and Note 12 to the Consolidated Financial Statements for a detailed description of the *Tysabri* Transaction) to Biogen Idec, Inc. (Biogen Idec) may not be consummated; (2) any negative developments relating to *Tysabri*, 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; (3) if the *Tysabri* Transaction with Biogen Idec is consummated, we will no longer have any commercialized products and our revenue will continue to be dependent on *Tysabri*, the development, manufacturing and commercialization of which will be controlled exclusively by Biogen Idec with no participation by us; (4) whether we are deemed to be an Investment Company for the purposes of the Investment Company Act of 1940 or Passive Foreign Investment Company (PFIC) for federal income tax purposes; (5) the potential for the successful development and commercialization or acquisition of additional products as we have no material research or pre-clinical programs or capabilities; (6) 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; (7) whether restrictive covenants in our debt obligations will adversely affect us; (8) our dependence on Johnson & Johnson and Pfizer Inc. (Pfizer) for the development and potential commercialization of bapineuzumab and any other potential products in the Alzheimer s Immunotherapy Program (AIP) in particular given the announced discontinuation of development of bapineuzumab intravenous in mild to moderate Alzheimer s disease and the possibility that we will never realize any return upon our economic interest in the AIP collaboration (including on our remaining commitment to fund up to an additional $93.2 million to Janssen AI); (9) the expense and success of development activities for ELND0005 (scyllo-inositol) , including, in particular, whether the Phase 2 clinical trials for ELND005 are successful, whether ELND005 is successfully developed in any indication, and, if so, the speed with which regulatory authorizations and product launch may be achieved; (10) competitive developments, including the introduction of new oral therapies competitive with *Tysabri* (such as Biogen Idec s BG-12) and potentially biosimilar competition for *Tysabri*; (11) the ability to protect patents and other IP and defend against IP lawsuits asserted against us or Biogen Idec with respect to *Tysabri*; (12) difficulties or delays in manufacturing *Tysabri* (Biogen Idec manufactures *Tysabri*); (13) pricing pressures and uncertainties regarding 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; (14) 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; (15) failure to comply with anti-kickback, bribery and false claims laws in the United States and elsewhere; (16) extensive government regulation; (17) risks from potential environmental liabilities; (18) failure to comply with our reporting and payment obligations under Medicaid or other government programs; (19) exposure to product liability risks, in particular with respect to *Tysabri*; (20) an adverse effect that could result from the outcome of pending or future litigation;

(21) our

Table of Contents

business is exposed to the volatility of currency exchange rates and the risks of a partial or total collapse of the euro; (22) Our auditor is not inspected by the U.S. Public Company Accounting Oversight Board (PCAOB), and as such, our investors currently do not have the benefits of PCAOB oversight; and (23) some of our agreements that may discourage or prevent others from acquiring us and that Johnson & Johnson is our largest shareholder with an 18.0% 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.

Table of Contents

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,	2012	2011	2010	2009	2008
Continuing Operations:					
Total revenue	$ 0.2	$ 4.0	$ 44.1	$ 112.8	$ 141.5
Operating loss	$ (377.5)[2]	$ (235.1)[3]	$ (478.9)[4]	$ (242.1)[5]	$ (320.5)[6]
Net loss from continuing operations	$ (372.7)[7]	$ (453.5)[8]	$ (561.3)[9]	$ (393.5)[10]	$ (239.9)[11]
Discontinued Operations:[1]					
Net income from discontinued operations	$ 235.3[12]	$ 1,014.0[13]	$ 236.6[14]	$ 217.3[15]	$ 168.9[16]
Total Operations:	$ (137.4)	$ 560.5	$ (324.7)	$ (176.2)	$ (71.0)
Basic and diluted Net Income/(Loss) per Ordinary Share					
Continuing operations[17]	$ (0.63)	$ (0.77)	$ (0.96)	$ (0.78)	$ (0.51)
Discontinued operations[17]	$ 0.40	$ 1.73	$ 0.40	$ 0.43	$ 0.36
Total attributable to the ordinary shareholders of the Parent Company	$ (0.23)	$ 0.95	$ (0.56)	$ (0.35)	$ (0.15)
Basic and diluted weighted-average number of shares outstanding continuing, discontinued and total operations	592.4	587.6	584.9	506.8	473.5
Other Financial Data:					
Adjusted EBITDA continuing operations[18]	$ (168.1)	$ (174.9)	$ (185.0)	$ (238.4)	$ (234.9)
Adjusted EBITDA discontinued operations[18]	$ 361.7	$ 387.9	$ 351.5	$ 334.7	$ 239.2

At December 31,	2012	2011	2010	2009	2008
Balance Sheet Data:					
Cash and cash equivalents	$ 431.3	$ 271.7	$ 422.5	$ 836.5	$ 375.3
Restricted cash current and non-current	$ 16.3	$ 16.3	$ 223.1	$ 31.7	$ 35.2
Investment securities current	$ 167.9	$ 0.3	$ 2.0	$ 7.1	$ 30.5
Total assets	$ 1,640.2	$ 1,753.8	$ 2,017.5	$ 2,337.8	$ 1,867.6
Debt	$ 600.0	$ 615.0[19]	$ 1,270.4[20]	$ 1,532.1[21]	$ 1,765.0
Total shareholders equity/(deficit)	$ 618.2	$ 801.8	$ 194.3	$ 494.2	$ (232.2)

(1)

The income statement financial information relating to Tysabri for the years ended December 31, 2012, 2011 and 2010; the Prothena Business for the period up to December 20, 2012 and the years ended December 31, 2011 and 2010; and the Elan

Table of Contents

Drug Technologies (EDT) business for the years ended December 31, 2012, 2011 and 2010, are presented as discontinued operations in our Consolidated Financial Statements and related notes thereto.

(2) *After other net charges of $168.9 million, relating to severance, restructuring and other costs of $42.4 million, facilities and other asset impairment charges of $107.5 million, in-process research and development (IPR&D) costs of $11.0 million, and the Cambridge Collaboration termination charge of $8.0 million.*

(3) *After other net charges of $24.3 million, relating to severance, restructuring and other costs of $8.8 million, and facilities and other asset impairment charges of $15.5 million.*

(4) *After a settlement reserve charge of $206.3 million; after other net charges of $52.8 million, primarily relating to severance, restructuring and other costs of $16.1 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 IPR&D costs of $6.0 million; and after a net gain on divestment of business of $1.0 million.*

(5) *After a net gain on divestment of business of $108.7 million; and after other net charges of $61.6 million, primarily relating to intangible asset impairment charges of $30.6 million, severance, restructuring and other costs of $23.3 million, facilities and other asset impairment charges of $16.1 million, acquired IPR&D costs of $5.0 million, reduced by net legal awards of $13.4 million.*

(6) *After other net charges of $25.2 million, primarily relating to severance, restructuring and other costs of $12.2 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.*

(7) *After other net charges of $168.9 million; after net loss on equity method investment of $221.8 million; after net charge on debt retirement of $76.1 million; and after a tax credit of $304.2 million primarily related to the recognition of a deferred tax asset expected to be utilized in relation to the expected gain on sale of Tysabri in 2013.*

(8) *After other net charges of $24.3 million; after net loss on equity method investment of $81.1 million; after 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.*

(9) *After a settlement reserve charge of $206.3 million; after other net charges of $52.8 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 net charge on debt retirement of $3.0 million.*

(10) *After a net gain on divestment of business of $108.7 million; after other net charges of $61.6 million; and after net charge on debt retirement of $24.4 million.*

(11) *After other net charges of $25.2 million; and after a tax credit of $236.6 million, which resulted from the release of a deferred tax asset valuation allowance.*

(12) *After a net loss on divestment of business of $17.9 million; after other net charges of $4.2 million, primarily relating to severance, restructuring and other costs; after a net loss on disposal of equity method investment of $13.3 million; and after a net loss on equity method investment of $7.2 million.*

(13) *After a net gain on divestment of business of $652.9 million; and after other net gains of $66.5 million, primarily relating to legal settlement gains of $84.5 million, offset by severance, restructuring and other costs of $11.6 million, and facilities and other asset impairment charges of $6.4 million; and after a net loss on equity method investment of $0.7 million.*

(14) *After other net charges of $3.5 million, relating to severance, restructuring and other costs.*

(15) *After other net charges of $5.7 million, relating to severance, restructuring and other costs.*

(16) *After other net charges of $9.0 million, relating to severance, restructuring and other costs.*

Table of Contents

(17) *Basic and diluted net income/(loss) for continuing and discontinued operations per ordinary share is based on the weighted-average number of outstanding Ordinary Shares and the effect of potential dilutive securities including stock options and restricted stock units (RSUs), unless anti-dilutive.*

(18) *Refer to pages 45 and 55 for reconciliations of net loss from continuing operations to Adjusted EBITDA from continuing operations and net income from discontinued operations to Adjusted EBITDA from discontinued operations, respectively, and our reasons for presenting these non-GAAP measures.*

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

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

(21) *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.

The Tysabri Transaction may not complete

On February 6, 2013, we announced that we have entered into an asset purchase agreement with Biogen Idec International Holding Ltd. (Biogen International), an affiliate of Biogen Idec (the Asset Purchase Agreement), pursuant to which we agreed to transfer to Biogen International all of our interest in the intellectual property and other assets related to the development, manufacturing and commercialization of *Tysabri* and other products licensed under our existing Collaboration Agreement with Biogen Idec and its affiliates. On the closing of the *Tysabri* Transaction, our existing Collaboration Agreement will terminate and Biogen International and its affiliates will have sole authority over, and exclusive worldwide rights to, the development, manufacturing and commercialization of *Tysabri*. Under the terms of the Asset Purchase Agreement, Biogen International will make a payment of $3.25 billion to us at closing and we will receive royalties on all future global net sales of *Tysabri*. During the first 12 months following the closing, we will receive a royalty of 12% on all global net sales of *Tysabri*. Thereafter, we will receive a royalty of 18% on annual global net sales up to and including $2.0 billion and a royalty of 25% on annual global net sales above $2 billion. The *Tysabri* Transaction is expected to close in the first half of 2013, subject to the satisfaction of certain conditions, as described in further detail below.

The closing of the *Tysabri* Transaction is subject to the satisfaction or waiver of certain conditions, including the following: (i) the waiting periods and approvals necessary to permit the closing under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), the Spanish Competition Act of 2007 and any similar merger control legislation of any other jurisdiction where Biogen International has determined, after consultation with Elan, a filing is required, have expired or terminated or been obtained, (ii) there is no governmental order that prevents the closing of the *Tysabri* Transaction, would result in rescission of the *Tysabri* Transaction following the closing, would limit the ability of Biogen International to operate the *Tysabri* business following the closing, would compel Biogen International to dispose of any assets or would require us or Biogen International to pay a penalty or fine, (iii) there is no pending action by a governmental authority that seeks, or by any other person that seeks and would reasonably be expected (in the reasonable good faith determination of Biogen International) to result in, a governmental order that prevents the closing of the *Tysabri* Transaction, would result in rescission of the *Tysabri* Transaction following the closing, would limit the ability of Biogen International to operate the *Tysabri* business following closing, would compel Biogen International to dispose of any assets or would require us or Biogen International to pay a penalty or fine, (iv) certain material third party consents have been received, (v) there has been no event or occurrence that has resulted in a *Tysabri* Material Adverse Change (as defined in the Asset Purchase

Agreement and described below), (vi) we have terminated certain services provided to us by Prothena Corporation plc, which owns a substantial portion of our former drug discovery business platform, which we separated from our business in December 2012, as described in Item 4.B Business Overview, and (vii) we have received and delivered to Biogen International a copy of a written agreement from the Office of Inspector General of the United States Department of Health and Human Services providing that our Corporate Integrity Agreement relating to the Zonegran matter will not apply to Biogen International or any of its products following the closing of the *Tysabri* Transaction.

Table of Contents

The Asset Purchase Agreement may be terminated by Biogen International prior to the closing date of the *Tysabri* Transaction if (i) the expiration or termination of the applicable waiting period under the HSR Act has not occurred within 75 days following the signing date, (ii) the waiting periods and approvals necessary to permit the closing under the Spanish Competition Act of 2007 and any similar merger control legislation of any other jurisdiction where Biogen International has determined, after consultation with Elan, a filing is required, have not expired or terminated or been obtained within 100 days following the signing date or (iii) a *Tysabri* Material Adverse Change has occurred during the period between the signing date and the closing date of the *Tysabri* Transaction. The Asset Purchase Agreement may be terminated by either Biogen International or us at any time prior to the closing if (i) a final nonappealable governmental order has been issued permanently enjoining or otherwise prohibiting the *Tysabri* Transaction or (ii) the closing has not occurred on or before December 31, 2013.

For purposes of the Asset Purchase Agreement, a *Tysabri* Material Adverse Change is defined as any event, change, fact, condition, circumstance or occurrence that has had or would reasonably be expected to have a material adverse effect on *Tysabri* sales or on the assets to be acquired by Biogen International in the *Tysabri* Transaction, subject to certain exceptions. In addition, the following events will be deemed to be a *Tysabri* Material Adverse Change: (i) changes in governmental regulations or third party payors reimbursement policies or the imposition of any health care cost containment measures unless, in the aggregate, the worldwide net revenues for *Tysabri* would not have decreased by more the 7.5% during the 12-month period immediately preceding such changes or measures, had those changes or measures been in effect during that period or (ii) the occurrence of PML in *Tysabri*-treated patients at rates that equal or exceed certain thresholds specified in the Asset Purchase Agreement (a material increase in PML occurrences in *Tysabri*-treated patients who meet certain risk profiles would result in a *Tysabri* Material Adverse Change and, therefore, permit Biogen International to terminate the Asset Purchase Agreement).

If the *Tysabri* Transaction is not consummated as a result of (i) Biogen International terminating the Asset Purchase Agreement because (a) the expiration or termination of the applicable waiting period under the HSR Act has not occurred within 75 days following the signing date or (b) the waiting periods and approvals necessary to permit the closing under the Spanish Competition Act of 2007 and any similar merger control legislation of any other jurisdiction where Biogen International has determined, after consultation with Elan, a filing is required, have not expired or terminated or been obtained within 100 days following the signing date, (ii) either us or Biogen International terminating the Asset Purchase Agreement because a final nonappealable governmental order has been issued permanently enjoining or otherwise prohibiting the *Tysabri* Transaction, or (iii) either us or Biogen International terminating the Asset Purchase Agreement because the closing of the *Tysabri* Transaction has not occurred on or before December 31, 2013 and, at the time of termination, all waiting periods and approvals necessary to permit the closing under the HSR Act, the Spanish Competition Act of 2007 and any similar merger control legislation of any other jurisdiction have not expired or terminated or been obtained (collectively, the Regulatory Conditions), our existing Collaboration Agreement will be automatically amended to eliminate provisions of the Collaboration Agreement that would give each party the right to purchase the other party s interest in *Tysabri* in the event of either a change of control of the other party or the other party being required to dispose of its interest in *Tysabri* by a governmental authority.

We cannot guarantee whether the closing conditions for the *Tysabri* Transaction will be satisfied or whether any of the conditions under which Biogen International is permitted to terminate the Asset Purchase Agreement will occur. As a result, we cannot assure you that the *Tysabri* Transaction will be completed on a timely basis, or at all. If the closing conditions to the *Tysabri* Transaction are not satisfied or waived, or if the transaction is not completed for any other reason, our existing Collaboration Agreement with Biogen Idec will continue, subject to the elimination, under certain circumstance, of the change of control and mandatory disposition provisions of the Collaboration Agreement. However, the market price of our ordinary shares could decline and we would nevertheless remain liable for the significant expenses we have incurred related to the *Tysabri* Transaction.

Table of Contents

We are substantially dependent on revenues from Tysabri.

Sales of our only marketed product *Tysabri* represented approximately 100% of our total continuing and discontinued revenues during 2012. If the *Tysabri* Transaction is consummated, we will no longer have any commercialized products and we will continue to be dependent on sales of *Tysabri* through a future royalty interest based on *Tysabri* global net sales. 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 for which Biogen Idec has filed for marketing approval in the United States and Europe. If any of these competing products 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. If we complete the *Tysabri* Transaction we will exercise no control over sales of *Tysabri* and will be totally dependent on the efforts of Biogen Idec to realize on our royalty interest.

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 IS 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 incidence 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. Any or all of the above factors could lead to volatility in the number of patients who begin or continue to use *Tysabri* or discontinue the use of *Tysabri* in any period.

If the Tysabri Transaction is consummated we will no longer have any commercialized products and our revenue will continue to be dependent on sales of Tysabri, the development, manufacturing and commercialization of which will be controlled exclusively by Biogen Idec with no participation by us.

If the *Tysabri* Transaction is consummated, our revenues will be generated primarily through a royalty interest based on the global net sales of *Tysabri*. Thus, any future revenues from the commercialization of *Tysabri* will depend solely upon the commercialization efforts of Biogen Idec. While we will be entitled to royalties based on the global net sales of *Tysabri*, we will not have any control over, and Biogen Idec will not be subject to, any express contractual standard related to the level of effort or resources that Biogen Idec will devote to the commercialization of *Tysabri*. In addition, Biogen Idec markets a competing MS therapy, Avonex®, and has another potentially competitive MS therapy (BG-12) awaiting regulatory approval in the United States and Europe. As a result of these competitive drugs, Biogen Idec s management attention and resources may be diverted from *Tysabri* and Biogen Idec s financial interest in the marketing of *Tysabri* may not be wholly aligned with ours. If Biogen Idec does not allocate sufficient resources or effort to its commercialization of *Tysabri*, our financial performance and prospects may be adversely affected.

Following the Tysabri Transaction, we may be deemed an Investment Company and subjected to related restrictions under the Investment Company Act of 1940.

The regulatory scope of the Investment Company Act of 1940, as amended (the Investment Company Act), which was enacted principally for the purpose of regulating vehicles for pooled investments in securities, extends generally to companies engaged primarily in the business of investing, reinvesting, owning, holding or trading in securities. The Investment Company Act may, however, also be deemed to be applicable to a company that does not intend to be characterized as an investment company but that, nevertheless, engages in activities that may be deemed to be within the definitional scope of certain provisions of the Investment Company Act. We believe that our anticipated principal activities following the *Tysabri* Transaction will not subject us to regulation

Table of Contents

under the Investment Company Act. Nevertheless, there can be no assurance that we will not be deemed to be an investment company. If we are deemed to be an investment company, we would intend to rely on Rule 3a-2 under the Investment Company Act, which provides a safe harbor exemption from investment company status, not to exceed one year, for companies that have a bona fide intent to be engaged in an excepted activity but that temporarily do not to meet the requirements for another exemption from registration as an investment company.

If, following expiration of such safe harbor, we are deemed to be an investment company, we may become subject to certain restrictions relating to our activities (unless we determine to seek and are successful in obtaining exemptive relief from the U.S. Securities and Exchange Commission), including restrictions on the nature of our investments and the issuance of securities. In addition, the Investment Company Act imposes certain requirements on companies deemed to be within its regulatory scope, including registration as an investment company, adoption of a specific form of corporate structure and compliance with certain reporting, record keeping, voting, proxy, disclosure and other rules and regulations. In the event of our characterization as an investment company, our inability to satisfy such regulatory requirements, whether on a timely basis or at all, would, under certain circumstances, have a material adverse effect on us.

If we were determined to be a PFIC, U.S. Tax Residents could suffer adverse tax consequences.

We believe that we are not currently a PFIC and, based on our management s current projections of our future income and assets, and the anticipated use of our cash, that we will not become a PFIC in the foreseeable future, including following consummation of the *Tysabri* Transaction. However, our status in any taxable year will depend on our assets and activities in each year, and because this is a factual determination made annually after the end of each taxable year, there can be no assurance that we will not be considered a PFIC for the current taxable year or any future taxable year. If we are treated as a PFIC for any taxable year in which a United States taxpayer (U.S. tax resident) holds ordinary shares or ADSs, certain adverse consequences could apply, including that gain on the sale of ADS or ordinary shares could be treated as ordinary income and subject to additional tax in the nature of interest, distributions on the ADS or ordinary shares would fail to qualify as qualified dividend income subject to reduced rates and could be subject to additional tax in the nature of interest, and additional reporting requirements would apply. U.S. tax residents should consult with their tax advisors as to the effect of these rules.

Our long-term success depends, in part, on the successful development and commercialization of other product candidates and we may not be successful in advancing ELND005 or in identifying, in-licensing and acquiring clinical stage product candidates on acceptable terms, or at all.

Our long-term viability and growth will depend, in part, on the successful development and commercialization of other products. On August 6, 2012, Johnson & Johnson issued a press release announcing that Janssen Alzheimer Immunotherapy (Janssen AI) and Pfizer had determined to discontinue the development of bapineuzumab intravenous in mild to moderate Alzheimer s disease. We have an approximate 25% economic interest in the AIP collaboration between Janssen AI and Pfizer, which includes bapineuzumab.

We currently have only one product candidate in clinical trials, ELND005 (Scyllo-inositol). In 2012, we commenced Phase 2 clinical trials of ELND005 in two indications. In a previous Phase 2 clinical trial of ELND005 for mild to moderate Alzheimer s disease, ELND005 failed to meet the trial s primary endpoints. Following the separation of a substantial portion of our drug discovery business platform into a new publicly traded company incorporated in Ireland and the discontinuation of our remaining early stage research activities, we have no material pre-clinical programs or capability. As a result, other than ongoing and future clinical development of *Tysabri* (which will be the sole responsibility of Biogen Idec from and after consummation of the *Tysabri* Transaction), clinical development of ELND005 and our approximate 25% economic interest in the AIP collaboration, our development and commercialization of future products will be dependent on the in-licensing or acquisition of products or clinical stage product candidates. We may not be successful at identifying, in-licensing or acquiring products or clinical stage product candidates on acceptable terms, or at all.

Product development and commercialization are very expensive and involve a high degree of risk. 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.

Table of Contents

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, 2012, we had $600.0 million of debt falling due in October 2019 (2011: $624.5 million due in October 2016). As of December 31, 2012, we had total cash and cash equivalents, restricted cash and cash equivalents and investments of $624.1 million (2011: $298.1 million). If the *Tysabri* Transaction is consummated, revenues and cash flows will be substantially reduced, which may negatively impact us. Our indebtedness could have important adverse 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 research and development (R&D) (including our funding commitments to Janssen AI (for the AIP), working capital, capital expenditures, acquisitions, investments and other general corporate purposes);
- Cause us to elect to redeem our indebtedness at a premium in order to avoid potential debt covenant breaches;
- Limit our flexibility in planning for, or reacting to, changes in our business 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 future *Tysabri* revenues, 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 otherwise adversely affect us.

The agreement governing our outstanding indebtedness contains various restrictive covenants that limit our financial, operating and strategic 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 affiliates, except on an arm s-length basis;

Enter into certain types of investment transactions;

Engage in certain asset sales or sale and leaseback transactions;

Pay dividends; and

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

The breach of any of these covenants may result in a default, which could result in the indebtedness under the agreement becoming immediately due and payable. 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. Alternatively, we might elect (assuming we then had sufficient cash resources) to redeem our outstanding indebtedness at a premium and discharge the agreement governing our indebtedness as we are permitted to do

Table of Contents

thereunder, which would consume significant cash resources and could materially restrict our financial, operating and strategic flexibility. 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 Janssen AI, in addition to Pfizer, for the clinical development and potential commercialization of AIP products. As a result of the discontinuation of further development of bapineuzumab intravenous in mild to moderate Alzheimer s disease, we may never realize any return on our approximate 25% economic interest in the AIP collaboration.

Johnson & Johnson exercises effective control over Janssen AI and, consequently, over our economic interest in the AIP collaboration. The interests of Johnson & Johnson may not be aligned with our interests. On August 6, 2012, Johnson & Johnson issued a press release announcing that Janssen AI and Pfizer had determined to discontinue the development of bapineuzumab intravenous in mild to moderate Alzheimer s disease based on the co-primary clinical endpoints not being met in the Janssen AI-led Phase 3 clinical studies (Studies 301 and 302). We have a 49.9% shareholding in Janssen AI, which represents an approximate 25% economic interest in the AIP collaboration. As a result of the discontinuation, we may never realize any return on our economic interest in the AIP collaboration, although we are nonetheless required to satisfy our commitment to fund up to $200.0 million to Janssen AI by the end of 2014. Following the provision of $29.9 million of funding to Janssen AI in January 2013, we have a remaining funding commitment of $93.2 million to Janssen AI. We recorded a non-cash impairment charge of $117.3 million on our equity method investment in Janssen AI during 2012, representing the full initial estimated value of our 49.9% share of the Janssen AI AIP assets.

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 Biogen Idec, markets a competing MS therapy, Avonex and has another potentially competitive MS therapy (BG-12) awaiting regulatory approval in the United States and Europe. As a result of these competitive drugs, Biogen Idec s management attention and resources may be diverted from *Tysabri* and Biogen Idec s financial interest in the marketing of *Tysabri* may not be wholly aligned with ours. If the *Tysabri* Transaction with Biogen Idec is consummated, we will exercise no control over sales of *Tysabri* and will be totally dependent on Biogen Idec to realize our royalty interest.

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. *Tysabri* is covered by a number of issued patents and pending patent applications in the United States and many other countries. A primary U.S. patent covering the humanized antibody expires in 2020. Additional U.S. patents and pending 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 2013 and 2024. Outside the United States, patents and pending patent applications covering *Tysabri,* methods of using *Tysabri* and methods of manufacturing *Tysabri* generally expire between 2013 and 2024. If the *Tysabri* Transaction closes we will transfer all of our rights in *Tysabri* IP and other assets related to *Tysabri* to Biogen Idec. 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 such as Biogen Idec s BG-12). 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.

Table of Contents

If the *Tysabri* Transaction is consummated we have agreed that we will not research, develop or commercialize products that act through or on Alpha 4 Integrin, such as *Tysabri*. Our inability to compete in this area may materially and adversely affect our prospects.

We have no material pre-clinical programs or capabilities. Our competitive position depends, in part, upon our ability to acquire or develop innovative, cost-effective new products, and to protect all of this with patents and other IP rights. 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 IP, 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 IP 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 IP 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 *Tysabri* or our other products, if any.

Although we believe that we make reasonable efforts to protect our IP 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 *Tysabri* or our other products, if any. In addition, third parties may be able to obtain patents that prevent the sale or use of *Tysabri* or our other products, if any, or require us to obtain a license and pay significant fees or royalties in order to continue selling *Tysabri* or our other products, if any.

There has been, and we expect there will continue to be, significant litigation in the industry regarding patents and other IP rights. Litigation and other proceedings concerning patents and other IP 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. In particular, a patent claim is pending against Biogen Idec with trial set for early 2014. In the event of an adverse result in the litigation, or pursuant to a settlement, Biogen Idec may have to agree to pay damages and/or a royalty on sales of *Tysabri* and under our Collaboration Agreement with Biogen Idec, or under the *Tysabri* Transaction, we may be required to pay approximately 50% of such damages or royalty, which may result in a material diminution of our *Tysabri* revenue. Any litigation, interference proceedings, re-examinations or oppositions against us or our licensors, may 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 *Tysabri* or our other products, if any, or their products. The outcome of any such litigation could adversely affect the validity and scope of our patents or other IP rights, hinder, delay or prevent the marketing and sale of *Tysabri* or our other products, if any, 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* with no participation from us. 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. In addition, although a second manufacturing facility is in development, Biogen Idec currently relies on its manufacturing facility in Research Triangle Park, North Carolina to manufacture *Tysabri*. The inability to obtain sufficient quantities of required raw materials could materially and adversely affect the supply of *Tysabri*.

Table of Contents

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 *Tysabri* or our other products, if any, favorably, then they may not prescribe *Tysabri* or our other products, if any. 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 *Tysabri* or our other products, if any, 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 $30.6 million was recorded in 2012 and $37.5 million to date on *Tysabri* in-market sales in Italy, arising from a disagreement between Biogen Idec and the Italian National Medicines Agency (Medicines Agency) on a contract interpretation of a limit established by the Medicines Agency in 2007. In December 2011, Biogen Idec filed an appeal against the Medicines Agency seeking a ruling that the reimbursement limit does not apply and that the position of the Medicines Agency is unenforceable. Until this dispute is resolved, we will continue to defer *Tysabri* revenue. The revenue reserve is discussed further on page 48. The sovereign debt crisis in Europe and elsewhere may accelerate efforts by governments to control public expenditures on healthcare, which may limit, reduce or delay reimbursements for *Tysabri*. These efforts may negatively impact *Tysabri* revenue. Even if the *Tysabri* Transaction is consummated, negative impacts on *Tysabri* revenue will result in lower royalty payments to us.

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

Table of Contents

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. Pursuant to an Order filed on August 6, 2012, we are aware of a lawsuit pending in the United States District Court for the Western District of Virginia against Biogen Idec and Elan pursuant to the federal False Claims Act and similar state statues. We have neither seen, nor been served with, a copy of the related complaint. In addition to any penalties or charges that may result in the ordinary course from this lawsuit, if we are found to have engaged in conduct prohibited under our Corporate Integrity Agreement, severe sanctions could be imposed on us.

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 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

Table of Contents

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 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, in particular Biogen Idec, 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.

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

15

Table of Contents

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. If the *Tysabri* Transaction is consummated, we will transfer these reporting obligations with respect to *Tysabri* to Biogen Idec. We will retain responsibility for all discounts and allowances liabilities related to *Tysabri* sales up to the consummation of the *Tysabri* Transaction. Refer to pages 32 to 36 for additional information on *Tysabri* sales discounts and allowances.

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 *Tysabri*, or products that we are responsible for, may have a product liability claim against us. Persons who participate in our clinical trials may also bring liability claims. We are a defendant in product liability actions related to products that we marketed. In addition, we are defendants in product liability lawsuits arising out of serious adverse events, including deaths, which occurred in patients taking *Tysabri*. We expect additional product liability lawsuits related to *Tysabri* usage to be filed. While we or Biogen Idec intend to vigorously defend these lawsuits, we cannot predict how these cases will be resolved. If the *Tysabri* Transaction closes, we will continue to be responsible for 50 percent of losses and expenses arising out of *Tysabri* product liability claims.

Adverse results in one or more of these cases could result in substantial monetary judgments.

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 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.

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.

Our auditor is not inspected by the PCAOB, and as such, our investors currently do not have the benefits of PCAOB oversight.

As an auditor of companies that are publicly traded in the United States and a firm registered with the PCAOB, our independent registered public accounting firm is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and the professional standards of the PCAOB. However, because our auditor is located in Ireland, a jurisdiction where the PCAOB is currently unable to conduct inspections, our auditor is not currently inspected by the PCAOB.

Inspections of other auditors conducted by the PCAOB outside of Ireland have at times identified deficiencies in those auditor s audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The lack of PCAOB inspections in Ireland prevents the PCAOB from regularly evaluating our auditor s audits and its quality control procedures. In addition, the inability of the PCAOB to conduct auditor inspections in Ireland makes it more difficult to evaluate the effectiveness of our auditor s audit procedures or quality control procedures as compared to auditors located outside of Ireland that are subject to regular PCAOB inspections. As a result, investors will be deprived of the benefits of PCAOB inspections, and may lose confidence in our reported financial information and procedures and the quality of our financial statements.

Table of Contents

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. If the *Tysabri* Transaction is consummated the Collaboration Agreement (and as a result, the purchase option) will terminate. If the *Tysabri* Transaction is not consummated due to the Regulatory Conditions having not been satisfied, then the parties have agreed that the purchase option will terminate;

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

Under the terms of the indenture governing 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; and

If the *Tysabri* Transaction is consummated, we have agreed not to research, develop or commercialize products which act on or through Alpha 4 Integrin, such as *Tysabri*.

Item 4. *Information on the Company.*

A. History & Development of the Company

Elan Corporation, plc is an Irish public limited 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).

B. Business Overview

We made significant changes to our business during 2012, including the separation of a substantial portion of our drug discovery business platform into a new publicly traded company incorporated in Ireland, named Prothena Corporation plc (Prothena), and the discontinuation of our remaining early stage research activities. On February 6, 2013, we announced that we have entered into an asset purchase agreement with Biogen Idec to transfer to Biogen Idec all *Tysabri* IP and other assets related to *Tysabri*. In accordance with the terms of the transaction, upon close, the existing collaboration arrangements with Biogen Idec will be terminated and Biogen Idec will pay to us an upfront payment of $3.25 billion and continuing royalties on *Tysabri* in-market sales. We will earn a royalty of 12% of global net sales of *Tysabri* during the first 12 months following the closing of the transaction. Thereafter, we will earn a royalty of 18% of global net sales up to $2.0 billion each year, and a 25% royalty on annual global net sales above $2.0 billion. The transaction is expected to close in the first half of 2013, subject to the satisfaction of certain conditions, including customary regulatory approvals.

Tysabri

Tysabri an alpha-4 integrin inhibitor invented by our 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 Europe, 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. In the United States, *Tysabri* is also indicated for inducing and maintaining clinical response and

Table of Contents

remission in adult patients with moderately to severely active Crohn s disease (CD) with evidence of inflammation who have had an inadequate response to, or are unable to, tolerate conventional CD therapies and inhibitors of TNF-a.

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% ($p<0.001$).

Until the *Tysabri* Transaction closes, we will continue to work with Biogen Idec on *Tysabri*, as well as the clinical and scientific communities, to generate incremental efficacy and safety understanding of *Tysabri* for the treatment of relapsing forms of MS as well as for new potential indications so it may be positioned for the clinical benefit of patients.

As of December 31, 2012, there were approximately 72,700 patients on *Tysabri* therapy worldwide, compared to 64,700 patients as of December 31, 2011, which represents an increase of 12%. In 2012, global in-market net sales of *Tysabri* exceeded $1.6 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 *Tysabri* for MS.

Tysabri Secondary Progressive Multiple Sclerosis

In January 2012, Elan and Biogen Idec announced a global Phase 3b study, ASCEND, that is being conducted to evaluate the effectiveness of *Tysabri* as a treatment for secondary progressive MS (SPMS). According to the National Multiple Sclerosis Society, approximately half of all people initially diagnosed with RRMS the most common form of MS will transition to SPMS within 19 years.

The trial is currently ongoing and data is expected to be available in 2015.

Tysabri Label Updates Provide for more Informed Benefit/Risk Analysis

In January 2012, the U.S. FDA approved an update to the Prescribing Information for *Tysabri* to include anti-JCV antibody status as a factor to help stratify the risk of PML in the *Tysabri*-treated population. The United States label update followed the European Commission s approval of anti-JCV antibody status as an additional factor to aid in stratifying patients at risk for developing PML in the Summary of Product Characteristics for *Tysabri* in Europe in the second quarter 2011. 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.

Anti-JCV antibody status is measured using a two-step enzyme-linked immunosorbent assay (ELISA) called STRATIFY JCV developed by Elan and Biogen Idec. The assay detects anti-JCV antibodies in the blood of patients, and is widely commercially available in both the United States and Europe.

Tysabri Regulatory Applications for Approval as First-Line Use in Anti-JCV Antibody Negative Patients with MS

In January 2013, Elan and Biogen Idec announced the submission of applications to the FDA and EMA requesting updates to the *Tysabri* labels. The applications request an expanded indication that would include first-line use for people living with certain relapsing forms of MS who have tested negative for antibodies to the JCV. A formal assessment of both applications is ongoing.

Table of Contents

The submissions of a supplemental Biologic License Application (sBLA) to the FDA and a Type II labeling variation application to the EMA are supported by risk stratification data and a risk algorithm designed by Elan and Biogen Idec that enables physicians and individuals living with MS to make informed decisions when considering treatment with *Tysabri*. If approved, a first-line label will allow all appropriate anti-JCV antibody negative patients to consider *Tysabri* early in the course of treatment, regardless of the level of disease activity or prior treatment history.

Tysabri Data Published and Presentations at Medical Meetings

Elan and Biogen Idec announced and presented findings at the 64th Annual Meeting of the American Academy of Neurology (AAN) from several studies of *Tysabri* in April 2012. The studies evaluated the long-term safety and efficacy of *Tysabri* in the treatment of MS across the course of disease and impact on MS-related symptoms such as fatigue.

In May 2012 the New England Journal of Medicine published research from our global risk management program that updates the risk of *Tysabri*-associated PML. Together with our collaborator Biogen Idec, we developed the quantitative risk stratification algorithm to help physicians and people with MS have more confidence in their treatment decisions when considering *Tysabri*.

The analysis looked at three risk factors associated with a patient s PML risk: anti-JCV antibody status; use of IS therapy prior to *Tysabri* initiation; and longer duration of treatment with *Tysabri* (especially longer than two years). By identifying these risk factors and incorporating them into our risk stratification algorithm, we help physicians and patients to make more informed treatment decisions.

At the annual European Committee for Treatment and Research in Multiple Sclerosis conference in October 2012, there were eleven Elan and Biogen Idec sponsored *Tysabri* presentations. Key data presented indicated patients on *Tysabri* experienced reduced annualized relapse rates, particularly in those treated with *Tysabri* early in the course of their disease. Data from a separate study showed improvement of MS-related fatigue also significantly improves quality of life in patients treated with *Tysabri*. Additional data presented supported the utility of JC-virus antibody testing in clinical practice.

Until the *Tysabri* Transaction closes *Tysabri* will continue to be marketed and distributed by Elan and Biogen Idec. If the *Tysabri* Transaction closes, Biogen Idec will have sole authority over and exclusive worldwide rights to the development, manufacturing and commercialization of *Tysabri*. 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.

ELND005

ELND005 is an orally bioavailable small molecule that is being investigated by us for multiple neuropsychiatric indications on the basis of its proposed dual mechanism of action, which includes b-amyloid anti-aggregation and regulation of brain myo-inositol levels. An extensive clinical program of Phase 1 and Phase 2 Alzheimer s disease studies has been completed with ELND005 to support clinical development, including the published Phase 2 study ELND005-AD201 in Alzheimer s disease.

Study AD201 was a Phase 2 placebo controlled study in 351 patients with mild to moderate Alzheimer s disease who received study drug (250mg twice daily; 1,000mg twice daily; 2,000mg twice daily; or placebo) for up to 18 months. The two higher dose groups were discontinued in December 2009. The study did not achieve significance on co-primary outcome measures (neuropsychological test battery (NTB) and Alzheimer s disease Cooperative Study Activities of Daily Living (ADCS-ADL)). The 250mg twice daily dose demonstrated a biological effect on amyloid-beta protein in the cerebrospinal fluid (CSF) in a subgroup of patients who provided CSF samples. This dose achieved targeted drug levels in the CSF previously associated with therapeutic effects in animal models, and showed some effects on clinical endpoints in an exploratory analysis.

ELND005 Bipolar Disorder

In August 2012, we commenced a Phase 2, placebo-controlled, safety and efficacy study of oral ELND005 as an adjunctive maintenance treatment in patients with Bipolar I Disorder (BPD 1) to delay the time to occurrence of mood episodes.

BPD 1 is a severe form of Bipolar Disorder (BPD), also commonly known as manic depressive illness. It is a psychiatric disorder characterized by excessive swings in a person s mood and energy affecting their ability to function. BPD is a lifetime

Table of Contents

recurrent disorder with cycles of dramatic mood swings of highs and lows, often with periods of normal moods in between. The periods of highs and lows are called episodes of mania and depression. BPD is also associated with increased cardiovascular morbidity and suicide risk. The United States and European population of BPD patients is estimated at approximately 3.5 million.

As a result of the commencement of this Phase 2 trial, we incurred an in-process R&D charge of $11.0 million during the third quarter of 2012, related to a milestone paid to Transition Therapeutics, Inc (Transition) in accordance with the terms of the modification to the Collaboration Agreement agreed with Transition in December 2010.

ELND005 Agitation/Aggression in Alzheimer s Disease

In November 2012, we announced that we had enrolled the first patient in a Phase 2 clinical trial of ELND005 (Study AG201) for the treatment of agitation/aggression in patients with moderate to severe Alzheimer s disease.

ELND005 may have symptomatic benefit in neuropsychiatric indications based on its potential beneficial effects on exploratory end-points in Alzheimer s disease, coupled with a good understanding of its safety profile from earlier clinical trials in Alzheimer s disease. In the Phase 2 Alzheimer s disease Study (AD201), ELND005 appeared to decrease the emergence and severity of specific Neuropsychiatric Symptoms (NPS), an effect which seemed to correlate with drug exposure for some symptoms. ELND005 also led to a sustained reduction of brain Myo-inositol levels that are thought to play a role in phospho-inositol signaling pathways and synaptic activity.

Symptomatic treatments are important in Alzheimer s disease patient care, especially at the advanced stages of disease. As patients advance in their Alzheimer s disease, there is an increase in both the prevalence and severity of agitation/aggression. Approximately 90% of Alzheimer s disease patients develop NPS and up to 60% develop agitation/aggression over the course of their disease. With no approved therapies for agitation/aggression in most countries, including the United States, it is a major treatment challenge in patients with Alzheimer s disease.

Further information about ELND005 clinical trials can be found at www.clinicaltrials.gov.

ELND005 Data Published/Presented at Medical Meetings

In April 2012, at the AAN, data from the ELND005 Phase 2 trials in mild/moderate Alzheimer s disease describing responder analyses and characteristics, along with findings on the effect of ELND005 on the emergence of NPS was presented.

At the Alzheimer s Association International Conference (AAIC) in Vancouver, Canada in July 2012, data from the ELND005 Phase 2 trials in mild/moderate Alzheimer s disease describing its effect on both brain scyllo-inositol and myo-inositol levels was presented. In addition, data was also presented on the effects of oral ELND005 on NPS in the Phase 2 trial and the potential role of myo-inositol reduction.

In October 2012, ELND005 was featured during an oral presentation and on two posters at the Clinical Trials in Alzheimer s Disease Conference (CTAD), where new analyses were presented from the Phase 2 Alzheimer s disease study which focused on the effects of ELND005 on NPS and agitation/aggression in Alzheimer s disease dementia. We believe that the data presented at the CTAD supports the evaluation of ELND005 as a potential treatment of clinically significant agitation/aggression at the more advanced stages of Alzheimer s disease.

Alzheimer s Disease Programs

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. The AIP includes bapineuzumab and ACC-001, as well as other compounds.

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

Table of Contents

$500.0 million funding to Janssen AI and we have a 49.9% shareholding in Janssen AI. Any additional funding in excess of the initial $500.0 million funding commitment is required to be funded equally by Elan and Johnson & Johnson up to a maximum additional commitment of $400.0 million in total.

During 2012, the remaining $57.6 million of the initial $500.0 million funding commitment provided by Johnson & Johnson to Janssen AI was fully utilized and as a result, we provided funding of $76.9 million to Janssen AI during 2012. In addition, we provided funding of $29.9 million to Janssen AI in January 2013. Following the provision of this funding in January 2013, our remaining funding commitment to Janssen AI is $93.2 million. We recorded a net loss of $101.2 million on the Janssen AI equity method investment in 2012, relating to our share of the losses of Janssen AI.

On August 6, 2012, Johnson & Johnson and Pfizer announced the discontinuation of the Phase 3 development of bapineuzumab IV in mild to moderate Alzheimer s disease based on the co-primary clinical endpoints not being met in the Janssen AI-led Studies 301 and 302. Studies with other compounds in earlier stages of development in the AIP portfolio are continuing. A subcutaneous formulation of bapineuzumab is in Phase 2 testing and a vaccine for Alzheimer s disease (ACC-001) is also in Phase 2 testing.

As a result of the discontinuation of the four Phase 3 bapineuzumab IV studies, we recorded a non-cash impairment charge of $117.3 million on our equity method investment in Janssen AI in 2012, representing the full initial estimated value of our 49.9% proportionate share of the Janssen AI AIP assets.

Prothena Corporation plc

On December 20, 2012, we completed the separation of the Prothena Business into a new, publicly traded company incorporated in Ireland. The issued share capital of Prothena was admitted to trading on the NASDAQ Global Market on December 21, 2012. The separation of the Prothena Business from Elan was completed through a demerger under Irish law. The demerger was effected by Elan transferring its wholly-owned subsidiaries comprising the Prothena Business to Prothena, in exchange for Prothena issuing Prothena ordinary shares directly to Elan shareholders, on a pro rata basis. Each Elan shareholder received one Prothena ordinary share for every 41 Elan ordinary shares or Elan ADSs held. In connection with the separation of the Prothena Business, we made a cash contribution to Prothena, which together with the consideration for 18% of Prothena s outstanding ordinary shares, totaled $125.0 million.

Prothena focuses on the discovery and development of novel antibodies for the potential treatment of a broad range of diseases that involve protein misfolding or cell adhesion. Prothena also focuses on the discovery and development of potential therapeutic monoclonal antibodies directed specifically to disease-causing proteins. These potential therapies have a broad range of indications, including AL and AA forms of amyloidosis, Parkinson s disease and related synucleinopathies, and novel cell adhesion targets involved in autoimmune disease and metastatic cancers.

Alkermes plc

In September 2011, Alkermes plc and Elan completed the merger between Alkermes, Inc. and Elan Drug Technologies (EDT). 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. In March 2012, we sold 76% (24.15 million ordinary shares) of our shareholding in Alkermes plc and received net proceeds of $380.9 million, after deduction of underwriter and other fees. Following this sale we continued to own 7.75 million ordinary shares of Alkermes plc, representing an approximate 6% equity interest in Alkermes plc.

On January 31, 2013, we announced that we had agreed to sell all of our remaining 7.75 million ordinary shares of Alkermes plc. The sale closed on February 6, 2013 and we received proceeds of $169.7 million.

Table of Contents

Table of Contents

Scientific collaborations and relationships

Trinity College Dublin

In October 2012, we committed to sponsoring a five year clinician scientist post-doctoral research fellowship in neuroimaging of neurodegenerative diseases. This fellowship was awarded to a specialist in Neurology with a focus on Motor Neuron Disease and advanced Magnetic Resonance Imaging techniques. The fellowship is based in Neurology in Trinity College Dublin s School of Medicine, the Trinity College Institute of Neuroscience and the Neurology Department at Beaumont Hospital, Dublin.

Dublin Neurological Institute

We continue to support the Dublin Neurological Institute by providing financial support for an initiative which supports 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. Our commitment to the DNI began in November 2011 and is for a five year term.

University College Dublin

In December 2011, we announced an initiative with University College Dublin 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 us.

Environment

The U.S. market is our most important market. Until the *Tysabri* Transaction closes, *Tysabri* continues to be marketed in collaboration with Biogen Idec, and we are responsible for distribution of *Tysabri* in the United States. 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.

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.

In the U.S., federal and state legislatures, health agencies and third-party payors continue to focus on containing the cost of health care. A reduction in funding for Medicare, Medicaid or similar government programs may adversely affect our future results. Economic pressure on state budgets may result in states increasingly seeking to achieve budget savings through mechanisms that limit coverage or payment for drugs. In recent years, some states have considered legislation that would control the prices of drugs. State Medicaid programs are increasingly requesting manufacturers to pay supplemental rebates and requiring prior authorization by the state program for use of any drug for which supplemental rebates are not being paid. Managed care organizations continue to seek price discounts and, in some cases, to impose restrictions on the coverage of particular drugs. Government efforts to reduce Medicaid expenses may lead to increased use of managed care organizations by Medicaid programs. This may result in managed care organizations influencing prescription decisions for a larger segment of the population

and a corresponding constraint on prices and reimbursement for drugs.

In the European Union and some other international markets, the government provides health care to consumers and regulates pharmaceutical prices, patient eligibility or reimbursement levels to control costs for the government-sponsored health care system.

Table of Contents

Many countries are reducing their public expenditures and we expect to see strong efforts to reduce healthcare costs in our international markets, including patient access restrictions, suspensions on price increases, prospective or retroactive price reductions, increased mandatory discounts or rebates and greater importation of drugs from lower-cost countries to higher-cost countries. These cost control measures likely will reduce our revenues. In addition, some countries set prices by reference to the prices in other countries where *Tysabri* is marketed. Thus, our inability to secure adequate prices in a particular country may not only limit the marketing of *Tysabri* within that country, but may also adversely affect our ability to obtain acceptable prices in other markets.

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., 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 NDA 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 NDA or a Biologics License Application (BLA). In certain cases, an Abbreviated NDA 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. 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.

Table of Contents

The FCPA and U.K. Bribery Act, among other laws, 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 2020. Additional U.S. patents and patent applications of Elan and/or 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 2013 and 2024. Outside the United States, patents and pending patent applications covering *Tysabri*, methods of using *Tysabri* and methods of manufacturing *Tysabri* generally expire between 2013 and 2024. 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 IP 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* IP. If these licenses are not available, or are not available on reasonable terms, we may be materially and adversely affected. If the *Tysabri* Transaction is consummated, all of our rights in *Tysabri* IP will transfer to Biogen Idec.

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 *Tysabri* 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 IP 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*. In the event that the *Tysabri* Transaction is consummated, the sales and distribution of *Tysabri* will be controlled exclusively by Biogen Idec.

Table of Contents

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, 2012, we had 245 employees worldwide, of whom 86 were engaged in R&D activities and the remainder worked in selling, marketing, general and administrative areas. As of December 31, 2011, we had 412 employees worldwide, of whom 226 were engaged in research and development activities and the remainder worked in selling, marketing, general and administrative areas. As of December 31, 2010 we had 1,219 employees worldwide, of whom 475 were in engaged in research and development activities, 478 were engaged in manufacturing and supply activities, 34 were engaged in sales and marketing activities and the remainder worked in general and administrative areas.

Table of Contents

C. Organizational Structure

At December 31, 2012, 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

Table of Contents

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 20 to the Consolidated Financial Statements, which discloses amounts invested in land and buildings and plant and equipment; Note 32 to the Consolidated Financial Statements, which discloses future minimum rental commitments; Note 33 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	260,000[1]
Leased: King of Prussia, PA, USA	Former R&D and manufacturing facility	113,000[2]
Leased: Dublin, Ireland	Corporate administration	41,000
Leased: Boston, MA, USA	R&D, sales and administration	11,830

(1) *Approximately 55,000 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 260,000 square feet noted above. As a result of the planned closure of our facilities in South San Francisco in early 2013, in connection with the separation of the Prothena Business and cessation of the remaining early stage research activities, we will no longer utilize the remaining 205,000 square feet of space in South San Francisco.*

(2) *The EDT facility in King of Prussia was closed in 2011. Approximately 50,000 square feet of this space was sublet by December 31, 2012.*

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;

Subsequent events;

Results of operations for the year ended December 31, 2012, compared to 2011 and 2010; and

Liquidity and capital resources.

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

Table of Contents

CURRENT OPERATIONS

Elan is an Irish public limited company listed on the Irish and New York Stock Exchanges and headquartered in Dublin, Ireland. 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, 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, excluding assets held for sale, amounted to $99.0 million at December 31, 2012 (2011: $309.9 million) and our property, plant and equipment had a carrying amount at December 31, 2012 of $12.7 million (2011: $83.2 million). In addition, we also held total goodwill and other intangibles assets of $195.2 million that relate to the *Tysabri* business and have been classified as held for sale at December 31, 2012 (2011: $Nil).

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 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 in 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.

29

Table of Contents

On February 6, 2013, we announced that we have entered into an asset purchase agreement with Biogen Idec to transfer to Biogen Idec all *Tysabri* IP and other assets related to *Tysabri*. As a result of this transaction, Biogen Idec will have sole authority over and exclusive worldwide rights to the development, manufacturing and commercialization of *Tysabri*. In accordance with the terms of the transaction, upon consummation of the transaction, the existing collaboration arrangements with Biogen Idec will be terminated and Biogen Idec will pay to us an upfront payment of $3.25 billion and continuing royalties on *Tysabri* in-market sales. The transaction is expected to close in the first half of 2013, subject to the satisfaction of certain conditions, including customary regulatory approvals. The assets of the *Tysabri* business, which have been classified as held for sale as of December 31, 2012, include goodwill that has been allocated to the *Tysabri* business of $110.8 million and other intangible assets of $84.4 million.

In December 2012, we separated the Prothena Business into a new, publicly traded company incorporated in Ireland. In connection with this transaction, we disposed of goodwill of $0.6 million which was allocated to the Prothena Business. We also disposed of property, plant and equipment with a net book value of $3.3 million related to the Prothena Business.

In 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, IP 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, which included the goodwill of $110.8 million allocated to the *Tysabri* business in 2012. For the 2012 and 2011 fiscal years annual goodwill impairment review, we assessed the relevant qualitative factors 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.

There were no material impairment charges relating to intangible assets in 2012 or 2011. For additional information on goodwill and other intangible assets, refer to Note 21 to the Consolidated Financial Statements.

During 2012, we recorded a non-cash asset impairment charge of $64.3 million relating to property, plant and equipment, within other net charges in the Consolidated Statement of Operations, which resulted from the planned closure of our facilities in South San Francisco following the separation of the Prothena Business and cessation of the remaining early stage research activities.

In 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.

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.

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 had 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 were solely funded by Johnson & Johnson s $500.0 million commitment would have resulted in an inappropriate decrease in Elan s share of the economic resources underlying the investment in Janssen AI. Accordingly, until

30

Table of Contents

the $500.0 million funding commitment was fully utilized, we 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.

During 2012, the remaining balance of the initial $500.0 million funding commitment which amounted to $57.6 million at December 31, 2011, was spent. Subsequent to the full utilization of the initial $500.0 million funding commitment, we provided funding of $76.9 million to Janssen AI during 2012.

On August 6, 2012, Johnson & Johnson issued a press release announcing the discontinuation of the development of bapineuzumab intravenous in mild to moderate Alzheimer s disease based on the co-primary clinical endpoints not being met in the Janssen AI-led Phase 3 clinical studies. As a result of the discontinuation, we recorded a non-cash impairment charge of $117.3 million against the carrying value of our equity method investment in Janssen AI, representing the full initial estimated value of Elan s 49.9% share of the Janssen AI AIP assets. Janssen AI recorded an impairment charge of $678.9 million, representing its full carrying value of the AIP assets.

As of December 31, 2011, the carrying value of our Janssen AI equity method investment of $130.6 million was approximately $185 million below our share of Janssen AI s reported book value of its net assets. This difference related 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. The difference in the initial estimated values of the AIP assets was eliminated during 2012 when Elan and Janssen AI recorded impairment charges of $117.3 million and $678.9 million, respectively, representing their respective initial estimated values of the AIP assets. In relation to the asset created by the Johnson & Johnson contingent funding commitment, which was a limited life asset, the basis difference was amortized to the Consolidated Statement of Operations on a pro rata basis; based on the actual amount of Janssen AI losses that were solely funded by Johnson & Johnson in each period as compared to the total $500.0 million, which was the total amount solely funded by Johnson & Johnson. This basis difference was fully amortized during 2012 when the remaining balance of the initial $500.0 million funding commitment provided by Johnson & Johnson to Janssen AI was spent.

As a result of the equity method investment losses incurred to date, relating to our share of the losses in excess of the losses funded solely by Johnson & Johnson s initial $500.0 million funding commitment, and the impairment charge of $117.3 million recognized during 2012, there is an excess of losses over the investment made in Janssen AI at December 31, 2012 of $11.0 million (2011: $Nil). This amount has been recorded as a current liability at December 31, 2012. In addition, Elan provided further funding to Janssen AI of $29.9 million during January 2013, which will be recorded in the 2013 financial statements.

Proteostasis

We have recorded our investment in Proteostasis 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. Under the equity method, we recognize our share of the earnings or losses of Proteostasis, 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 investment 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. We review the carrying value of the investment for impairment when events and changes in circumstances indicate the carrying amount may not be recoverable.

Alkermes plc

Following the completion of the merger between Alkermes, Inc. and EDT in September 2011, we held approximately 25% of the equity of Alkermes plc (31.9 million shares) and accounted for this investment as an equity method investment as we had the ability to exercise significant influence, but not control, over the investee. Our equity interest in Alkermes plc was initially 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 initial carrying amount was approximately $300 million higher than our share of the book value of the net assets of Alkermes plc. Based on our assessment of the fair value of the net assets of Alkermes plc on the date of the transaction, this difference principally related to identifiable intangible assets and goodwill attributable to the Alkermes, Inc. business prior to its acquisition of EDT.

Table of Contents

Under the equity method, we recognized our share of the earnings or losses of Alkermes plc, 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 investment on the Consolidated Balance Sheet.

In March 2012, we sold 76% (24.15 million ordinary shares) of our shareholding in Alkermes plc. Following this sale, we continued to own 7.75 million ordinary shares of Alkermes plc, representing an approximate 6% equity interest in Alkermes plc. Following the sale of the 24.15 million ordinary shares, our remaining equity interest in Alkermes plc was classified as an available-for-sale investment in current assets and equity method accounting no longer applied to this investment.

On January 31, 2013, we announced that we had agreed to sell all of our remaining 7.75 million ordinary shares of Alkermes plc. The sale closed on February 6, 2013 and we received proceeds of $169.7 million.

Sales Discounts and Allowances

Revenue from continuing operations is presented in the Consolidated Statement of Operations and revenue from discontinued operations is included in net income from discontinued operations that is also presented in the Consolidated Statement of Operations. 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 from continuing and discontinued operations. These adjustments are referred to as sales discounts and allowances and are described in detail below. In accordance with the terms of the *Tysabri* Transaction, we will retain responsibility for all discounts and allowances liabilities related to U.S. *Tysabri* sales up to the consummation of the *Tysabri* Transaction.

Sales discounts and allowances include charge-backs, managed health care rebates and other contract discounts, 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, 2012, we had total provisions of $50.5 million for sales discounts and allowances, of which approximately 97% related to *Tysabri* and the remaining 3% related to our divested products. We have almost seven years of experience for *Tysabri* and we ceased distributing Maxipime® and Azactam® in 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.

Table of Contents

An analysis of the separate components of our revenue from continuing and discontinued operations is set out in Item 5A. Operating Results, and in Note 3 and Note 12 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):

	2012	2011	2010
Gross revenue subject to discounts and allowances	$ 1,151.4	$ 936.6	$ 762.2
Net *Tysabri* ROW revenue	316.6	317.6	258.3
Manufacturing revenue and royalties	0.7	170.7	263.0
Contract revenue		9.9	13.7
Gross revenue	$ 1,468.7	$ 1,434.8	$ 1,297.2
Sales discounts and allowances:			
Charge-backs	$ (178.3)	$ (116.4)	$ (71.2)
Medicaid rebates	(27.1)	(26.6)	(20.4)
Cash discounts	(30.5)	(25.5)	(18.7)
Managed health care rebates and other contract discounts	(14.4)	(7.4)	(3.9)
Sales returns	(1.5)	(0.7)	(2.0)
Other adjustments	(14.1)	(12.2)	(11.3)
Total sales discounts and allowances	$ (265.9)	$ (188.8)	$ (127.5)
Net revenue subject to discounts and allowances	885.5	747.8	634.7
Net *Tysabri* ROW revenue	316.6	317.6	258.3
Manufacturing revenue and royalties	0.7	170.7	263.0
Contract revenue		9.9	13.7
Net revenue from continuing and discontinued operations	$ 1,202.8	$ 1,246.0	$ 1,169.7

The net revenue from continuing and discontinued operations is presented in the following reporting lines in the Consolidated Statements of Operations (in millions):

	2012	2011	2010
Total revenue (continuing operations)	0.2	4.0	44.1
Net income from discontinued operations	1,202.6	1,242.0	1,125.6
Net revenue from continuing and discontinued operations	$ 1,202.8	$ 1,246.0	$ 1,169.7

Total sales discounts and allowances were 23.1% of gross revenue subject to discounts and allowances in 2012, 20.2% in 2011 and 16.7% in 2010, 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 15.5% in 2012, 12.4% in 2011 and 9.3% in 2010. The increase in 2012 over 2011 is primarily due to the growth in PHS qualified provider entities and the resulting discounts to these entities. The increase in 2011 over 2010 is 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 in 2010. The increases in 2012 and 2011 are also attributable to increases in the discounts due to the changes in *Tysabri s* wholesaler acquisition cost price.

The Medicaid rebates as a percentage of gross revenue subject to discounts and allowances were 2.4% in 2012, 2.8% in 2011 and 2.7% in 2010. The decrease in 2012 is primarily due to a change in our estimate of the managed Medicaid patient population utilizing *Tysabri* in 2012 as

compared to 2011. The increase in 2011 compared to 2010 was due to the extension of the Medicaid rebates to drugs supplied to enrollees of Medicaid MCOs and the increase in the rebates due to wholesaler acquisition cost price increases.

Cash and other discounts as a percentage of gross revenue subject to discounts and allowances were 2.6% in 2012, 2.7% 2011 and 2.5% in 2010. 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.

Table of Contents

The managed health care rebates and other contract discounts as a percentage of gross revenue subject to discounts and allowances were 1.3% in 2012, 0.8% in 2011 and 0.5% 2010. 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 and increases in the discounts due to the changes in *Tysabri s* wholesaler acquisition cost price.

Sales returns as a percentage of gross revenue subject to discounts and allowances were 0.1% in 2012, 0.1% in 2011 and 0.3% in 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 Health Care Rebates and Other Contract Discounts	Sales Returns	Other Adjustments	Total
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
Provision related to sales made in current period	178.3	27.1	30.5	14.4	2.4	14.1	266.8
Provision related to sales made in prior periods					(0.9)		(0.9)
Returns and payments	(174.9)	(30.9)	(29.0)	(12.7)	(0.5)	(12.9)	(260.9)
Balance at December 31, 2012	$ 9.7	$ 24.1	$ 4.5	$ 3.1	$ 6.1	$ 3.0	$ 50.5

(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 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, 2012, *Tysabri*, represented approximately 97% of the total charge-backs accrual balance of $9.7 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 $18.9 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,

Table of Contents

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, 2012, *Tysabri* represented 98% of the total Medicaid rebates accrual balance of $24.1 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 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, 2012, 90% of the total sales returns accrual balance of $6.1 million related to *Tysabri*.

During 2012, we recorded adjustments of $0.9 million to decrease (2011: $1.7 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

35

Table of Contents

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, 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 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 2012, we recognized $45.9 million (2011: $35.3 million, 2010: $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 30 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 34 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, 2012, we had accrued $1.0 million (2011: $0.7 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

Table of Contents

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.

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

There have been no Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board (FASB) that we have not yet adopted and are expected to have an impact on our consolidated financial position, results of operations or cash flows.

SUBSEQUENT EVENTS

On February 6, 2013, we announced that we have entered into an asset purchase agreement with Biogen Idec to transfer to Biogen Idec all *Tysabri* IP and other assets related to *Tysabri*. As a result of this transaction, Biogen Idec will have sole authority over and exclusive worldwide rights to the development, manufacturing and commercialization of *Tysabri*. In accordance with the terms of the transaction, upon consummation of the transaction, the existing collaboration arrangements with Biogen Idec will be terminated and Biogen Idec will pay to us an upfront payment of $3.25 billion and continuing royalties on *Tysabri* in-market sales. We will earn a royalty of 12% of global net sales of *Tysabri* during the first 12 months following the closing of the transaction. Thereafter, we will earn a royalty of 18% of global net sales up to $2.0 billion each year, and a 25% royalty on annual global net sales above $2.0 billion. The transaction is expected to close in the first half of 2013, subject to the satisfaction of certain conditions, including customary regulatory approvals.

Table of Contents

On January 31, 2013, we announced that we had agreed to sell all of our remaining 7.75 million ordinary shares of Alkermes plc. The sale closed on February 6, 2013 and we received proceeds of $169.7 million. We will recognize a realized gain on the disposal of the Alkermes plc available-for-sale investment of $43.2 million in the 2013 Consolidated Financial Statements.

A. RESULTS OF OPERATIONS

2012 Compared to 2011 and 2010 (in millions, except per share amounts)

				% Increase/(Decrease)	
	2012	**2011**	**2010**	**2012/2011**	**2011/2010**
Continuing Operations					
Product revenue	$ 0.2	$ 4.0	$ 43.1	(95)%	(91)%
Contract revenue			1.0		(100)%
Total revenue	0.2	4.0	44.1	(95)%	(91)%
Cost of sales	0.2	0.8	12.2	(75)%	(93)%
Gross margin		3.2	31.9	(100)%	(90)%
Operating expenses:					
Selling, general and administrative expenses	113.6	107.2	124.2	6%	(14)%
Research and development expenses	95.0	106.8	128.5	(11)%	(17)%
Other net charges	168.9	24.3	52.8	595%	(54)%
Settlement reserve charge			206.3		(100)%
Net gain on divestment of business			(1.0)		(100)%
Total operating expenses	377.5	238.3	510.8	58%	(53)%
Operating loss	(377.5)	(235.1)	(478.9)	61%	(51)%
Net interest and investment gains and losses:					
Net interest expense	56.6	104.9	118.4	(46)%	(11)%
Net loss on equity method investments	221.8	81.1	26.0	173%	212%
Net charge on debt retirement	76.1	47.0	3.0	62%	1467%
Net investment losses/(gains)	1.2	(2.6)	(12.8)	(146)%	(80)%
Net interest and investment gains and losses	355.7	230.4	134.6	54%	71%
Net loss before income taxes	(733.2)	(465.5)	(613.5)	58%	(24)%
Benefit from income taxes	(360.5)	(12.0)	(52.2)	2904%	(77)%
Net loss from continuing operations	$ (372.7)	$ (453.5)	$ (561.3)	(18)%	(19)%
Discontinued Operations					
Net income from discontinued operations (net of tax)	$ 235.3	$ 1,014.0	$ 236.6	(77)%	329%
Net (loss)/income for the year	(137.4)	560.5	(324.7)	(125)%	(273)%
Basic net (loss)/income per Ordinary Share	$ (0.23)	$ 0.95	$ (0.56)	(124)%	(270)%
Diluted net (loss)/income per Ordinary Share	$ (0.23)	$ 0.94	$ (0.56)	(125)%	(268)%

Table of Contents

CONTINUING OPERATIONS

Revenue

Revenue can be analyzed as follows (in millions):

	2012	2011	2010	% Increase/(Decrease) 2012/2011	% Increase/(Decrease) 2011/2010
Product revenue:					
Royalties	$ 0.7	$ 2.7	$ 1.6	(74)%	69%
Azactam	(0.5)	0.9	27.2	(156)%	(97)%
Maxipime		0.4	8.2	(100)%	(95)%
Prialt			6.1		(100)%
Total product revenue	0.2	4.0	43.1	(95)%	(91)%
Contract revenue			1.0		(100)%
Total revenue	$ 0.2	$ 4.0	$ 44.1	(95)%	(91)%

We ceased distributing Azactam and Maxipime in 2010. The revenue and adjustments for Azactam and Maxipime in 2012 and 2011 relates to adjustments to discounts and allowances associated with sales prior to the cessation of distribution.

We divested our Prialt assets and rights to Azur (which has since been acquired by Jazz Pharmaceuticals plc (Jazz)) in May 2010. Prialt revenue was $6.1 million for 2010. Refer to Note 6 to the Consolidated Financial Statements for additional information regarding this divestment.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses were $113.6 million in 2012, $107.2 million in 2011 and $124.2 million in 2010. The increase of 6% in SG&A expenses in 2012, compared to 2011, is primarily as a result of higher share-based compensation expense in 2012.

The decrease of 14% 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.

Research and Development Expenses

R&D expenses were $95.0 million in 2012, $106.8 million in 2011 and $128.5 million in 2010. The decrease of 11% in 2012, compared to 2011, is primarily as a result of the cessation of our early stage research activities during the fourth quarter of 2012.

The decrease of 17% 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.

Table of Contents

Other Net Charges

The principal items classified as other net charges include facilities and other asset impairment charges, severance, restructuring and other costs, in-process research and development (IPR&D) costs, Cambridge Collaboration termination charge, legal settlements and a net loss on divestment of the Prialt business. 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.

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

	2012	2011	2010
(a) Facilities and other asset impairment charges	$ 107.5	$ 15.5	$ 16.7
(b) Severance, restructuring and other costs	42.4	8.8	16.1
(c) In-process research and development costs	11.0		6.0
(d) Cambridge collaboration	8.0		
(e) Legal settlements			12.5
(f) Divestment of Prialt business			1.5
Total other net charges	$ 168.9	$ 24.3	$ 52.8

(a) Facilities and other asset impairment charges

During 2012, we incurred facilities and other asset impairment charges of $107.5 million, which is primarily comprised of asset impairment charges of $66.1 million and lease termination charges of $34.6 million relating to the planned closure of the South San Francisco facility following the separation of the Prothena Business and cessation of our remaining early stage research activities. We also incurred an additional onerous lease charge of $6.4 million relating to EDT s King of Prussia, Pennsylvania site which closed in 2011, due to a reassessment of the probable sub-lease income to be achieved over the remaining term of the lease.

During 2011, we incurred facilities and other asset impairment charges of $15.5 million, which included 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 additional 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.

(b) Severance, restructuring and other costs

During 2012, we incurred severance and restructuring charges of $42.4 million, principally relating to the planned closure of the South San Francisco facility and associated reduction in headcount following the separation of the Prothena Business and cessation of our remaining early stage research activities.

During 2011 and 2010, we incurred severance, restructuring and other costs of $8.8 million and $16.1 million, respectively, principally relating to a realignment and restructuring of our R&D organization and reduction of related support activities as well as the reduction in our general and administrative (G&A) activities following the divestment of the EDT business.

(c) In-process research and development costs

During 2012, we commenced a Phase 2 study of oral ELND005 as an adjunctive maintenance treatment in patients with Bipolar I Disorder. On the commencement of this trial, we incurred an IPR&D charge of $11.0 million related to a milestone payment to Transition in accordance with the terms of the modification to the Collaboration Agreement agreed with Transition in December 2010. For further information on our Collaboration Agreement with Transition, please refer to Note 36 of the Consolidated Financial Statements.

40

Table of Contents

IPR&D charges in 2010 also include a credit of $3.0 million associated with the termination of the License Agreement with PharmatrophiX Inc. (PharmatrophiX), offset by the $9.0 million charge related to the payment to Transition when the modification of the Collaboration Agreement was agreed.

(d) Cambridge collaboration termination charge

Following the cessation of our early stage research activities, we terminated our Collaboration Agreement with the University of Cambridge and incurred a charge of $8.0 million.

(e) Legal settlements

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.

(f) Divestment of Prialt business

We divested our Prialt assets and rights to Azur Pharma International Limited (Azur, which has since been acquired by Jazz) 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. The total consideration used to calculate the loss on divestment was comprised of cash proceeds received in 2010 of $5.0 million and the present value of deferred non-contingent consideration at the close of the transaction of $9.6 million. During 2012, we received the deferred non-contingent consideration of $12.0 million. We are also entitled to receive additional performance-related milestones and royalties.

Settlement Reserve Charge

In December 2010, we finalized the agreement-in-principle with the U.S. Attorney s Office for the District of Massachusetts to resolve 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.

Consistent with the terms of the agreement-in-principle announced in July 2010, we paid $203.5 million pursuant to the terms of a global settlement resolving all U.S. federal and related state Medicaid claims and $203.7 million was held in an escrow account at December 31, 2010 to cover the settlement amount. During 2010, we recorded a $206.3 million reserve charge for the settlement, interest and related costs.

Net Gain on Divestment of Business

In 2010, we recorded a net gain of $1.0 million relating to a transaction costs adjustment on 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.

Table of Contents

Net Interest Expense

Net interest expense was $56.6 million in 2012, $104.9 million in 2011 and $118.4 million in 2010.

The decreases of 46% in the net interest expense in 2012 compared to 2011, and 11% in 2011 compared to 2010 is primarily due to debt refinancing transactions in 2012, 2011 and 2010. During 2012, 2011 and 2010, we repaid or refinanced $1.7 billion in debt as follows (in millions):

	2012	2011	2010	Total
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	(472.1)	(152.9)		(625.0)
2016 Notes issued August 2010	(152.4)	(47.6)		(200.0)
Total aggregate principal amount of debt redeemed	(624.5)	(660.5)	(455.0)	(1,740.0)
2016 Notes issued August 2010			200.0	200.0
6.25% Notes	600.0			600.0
Total aggregate principal amount of debt issued	600.0		200.0	800.0
Net reduction in total aggregate principal amount of debt	$ (24.5)	$ (660.5)	$ (255.0)	$ (940.0)

Net Loss on Equity Method Investments

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

	2012	2011	2010
Janssen AI	$ 218.5	$ 78.4	$ 26.0
Proteostasis	3.3	2.7	
Total	$ 221.8	$ 81.1	$ 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). 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. 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. 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. 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 or a third party 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.

During 2012, the remaining balance of the initial $500.0 million funding commitment, which amounted to $57.6 million at December 31, 2011, was spent. Subsequent to the full utilization of the initial $500.0 million funding commitment, we provided funding of $76.9 million to Janssen AI during 2012. At December 31, 2012, there was an excess of losses over investment in Janssen

Table of Contents

AI of $11.0 million (2011: $Nil), which is included in current liabilities. In addition, we provided funding to Janssen AI of $29.9 million in January 2013, which will be recorded in the 2013 Consolidated Financial Statements.

On August 6, 2012, Johnson & Johnson issued a press release announcing the discontinuation of the development of bapineuzumab intravenous in mild to moderate Alzheimer s disease based on the co-primary clinical endpoints not being met in the Janssen AI-led Phase 3 clinical studies. As a result of the discontinuation, we recorded a non-cash impairment charge of $117.3 million on our equity method investment in Janssen AI, representing the full initial estimated value of Elan s 49.9% share of the Janssen AI AIP assets. Janssen AI recorded an impairment charge of $678.9 million representing its full carrying value of the AIP 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 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 were solely funded by Johnson & Johnson s $500.0 million commitment would have resulted 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 was utilized, we applied the HLBV method to determine how an increase or decrease in net assets of Janssen AI affected 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. Elan s claim on Janssen AI s book value as of December 31, 2012 was $Nil (2011: $117.3 million, after adjusting for basis differences) due to the non-cash impairment charge of $117.3 million recorded in 2012 representing the full initial estimated value of Elan s 49.9% share of the Janssen AI AIP assets.

As of December 31, 2011, the carrying value of our Janssen AI equity method investment of $130.6 million was approximately $185 million below our share of Janssen AI s reported book value of its net assets. This difference related 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. The difference in the initial estimated values of the AIP assets was eliminated during 2012 when Elan and Janssen AI recorded impairment charges of $117.3 million and $678.9 million, respectively, representing their respective initial estimated values of the AIP assets. In relation to the asset created by the Johnson & Johnson contingent funding commitment, which was a limited life asset, the basis difference was amortized to the Consolidated Statement of Operations on a pro rata basis; based on the actual amount of Janssen AI losses that were solely funded by Johnson & Johnson in each period as compared to the total $500.0 million, which was the total amount solely funded by Johnson & Johnson. This basis difference was fully amortized during 2012 when the remaining balance of the initial $500.0 million funding commitment provided by Johnson & Johnson to Janssen AI was spent. During 2012, we recorded amortization expense of $13.3 million (2011: $50.9 million; 2010: $26.0 million).

The net loss on the Janssen AI equity method investment for the year ended December 31, 2012 of $218.5 million (2011: $78.4 million; 2010: $26.0 million) was comprised of $87.9 million (2011: $Nil; 2010: $Nil) relating to our share of the losses of Janssen AI in excess of the losses funded solely by Johnson & Johnson s initial $500.0 million funding commitment; the amortization expense of $13.3 million (2011: $50.9 million; 2010: $26.0 million) related to the basis differences described above and the non-cash impairment charge of $117.3 million (2011: $Nil, 2010: $Nil) representing the full initial estimated value of Elan s 49.9% share of the Janssen AI AIP assets. The net loss on the Janssen AI equity method investment for the year ended December 31, 2011 also includes a charge of $27.5 million to correct an immaterial error from prior periods relating to our accounting for our equity method investment in Janssen AI.

Proteostasis

In May 2011, we invested $20.0 million into equity capital of Proteostasis and became a 24% shareholder. 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 2012 was $3.3 million (2011: $2.7 million), representing our share of the net losses of Proteostasis.

Net Charge on Debt Retirement

2012

In 2012, we redeemed the outstanding aggregate principal amount of the 8.75% Senior Notes due 2016 issued October 2009 (the 2016 Notes issued October 2009) of $472.1 million and the outstanding aggregate principal amount of the 8.75% Senior Notes due 2016 issued August 2010 (the 2016 Notes issued August 2010) of $152.4 million. We recorded a net charge on debt retirement of

43

Table of Contents

$76.1 million in 2012 in connection with the redemption of these notes, which was comprised of total early redemption premiums of $58.0 million and the write-off of unamortized deferred financing costs and original issue discounts of $18.1 million.

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 2016 Notes issued October 2009 and $47.6 million of the outstanding aggregate principal amount of the 2016 Notes issued August 2010. We recorded a net charge on debt retirement of $47.0 million in 2011 in connection with the redemption of these notes, which was comprised of total 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 2011 (2011 Floating Rate Notes). We also redeemed $15.5 million of the outstanding 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. We recorded a net charge on debt retirement of $3.0 million in 2010 in connection with the redemption of these notes, relating to the write-off of unamortized deferred financing costs associated with these notes.

For additional information related to our debt and debt redemptions, please refer to Note 24 to the consolidated financial statements.

Table of Contents

Net Investment Losses/(Gains)

Net investment losses were $1.2 million in 2012, compared to net investment gains of $2.6 million in 2011 and $12.8 million in 2010. The net investment losses in 2012 primarily related to an other-than-temporary impairment of our marketable equity securities.

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 framework used for measuring the fair value of our investment securities, is described in Note 31 to the Consolidated Financial Statements.

Benefit from Income Taxes

For a discussion of the benefit from income taxes and adjustments for continuing operations for each of the years ended December 31, 2012, 2011 and 2010, refer to page 46.

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 income from discontinued operations, net interest expense, provision for or benefit from income taxes, depreciation and amortization of costs and revenue, share-based compensation, other net gains or charges, net charge on debt retirement, net gain on divestment of business, net loss on equity method investments, net investment gains or losses, 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.

The following table shows a reconciliation from the net income/(loss) to the Adjusted EBITDA for each of the years ended December 31, 2012, 2011, 2010, 2009 and 2008 (in millions):

	2012	2011	2010	2009	2008
Net loss	$ (137.4)	$ 560.5	$ (324.7)	$ (176.2)	$ (71.0)
Net income from discontinued operations	(235.3)	(1,014.0)	(236.6)	(217.3)	(168.9)
Net loss from continuing operations	(372.7)	(453.5)	(561.3)	(393.5)	(239.9)
Net interest expense	56.6	104.9	118.4	136.1	132.5
(Benefit from)/provision for income taxes	(360.5)	(12.0)	(52.2)	(8.5)	(234.9)
Depreciation and amortization	11.5	14.8	17.3	28.7	27.5
Amortized fees, net	(0.3)	(0.5)	(0.1)	(0.2)	
EBITDA	(665.4)	(346.3)	(477.9)	(237.4)	(314.8)
Share based compensation	29.3	21.6	18.6	22.3	32.9
Other net (gains)/charges	168.9	24.3	52.8	61.6	25.2
Net loss on equity method investments	221.8	81.1	26.0		
Net charge on debt retirement	76.1	47.0	3.0	24.4	
Net gain on divestment of business			(1.0)	(108.7)	
Net investment losses/(gains)	1.2	(2.6)	(12.8)	(0.6)	21.8
Settlement reserve charge			206.3		
Adjusted EBITDA	$ (168.1)	$ (174.9)	$ (185.0)	$ (238.4)	$ (234.9)

45

Table of Contents

In 2012, we reported Adjusted EBITDA losses of $168.1 million, compared to Adjusted EBITDA losses of $174.9 million in 2011. The improvement reflects lower operating expenses, following the cessation of early stage research activities that were not part of the Prothena separation.

In 2011, we reported Adjusted EBITDA losses of $174.9 million, compared to Adjusted EBITDA losses of $185.0 million in 2010. The improvement reflected lower R&D and support costs due to the realignment of and restructuring of the R&D organization in 2010.

Provision for Income Taxes

		2012	2011	2010
Continuing operations:				
Provision for income taxes	continuing operations	$ (360.5)	$ (12.0)	$ (52.2)
Discontinued operations:				
Tysabri		65.7	56.4	43.3
Prothena		(5.0)	(2.5)	0.2
EDT			5.7	10.8
Provision for income taxes	discontinued operations	60.7	59.6	54.3
Provision for income taxes	total operations	$ (299.8)	$ 47.6	$ 2.1

Total operations

The overall tax provision for 2012 for continuing and discontinued operations was a credit of $299.8 million (2011: $47.6 million expense; 2010: $4.5 million expense). In 2012, we did not record any adjustment to shareholders equity (2011: $Nil; 2010: $2.4 million reduction) to reflect tax shortfalls or windfalls related to equity awards.

The total tax credit of $299.8 million for continuing and discontinued operations for 2012 reflects income taxes at standard rates in the jurisdictions in which we operate and includes an Irish deferred tax credit of $335.0 million and a U.S. deferred tax expense of $34.6 million. The Irish deferred tax credit of $335.0 million relates primarily to the recognition of DTAs, the benefits of which are expected to be utilized in 2013 in offsetting Irish taxable income arising from the *Tysabri* divestment. The U.S. deferred tax expense of $34.6 million relates primarily to an increase in the valuation allowance related to U.S. DTAs from which we are now unlikely to benefit given the reduced recurring U.S. income in future years as a result of the expected *Tysabri* divestment in 2013. In 2011, there was a total deferred tax expense of $51.0 million and a total deferred tax expense $0.1 million in 2010.

In 2011, of the $51.0 million deferred tax expense for continuing and discontinued operations, $40.0 million arose due to the application of new state tax income attribution rules. Following the introduction of these new rules, we no longer expected to benefit from certain state tax loss and credit carry forwards prior to their expiry, due to a lower expected tax burden in future years. We therefore reduced our state DTAs by this amount.

Discontinued operations

To determine the allocation of our total tax provision between continuing and discontinued operations, we separately recalculated the tax provision for continuing operations only and allocated the difference between this tax amount and the total tax provision to discontinued operations for each of the disclosed periods.

Table of Contents

DISCONTINUED OPERATIONS

Net income from discontinued operations for each of years ended December 31, 2012, 2011 and 2010, include the results of operations for the *Tysabri*, Prothena and EDT businesses, as set out below.

2012 Compared to 2011 and 2010 (in millions)

	2012	2011	2010
Total Revenue	$ 1,202.6	$ 1,242.0	$ 1,125.6
Cost of sales	655.5	638.9	571.1
Gross margin	547.1	603.1	554.5
Operating expenses/(gains):			
Selling, general and administrative expenses	115.2	121.5	130.5
Research and development expenses	93.3	125.7	130.2
Net loss/(gain) on divestment of business	17.9	(652.9)	
Other net charges/(gains)	4.2	(66.5)	3.5
Total operating expenses/(gains)	230.6	(472.2)	264.2
Operating income	316.5	1,075.3	290.3
Net interest and investment gains and losses:			
Net interest expense/(income)		1.0	(0.6)
Net loss on disposal of equity method investment	13.3		
Net loss on equity method investments	7.2	0.7	
Net interest and investment gains and losses	20.5	1.7	(0.6)
Net income before income taxes from discontinued operations	296.0	1,073.6	290.9
Provision for income taxes	60.7	59.6	54.3
Net income from discontinued operations	$ 235.3	$ 1,014.0	$ 236.6

Separate analyses of the results from the *Tysabri*, Prothena and EDT businesses are presented below.

Tysabri

On February 6, 2013, we announced that we had entered into an agreement to dispose of our *Tysabri* IP and other assets related to *Tysabri* to Biogen Idec. In accordance with the terms of the transaction, upon consummation of the transaction we will terminate our existing collaboration arrangements with Biogen Idec and will receive an upfront payment of $3.25 billion. In addition, we will receive continuing royalties on *Tysabri* in-market sales. We will earn a royalty of 12% of global net sales of *Tysabri* during the first 12 months following the closing of the transaction. Thereafter, we will earn a royalty of 18% of global net sales up to $2.0 billion each year and a 25% royalty on annual global net sales above $2.0 billion each year. The transaction is expected to close in the first half of 2013, subject to the satisfaction of certain conditions, including customary regulatory approvals.

As a result of the decision to dispose of the *Tysabri* IP and other assets related to *Tysabri*, the results of *Tysabri* that are included in the Consolidated Statement of Operations for the year ended December 31, 2012, are presented as a discontinued operation and the comparative amounts have been restated to reflect this classification.

47

Table of Contents

The income statement financial information relating to *Tysabri* for the years ended December 31, 2012, 2011 and 2010 are set-out below (in millions):

	2012	2011	2010	% Increase/(Decrease) 2012/2011	% Increase/(Decrease) 2011/2010
Revenue	$ 1,202.6	$ 1,064.1	$ 851.5	13%	25%
Cost of sales	655.5	571.9	452.7	15%	26%
Gross margin	547.1	492.2	398.8	11%	23%
Operating expenses:					
Selling, general and administrative expenses	113.2	96.1	90.8	18%	6%
Research and development expenses	62.0	67.7	67.8	(8)%	(0)%
Other net charges	4.2	1.6	1.2	163%	33%
Total operating expenses	179.4	165.4	159.8	8%	4%
Operating income	367.7	326.8	239.0	13%	37%
Net interest expense					
Net income from discontinued operations before income taxes	367.7	326.8	239.0	13%	37%
Provision for income taxes	65.7	56.4	43.3	16%	30%
Net income from discontinued operation	$ 302.0	$ 270.4	$ 195.7	12%	38%

Tysabri Revenue

Revenue from the *Tysabri* business for the years ended December 31, 2012, 2011 and 2010 consisted of the following (in millions):

	2012	2011	2010	% Increase/(Decrease) 2012/2011	% Increase/(Decrease) 2011/2010
Product revenue:					
Tysabri- U.S.	$ 886.0	$ 746.5	$ 593.2	19%	26%
Tysabri- ROW	316.6	317.6	258.3	(0)%	23%
Total *Tysabri*	$ 1,202.6	$ 1,064.1	$ 851.5	13%	25%

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

	2012	2011	2010	% Increase/(Decrease) 2012/2011	% Increase/(Decrease) 2011/2010
United States	$ 886.0	$ 746.5	$ 593.2	19%	26%
ROW	745.1	764.1	636.8	(2)%	20%
Total *Tysabri* in-market net sales	$ 1,631.1	$ 1,510.6	$ 1,230.0	8%	23%

Tysabri in-market net sales were $1,631.1 million in 2012, $1,510.6 million in 2011 and $1,230.0 million in 2010. The increase in 2012 reflects the 13% increase in units sold and higher pricing in the U.S., which were negatively impacted by the $64.0 million revenue reserve in Italy, and unfavorable foreign currency movements, including the 8% decrease in the average dollar-euro exchange rate from 2011 to 2012. The increase in *Tysabri* in-market net sales in 2011, compared to 2010, reflected a 16% increase in units sold, higher pricing in the United States, and favorable exchange rate movements in the ROW market, partially reduced by the revenue reserve in Italy.

The revenue reserve for Italy relates to a notification received by Biogen Idec from the Italian National Medicines Agency in 2011, stating that sales of *Tysabri* had exceeded a limit established by the agency in 2007. Biogen Idec filed an appeal in December 2011 seeking a ruling that Biogen Idec s interpretation is valid and that the position of the agency is unenforceable. As a result of this dispute, Biogen Idec deferred $64.0 million of revenue recognized on in-market net sales of *Tysabri* in Italy during 2012, having previously deferred $13.8 million of revenue in Italy during 2011. We expect that Biogen Idec will continue to defer a portion of in-

Table of Contents

market revenues on future sales of *Tysabri* for Italy until the matter is resolved. As a consequence of this deferral of in-market net sales by Biogen Idec, we have deferred $30.6 million of revenue in 2012 and $37.5 million to date, reflecting the operating and accounting arrangements between the companies.

As of the end of December 2012, approximately 72,700 patients were on therapy worldwide, including approximately 33,400 commercial patients in the United States and approximately 38,400 commercial patients in the ROW, representing an increase of 12% over the approximately 64,700 (revised) patients who were on therapy at the end of December 2011. As of the end of December 2010, approximately 57,300 (revised) patients were on therapy worldwide.

Tysabri was developed in collaboration with Biogen Idec. Until the *Tysabri* Transaction closes, *Tysabri* will continue to be marketed in collaboration with Biogen Idec, and in general, subject to certain limitations, we will continue to 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, until the *Tysabri* Transaction closes, we will continue to 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 by us to other third parties, is included in cost of sales. Upon consummation of the *Tysabri* Transaction, Biogen Idec will be responsible for all of the development and commercialization (including distribution) costs for *Tysabri*.

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 $886.0 million (2011: $746.5 million; 2010: $593.2 million). Almost all of these sales are in relation to the MS indication.

As of the end of December 2012, approximately 33,400 patients were on commercial therapy in the United States, which represents an increase of 11% over the approximately 30,000 patients who were on therapy at the end of December 2011. As of the end of December 2010, approximately 27,600 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 2012, we recorded ROW revenue of $316.6 million (2011: $317.6 million; 2010: $258.3 million), which was calculated as follows (in millions):

				% Increase/(Decrease)	
	2012	2011	2010	2012/2011	2011/2010
ROW in-market sales by Biogen Idec	$ 745.1	$ 764.1	$ 636.8	(2)%	20%
ROW operating expenses incurred by Elan and Biogen Idec	(316.3)	(349.3)	(303.8)	(9)%	15%
ROW operating profit generated by Elan and Biogen Idec	428.8	414.8	333.0	3%	25%
Elan s 50% share of *Tysabri* ROW collaboration operating profit	214.4	207.4	166.5	3%	25%
Elan s directly incurred costs	102.2	110.2	91.8	(7)%	20%
Net *Tysabri* ROW revenue	$ 316.6	$ 317.6	$ 258.3	(0)%	23%

As of the end of December 2012, approximately 38,400 patients, principally in the European Union, were on commercial *Tysabri* therapy, an increase of 13% over the approximately 34,100 (revised) patients at the end of December 2011. As of the end of December 2010, approximately

29,100 (revised) patients were on commercial therapy.

Table of Contents

Tysabri Cost of Sales

Cost of sales were $655.5 million in 2012, compared to $571.9 million in 2011 and $452.7 million in 2010. The increases in 2012 and 2011 were due to the increased sales of *Tysabri*. The gross profit margin was 46% in 2012, 46% in 2011 and 47% in 2010. The decrease in gross margin percentage in 2012 compared to 2011 was primarily due to the change in mix between U.S. and ROW reported revenues, and the costs associated with the administration of the JC virus antibody assay to patients.

The *Tysabri* gross profit margin of 46% in 2012 (2011: 46%; 2010: 47%) 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 38% in 2012 (2011: 40%; 2010: 39%), and our reported gross margin on ROW sales of 68% (2011: 65%; 2010: 65%). The decrease in the gross margin in the United States primarily reflects the costs associated with the administration of the JC virus antibody assay to patients, partially offset by 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.

Tysabri Selling, General and Administrative Expenses

SG&A expenses were $113.2 million in 2012, $96.1 million in 2011 and $90.8 million in 2010. The increases of 18% in SG&A expenses in 2012, compared to 2011, and 6% in 2011, compared to 2010, are due to increased investment in *Tysabri* commercial activities in the United States.

Tysabri Research and Development Expenses

R&D expenses were $62.0 million in 2012, $67.7 million in 2011 and $67.8 million in 2010. The decrease of 8% in R&D expenses in 2012, compared to 2011, was primarily due to lower external expenses related to the U.S. clinical trials.

Tysabri Other Net Charges

Other net charges related to the *Tysabri* business of $4.2 million in 2012 (2011: $1.6 million; 2010: $1.2 million) were incurred as a result of the planned closure of the South San Francisco facility and the associated reduction in headcount.

Tysabri Provision for Income Taxes

For a discussion of the provision for income taxes for discontinued operations for each of the years ended December 31, 2012, 2011 and 2010, refer to page 46.

Prothena

On December 20, 2012, we completed the separation of the Prothena Business into a new, publicly traded company incorporated in Ireland. The issued share capital of Prothena was admitted to trading on the NASDAQ Global Market on December 21, 2012. Prothena focuses on the discovery and development of novel antibodies for the potential treatment of a broad range of diseases that involve protein misfolding or cell adhesion. The separation of the Prothena Business from Elan was completed through a demerger under Irish law. The demerger was effected by Elan transferring our wholly-owned subsidiaries comprising the Prothena Business to Prothena, in exchange for Prothena issuing Prothena ordinary shares directly to Elan shareholders, on a pro rata basis. Prothena s issuance of its outstanding shares constituted a deemed in specie distribution (a distribution of non-cash assets) by Elan to Elan shareholders. Each Elan shareholder received one Prothena ordinary share for every 41 Elan ordinary shares or Elan ADSs held.

Immediately following the separation of the Prothena Business, a wholly owned subsidiary of Elan subscribed for 3.2 million newly-issued ordinary shares of Prothena, representing 18% of the outstanding ordinary shares of Prothena. This investment was recorded as an available for sale investment on the Consolidated Balance Sheet at an initial fair value of $22.9 million. In connection with the separation of the Prothena Business, we made a cash distribution to Prothena, which together with the consideration for 18% of Prothena s outstanding ordinary shares, totaled $125.0 million.

The financial results of the Prothena Business included in the Consolidated Statement of Operations for the year ended December 31, 2012 are presented as a discontinued operation and the comparative amounts have been restated to reflect this classification.

50

Table of Contents

Transaction and other costs associated with the Prothena separation of $17.9 million were incurred during 2012 and have been included in the net income from discontinued operations reporting line.

The income statement financial information relating to Prothena the period up to December 20, 2012, when the Prothena Business was divested by Elan, and for the years ended December 31, 2011 and 2010 are set-out below (in millions):

	2012	2011	2010	% Increase/(Decrease) 2012/2011	% Increase/(Decrease) 2011/2010
Revenue	$	$	$		
Cost of sales					
Gross margin					
Operating expenses:					
Selling, general and administrative expenses	2.0	1.6	0.8	25%	100%
Research and development expenses	31.3	23.7	8.7	32%	172%
Net loss on divestment of business	17.9			100%	
Total operating expenses	51.2	25.3	9.5	102%	166%
Operating loss	(51.2)	(25.3)	(9.5)	102%	166%
Net interest expense					
Net loss from discontinued operation before income taxes	(51.2)	(25.3)	(9.5)	102%	166%
(Benefit from)/provision for income taxes	(5.0)	(2.5)	0.2	100%	(1350)%
Net loss from discontinued operation	$ (46.2)	$ (22.8)	$ (9.7)	103%	135%

Prothena Selling, General and Administrative Expenses

SG&A expenses were $2.0 million for the period to December 20, 2012, $1.6 million in 2011 and $0.8 million in 2010. The increases in SG&A expenses in 2012, compared to 2011, and in 2011, compared to 2010, reflected the higher G&A support costs resulting from the increase in research activities.

Prothena Research and Development Expenses

R&D expenses were $31.3 million for the period to December 20, 2012, $23.7 million in 2011 and $8.7 million in 2010. The increases in R&D expenses in 2012, compared to 2011, and in 2011, compared to 2010, primarily reflected the increased spend in the NEOD001 amyloidosis program, as well as higher spending on Prothena s portfolio of targets including alpha-synuclein for the potential treatment of synucleinopathies, such as Lewy body dementia and Parkinson s disease, and tau for Alzheimer s disease and other tauopathies.

Net Loss on Divestment of Prothena Business

The net loss recorded on the divestment of the Prothena Business in 2012 was $17.9 million, primarily related to transaction costs.

Prothena Provision for Income Taxes

For a discussion of the provision for income taxes for discontinued operations in the period to December 20, 2012, and in the years ended December 31, 2011 and 2010 refer to page 46.

51

Table of Contents

EDT

In September 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 an initial 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.

Following the disposal of the EDT business in September 2011, the results of EDT were reported in continuing operations as a result of our 25% equity interest in Alkermes plc.

On March 13, 2012, we announced that we had sold 24.15 million of the ordinary shares that we held in Alkermes plc, which represented 76% of our shareholding in Alkermes plc. Following the sale we continued to own 7.75 million ordinary shares of Alkermes plc, representing an approximate 6% equity interest in Alkermes plc. Following the disposal of 24.15 million ordinary shares of Alkermes plc, our shareholding ceased to qualify as an equity method investment and as a result the results of EDT are presented as a discontinued operation in the Consolidated Statement of Operations for the comparative periods.

On January 31, 2013, we announced that we had agreed to sell all of our remaining 7.75 million ordinary shares of Alkermes plc. The sale closed on February 6, 2013 and we received proceeds of $169.7 million.

The income statement financial information relating to EDT for the years ended December 31, 2012, 2011 and 2010, is set-out below (in millions):

	2012	2011	2010	% Increase/ (Decrease) 2012/2011	% Increase/ (Decrease) 2011/2010
Revenue	$	$ 177.9	$ 274.1		(35)%
Cost of sales		67.0	118.4		(43)%
Gross margin		110.9	155.7		(29)%
Operating expenses:					
Selling, general and administrative expenses		23.8	38.9		(39)%
Research and development expenses		34.3	53.7		(36)%
Net gain on divestment of business		(652.9)			
Other net (gains)/charges		(68.1)	2.3		(3061)%
Total operating expenses		(662.9)	94.9		(799)%
Operating income		773.8	60.8		1173%
Net interest and investment gains and losses:					
Net interest expense		1.0	(0.6)		(267)%
Net loss on disposal of equity method investment	13.3			100%	
Net loss on equity method investment	7.2	0.7		929%	100%
Net interest and investment gains and losses	20.5	1.7	(0.6)	1106%	(383)%
Net (loss)/income from discontinued operations before income taxes	(20.5)	772.1	61.4	(103)%	1157%
Provision for income taxes		5.7	10.8		(47)%
Net (loss)/income from discontinued operation	$ (20.5)	$ 766.4	$ 50.6	(103)%	1415%

Table of Contents

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. The EDT revenue can be analyzed as follows (in millions):

	2011	2010	% Increase / Decrease 2011/2010
Product revenue:			
Manufacturing revenue and royalties:			
TriCor® 145	$ 35.5	$ 54.5	35%
Focalin® XR/Ritalin® LA	25.9	33.0	22%
Ampyra®	22.6	56.8	60%
Verelan®	18.1	21.8	17%
Naprelan®	5.9	12.6	53%
Skelaxin®		5.9	100%
Other	60.0	76.8	22%
Total product revenue from the EDT business	168.0	261.4	36%
Contract revenue:			
Research revenue	6.0	8.2	27%
Milestone payments	3.9	4.5	13%
Total contract revenue from the EDT business	9.9	12.7	22%
Total revenue from the EDT business	$ 177.9	$ 274.1	35%

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 million in 2010. 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. We 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.

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

Contract revenue

Contract revenue was $9.9 million for the period up to September 16, 2011 and $12.7 million in 2010. 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. The gross profit margin was 62% in 2011 and 57% in 2010. The decreased gross profit margin in 2011 primarily reflected the timing of divestment of the EDT business and the Ampyra launch in 2010.

53

Table of Contents

EDT Selling, General and Administrative Expenses

SG&A expenses were $23.8 million for the period to September 16, 2011 and $38.9 million in 2010. The decrease of 39% in SG&A expenses in 2011, compared to 2010, primarily reflected the timing of divestment of the EDT business.

EDT Research and Development Expenses

R&D expenses were $34.3 million for the period to September 16, 2011 and $53.7 million in 2010. The decrease of 36% in R&D expenses in 2011, compared to 2010, primarily reflected the timing of divestment of the EDT business.

Net Gain on Divestment of Business

The net gain recorded on the divestment of the EDT business for the year ended December 31, 2011 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)
Goodwill and other intangible assets	(53.0)
Working capital and other net assets	(84.5)
Transaction and other costs	(36.2)
Net gain on divestment of business	$ 652.9

EDT Other Net (Gains)/Charges

During 2011, EDT incurred severance, restructuring and other costs of $10.0 million (2010: $2.3 million), and facilities charges of $6.4 million (2010: $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). The severance, restructuring and other costs of $2.3 million in 2010 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 EDT in relation to the application of NanoCrystal® technology to Abraxane®. EDT was 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.

During 2011, EDT 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, EDT received $6.5 million in full and final settlement.

Net Loss on Disposal of Equity Method Investment

Following the completion of the merger between Alkermes, Inc. and EDT in September 2011, we held approximately 25% of the equity of Alkermes plc (31.9 million shares) 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 an initial 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.

Table of Contents

In March 2012, we sold 76% (24.15 million ordinary shares) of our shareholding in Alkermes plc and received net proceeds of $380.9 million, after deduction of underwriter and other fees. Following this sale we continued to own 7.75 million ordinary shares of Alkermes plc, representing an approximate 6% equity interest in Alkermes plc. Following the sale of the 24.15 million ordinary shares, our remaining equity interest in Alkermes plc ceased to qualify as an equity method investment and was recorded as an available-for-sale investment with an initial carrying value of $126.5 million. The net loss on disposal of $13.3 million was calculated as follows (in millions):

Share proceeds	$ 398.5
Initial carrying value of available for sale investment	126.5
Carrying value of equity method investment divested	(520.7)
Transaction costs	(17.6)
Net loss	$ (13.3)

On January 31, 2013, we announced that we had agreed to sell all of our remaining 7.75 million ordinary shares of Alkermes plc. The sale closed on February 6, 2013 and we received proceeds of $169.7 million.

Net Loss on Equity Method Investment

For the year ended December 31, 2012, we recorded a net loss on the equity method investment of $7.2 million (2011: $0.7 million) related to our share of the losses of Alkermes plc in the period prior to the disposal of the 24.15 million ordinary shares of Alkermes plc.

For additional information relating to our equity method investments, refer to Note 9 to the Consolidated Financial Statements. For additional information relating to our available for sale investments, refer to Note 17 to the Consolidated Financial Statements.

EDT Provision for Income Taxes

For a discussion of the provision for income taxes for discontinued operations in the period to September 16, 2011, and in the year ended December 31, 2011 refer to page 46.

Reconciliation of net income of discontinued operations to Adjusted EBITDA of discontinued operations (in millions)

	2012	2011	2010	2009	2008
Net income from discontinued operations	$ 235.3	$ 1,014.0	$ 236.6	$ 217.3	$ 168.9
Net interest expense		1.0	(0.6)	1.8	(0.5)
Provision for income taxes	60.7	59.6	54.3	54.9	8.6
Depreciation and amortization	13.3	21.0	46.0	46.3	42.6
Amortized fees, net			(0.2)		(2.5)
EBITDA from discontinued operations	309.3	1,095.6	336.1	320.3	217.1
Share based compensation expense	9.8	11.0	11.9	8.7	13.1
Net loss/(gain) on divestment of business	17.9	(652.9)			
Other net charges/(gains)	4.2	(66.5)	3.5	5.7	9.0
Net loss on disposal of equity method investment	13.3				
Net loss on equity method investments	7.2	0.7			
Adjusted EBITDA of discontinued operations	$ 361.7	$ 387.9	$ 351.5	$ 334.7	$ 239.2

Refer to page 45 for further information on our reasons for using Adjusted EBITDA as a non-GAAP financial measure.

55

Table of Contents

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):

	2012	2011	Increase/ (Decrease)
Cash and cash equivalents	$ 431.3	$ 271.7	59%
Restricted cash and cash equivalents current	2.6	2.6	
Investment securities current	167.9	0.3	55867%
Shareholders equity	618.2	801.8	(23)%
Total aggregate principal amount of debt	600.0	624.5[(1)]	(4)%

(1) *Refer to Note 24 to the Consolidated Financial Statements for a reconciliation of the 2011 aggregate principal amount of the debt to the carrying amount.*

As of December 31, 2012, our total cash and cash equivalents, current restricted cash and cash equivalents, and current investment securities of $601.8 million (2011: $274.6 million) included $357.7 million (2011: $235.8 million) that was held by foreign subsidiaries in the following jurisdictions (in millions):

	2012	2011	Increase/ (Decrease)
United States	$ 292.1	$ 172.8	69%
Bermuda	41.1	38.0	8%
Other	24.5	25.0	(2)%
Total	$ 357.7	$ 235.8	52%

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, 2012, consisted of cash and cash equivalents of $431.3 million, which primarily comprise of bank deposits and holdings in U.S. Treasuries funds.

At December 31, 2012, our shareholders equity was $618.2 million, compared to $801.8 million at December 31, 2011. The decrease is primarily due to the net loss incurred during the year. The net loss for 2012 from continuing and discontinued operations included other charges of $173.1 million principally associated with the planned closure of the South San Francisco facility and reduction in headcount following the announcement during the third quarter of 2012 of the separation of the Prothena Business and cessation of the remaining early stage research activities. Refer to Note 6 and Note 12 to the Consolidated Financial Statements for additional information on this item.

During 2012, we completed the offering of $600.0 million of the 6.25% Senior Fixed Rate Notes due 2019 (the 6.25% Notes). These Notes have substantially the same terms as those of the 2016 Notes issued October 2009 and the 2016 Notes issued August 2010 (the 2016 Notes issued October 2009, together with the 2016 Notes issued August 2010, the 8.75% Notes).

During 2012, using the proceeds of the 6.25% Notes offering and existing cash, we redeemed all of the outstanding 8.75% Notes of which $624.5 million in principal amount was outstanding. Following the completion of the offering of $600.0 million of the 6.25% Notes and the redemption of the outstanding 8.75% Notes, the aggregate principal amount of our total debt was reduced from $624.5 million at December 31, 2011 to $600.0 million at December 31, 2012, and the maturity of the debt was extended by approximately three years from October 2016 to October 2019.

56

Table of Contents

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 the failure to complete the *Tysabri* Transaction, a material deterioration in our operating performance as a result of an 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 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 expect to commit significant cash resources to the development and commercialization of our ELND005 compound and our remaining Janssen AI funding commitment. Refer to Item 5F. Tabular Disclosure of Contractual Obligations for details of our commitments to provide funding to Janssen AI, which commenced during 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 6.25% Notes) or equity; consider the sale of interests in subsidiaries, investment securities or other assets; 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):

	2012	2011	2010
Net cash provided by/(used in) operating activities	$ 55.3	$ (120.2)	$ 68.2
Net cash provided by/(used in) investing activities	303.2	660.5	(216.0)
Net cash used in financing activities	(198.8)	(691.0)	(266.1)
Effect of exchange rate changes on cash	(0.1)	(0.1)	(0.1)
Net increase/(decrease) in cash and cash equivalents	159.6	(150.8)	(414.0)
Cash and cash equivalents at beginning of year	271.7	422.5	836.5
Cash and cash equivalents at end of year	$ 431.3	$ 271.7	$ 422.5

Operating Activities

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

	2012	2011	2010
Adjusted EBITDA from continuing operations	$ (168.1)	$ (174.9)	$ (185.0)
Adjusted EBITDA from discontinued operations	361.7	387.9	351.5
Net interest and tax	(52.6)	(98.1)	(114.5)
Divestment of business transaction costs		(34.1)	1.0
Other net charges	(105.8)	(153.0)	(42.8)
Working capital (increase)/decrease	20.1	(48.0)	58.0
Net cash (used in)/provided by operating activities	$ 55.3	$ (120.2)	$ 68.2

Net cash provided by operating activities was $55.3 million in 2012 (2011: used $120.2 million; 2010: provided by $68.2 million).

Table of Contents

The improvement in Adjusted EBITDA from continuing operations net cash outflow from a loss of $174.9 million in 2011 to a loss of $168.1 million in 2012 reflects lower operating expenses, following the cessation of early stage research activities that were not part of the Prothena separation. The improvement in the Adjusted EBITDA loss from continuing operations from $185.0 million in 2010 to $174.9 million in 2011 is primarily attributable to the 15% decrease in combined SG&A and R&D expenses.

The decrease in Adjusted EBITDA from discontinued operations net cash inflow from $387.9 million in 2011 to $361.7 million in 2012 was primarily due to lower revenues as a result of the EDT divestment in 2011, offset by the continued growth of *Tysabri*. The improvement in Adjusted EBITDA from discontinued operations net cash inflow from $351.5 million in 2010 to $387.9 million in 2011 is primarily attributable to improved *Tysabri* operating performance and a 5% decrease in combined SG&A and R&D expenses.

Net interest and tax are discussed further on page 42 for net interest expense and on page 46 for income taxes. The interest and tax expenses within net cash used in operating activities exclude net non-cash credits of $295.8 million in 2012 (2011: $55.4 million of non-cash charges; 2010: $5.4 million of non-cash charges), comprised of net non-cash interest expenses of $4.6 million in 2012 (2011: $4.4 million; 2010: $5.3 million) and a net non-cash tax credit of $300.4 million (2011: $51.0 million expense; 2010: $0.1 million expense).

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 other net charges of $105.8 million in 2012 (2011: $153.0 million; 2010: $42.8 million) were principally related to the other net charges described on pages 40, 50 and 54; adjusted to exclude non-cash other charges of $72.5 million in 2012 (2011: $11.1 million; 2010: $13.5 million); and Prothena spin-off transaction costs of $5.2 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 decrease in 2012 of $20.1 million is primarily due to the increase in the restructuring accrual and onerous lease provision related to the planned closure of the South San Francisco facility and reduction in headcount following the separation of the Prothena Business and cessation of the remaining early stage research activities, and the Cambridge Collaboration termination fee of $8.0 million.

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.

Investing Activities

Net cash provided by investing activities was $303.2 million in 2012. The primary component of cash provided by investing activities was the net proceeds of $380.9 million from the sale of our 24.15 million shares held in Alkermes plc. This is offset by funding of $76.9 million provided to Janssen AI during 2012.

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

Table of Contents

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.

Financing Activities

Net cash used in financing activities of $198.8 million in 2012 was primarily comprised of outflows of $682.5 million related to the debt redemption of the 2016 Notes issued October 2009 and the 2016 Notes issued August 2010 offset by proceeds from the issuance of $600.0 million (net of transaction costs of $12.1 million) of the 6.25% Notes. The principal amount of debt repaid was $624.5 million and cash debt retirement costs of $58.0 million were incurred upon early redemption of the Notes. In addition, in connection with the separation of the Prothena Business, we made a cash distribution to Prothena, which together with the consideration for 18% of Prothena s outstanding ordinary shares, totaled $125.0 million.

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 the 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 the 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 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.

Debt Facilities

At December 31, 2012, we had total outstanding debt with an aggregate principal amount of $600.0 million, which consisted of the following (in millions):

6.25% Notes	$ 600.0
Total	$ 600.0

Our 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 (including our funding commitments to Janssen AI (for AIP)), working capital, capital expenditures, acquisitions, investments and other general corporate purposes;
- Cause us to elect to redeem our indebtedness at a premium in order to avoid potential debt covenant breaches;
- 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 2012, as of December 31, 2012, 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 24 to the Consolidated Financial Statements.

Commitments and Contingencies

For information regarding commitments and contingencies, refer to Notes 33 and 34 to the Consolidated Financial Statements.

Table of Contents

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.

On February 6, 2013, we announced that we had agreed to dispose of our *Tysabri* IP and other rights related to *Tysabri* to Biogen Idec. In accordance with the terms of the transaction, upon consummation of the transaction, the existing collaboration arrangements with Biogen Idec will be terminated and we will receive from Biogen Idec an upfront payment of $3.25 billion. In addition, we will receive continuing royalties from Biogen Idec on *Tysabri* in-market sales. The transaction is expected to close in the first half of 2013, subject to the satisfaction of certain conditions, including customary regulatory approvals.

In August 2012, we announced our intention to separate our Prothena Business into a new, publicly traded company and discontinue the portion of the drug discovery business platform not included in the Prothena Business. The separation of the Prothena Business was completed pursuant to a demerger under Irish law on December 20, 2012.

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 related R&D activities. The amortization of intangible assets used in R&D activities and the costs of intangibles 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 total R&D expenses from continuing and discontinued operations incurred for our significant non-EDT programs (those 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, 2012, 2011 and 2010, and the cumulative amounts to date. It also sets forth the R&D expenses incurred for EDT for the period up to September 16, 2011, when the EDT business was divested, and for the year ended December 31, 2011, (in millions):

	2012	2011	2010	Cumulative to date[1]
Tysabri	$ 70.4	$ 72.5	$ 71.4	$ 842.2
Aggregation inhibitor (ELND005, with Transition)	33.1	18.1	20.3	142.6
Other R&D[2]	84.8	107.6	113.3	356.9
EDT		34.3	53.7	
Total	$ 188.3	$ 232.5	$ 258.7	

(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 diseases that have not yet entered Phase 2 development.*

60

Table of Contents

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

Our R&D expenses incurred are presented in the following reporting lines in the Consolidated Statements of Operations for the years ended December 31, 2012, 2011 and 2010 (in millions):

	2012	2011	2010
Research and development (continuing expenses)	$ 95.0	$ 106.8	$ 128.5
Net income from discontinued operations[(1)]	93.3	125.7	130.2
Total	$ 188.3	$ 232.5	$ 258.7

(1) *The R&D expenses reported in net income from discontinued operations excludes an allocation of certain corporate facilities overheads included in the analysis of R&D expenses by program in the table above. These overheads are reported in the continuing operations research and development expense reporting line.*

D. Trend Information

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

E. Off-Balance Sheet Arrangements

As of December 31, 2012, 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, 2012, 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, 2012, the directors had authorized capital expenditures, which had been contracted for, of $0.1 million (2011: $3.0 million). As of December 31, 2012, the directors had authorized capital expenditures, which had not been contracted for, of $1.7 million (2011: $6.4 million).

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
2019 Notes issued October 2012	$ 600.0	$	$	$	$ 600.0
Total debt principal obligations	600.0				600.0
Debt interest payments	254.9	37.5	75.0	75.0	67.4
Operating lease obligations	109.2	21.3	34.5	29.0	24.4
Total contractual obligations	$ 964.1	$ 58.8	$ 109.5	$ 104.0	$ 691.8

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 the AIP. 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. 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. During 2012, the

Table of Contents

remaining balance of the initial $500.0 million funding commitment, which amounted to $57.6 million at December 31, 2011, was spent. Subsequent to the full utilization of the initial $500.0 million funding commitment, we provided funding of $76.9 million to Janssen AI during 2012. In addition, we provided funding to Janssen AI of $29.9 million in January 2013, which will be recorded in the 2013 financial statements. Following the provision of this funding in January 2013, our remaining funding commitment to Janssen AI is $93.2 million. The table above does not reflect this funding commitment, which is contingent on the future operations and expenditure of Janssen AI.

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 was eligible to receive a further $11.0 million payment from us upon the commencement of the next ELND005 clinical trial. This was paid to Transition during 2012 when we commenced a Phase 2 study of oral ELND005 as an adjunctive maintenance treatment of patients with BPD 1. We also commenced a Phase 2 clinical trial of ELND005 during 2012 for the treatment of agitation/aggression in patients with moderate to severe Alzheimer s disease.

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, 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, 2012, we had liabilities related to unrecognized tax benefits of $7.2 million (excluding total potential penalties and interest of $2.3 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, 2012, we had commitments to invest $2.0 million (2011: $2.6 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.

The two major rating agencies covering our debt, rate our debt as sub-investment grade. None of our debt has a rating trigger that would accelerate the repayment date upon a change in rating.

For information regarding the fair value of our debt, refer to Note 24 to the Consolidated Financial Statements.

Table of Contents

Item 6. Directors, Senior Management and Employees.

A. Directors and Senior Management

Directors

Robert A. Ingram (70)

Position	Date of Appointment	Tenure as of December 31, 2012
Non-Executive Director	December 3, 2010	2 years
Chairman of the Board	January 26, 2011	1 year 11 months
Member of the Nominating & Governance Committee (NGC)	January 26, 2011	1 year 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, LLC 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 HBM BioVentures AG and Edwards Lifesciences Corporation.

Gary Kennedy (55)

Position	Date of Appointment	Tenure as of December 31, 2012
Non-Executive Director	May 26, 2005	7 years 7 months
Member of the Audit Committee	September 9, 2005	7 years 3 months
Chairman of the Audit Committee	May 24, 2007	5 years 7 months
Member of the Leadership, Development & Compensation Committee (LDCC)	August 26, 2009	3 years 4 months

Mr. Kennedy was appointed a director of Elan in May 2005, and is currently Chairman of Greencore Group plc. Mr. Kennedy is also a director of Friends First Assurance Company, serves as a board member to a number of private companies and was a director of IBRC Limited until February 2013. From May 1997 to December 2005, he was group director, finance and enterprise technology, at Allied Irish Banks, plc (AIB), 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.

Patrick Kennedy (43)

Position	Date of Appointment	Tenure as of December 31, 2012
Non-Executive Director	May 22, 2008	4 years 7 months
Member of the LDCC	September 10, 2008	4 years 3 months
Chairman of the LDCC	January 29, 2009	3 years 11 months

Mr. Kennedy was appointed a director of Elan in May 2008. He is currently CEO 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 (CFO) 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 (53)

Position	Date of Appointment	Tenure as of December 31, 2012
Non-Executive Director	September 13, 2007	5 years 3 months
Member of the Audit Committee	January 31, 2008	4 years 11 months
Member of the NGC	January 27, 2010	2 years 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

Table of Contents

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 CFO 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 (53)

Position	Date of Appointment	Tenure as of December 31, 2012
Executive Director & CEO	February 4, 2003	9 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 (69)

Position	Date of Appointment	Tenure as of December 31, 2012
Non-Executive Director	December 1, 1998	14 years 1 month
Lead Independent Director	February 1, 2006	6 years 11 months
Member of the NGC	May 31, 2002	10 years 7 months
Chairman of the NGC	September 9, 2005	7 years 3 months

Mr. McGowan was appointed a director of Elan in December 1998. He is a director Charles Schwab Worldwide Funds plc and was, until May 2012, chairman of CRH 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. He has served as president of the Irish Management Institute and has chaired the Governing Authority at University College Dublin.

Kyran McLaughlin (68)

Position	Date of Appointment	Tenure as of December 31, 2012
Non-Executive Director	January 30, 1998	14 years 11 months
Member of the NGC	May 31, 2002	10 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 (62)

Position	Date of Appointment	Tenure as of December 31, 2012
Non-Executive Director	May 22, 2008	4 years 7 months
Member of the Audit Committee	September 10, 2008	4 years 3 months
Member of the LDCC	May 26, 2010	2 years 7 months

Mr. O Connor was appointed a director of Elan in May 2008. He holds directorships in a number of private companies. 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 (55)

Position	Date of Appointment	Tenure as of December 31, 2012
Non-Executive Director	July 16, 2009	3 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.

Table of Contents

Dennis J. Selkoe MD (69)

Position	Date of Appointment	Tenure as of December 31, 2012
Non-Executive Director[1]	July 1, 1996	16 years 4 months
Member of the Science and Technology Committee (S&TC)	August 26, 2009	3 years 4 months
Member of the NGC	January 27, 2010	2 years 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, as 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.

Andrew von Eschenbach, MD (71)

Position	Date of Appointment	Tenure as of December 31, 2012
Non-Executive Director	September 15, 2011	1 year 3 months
Member of the S&TC	September 15, 2011	1 year 3 months

Dr. von Eschenbach, MD, 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 Histosonics Inc., the Focused Ultrasound Surgery Foundation, Viamet Pharmaceuticals, the National Comprehensive Cancer Centers Network Foundation, BioTime Inc. and its subsidiary OncoCyte Corporation, and Banyan Biomarkers, Inc. He also serves on the advisory boards of Chugai Pharmaceutical International Advisory Council, GE Healthymagination, the Scientific Advisory Board of Arrowhead Research Corporation and is a Senior Fellow at the Milken Institute and director of the FDA Project at the Manhattan Institute.

Senior Management

Nigel Clerkin (39)

Executive Vice President & 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.

Guriq Basi, Dr. (56)

Chief Science & Technology Officer

Dr. Basi was appointed chief science and technology officer in October 2012. Before this Dr. Basi was head of pre-clinical development at Neotope Biosciences, an Elan business unit which specialized in the discovery and development of biologics for the treatment of diseases associated with protein misfolding. Between June 2008 and May 2010, Dr. Basi was vice-president of extramural research at Elan and prior to that was senior director of discovery research and head of molecular biology. Between 1988 and joining Elan in 1992, Dr. Basi was a staff scientist at Protein Design Labs/PDL Biopharma. Dr. Basi undertook postdoctoral research in neurobiology at Stanford University, received his PhD in Biological Chemistry from the University of Illinois at Chicago, and his BA in Biochemistry from The Ohio State University.

Menghis Bairu, Dr. (52)

Chief Medical Officer & Head of Development

Dr. Bairu was appointed executive vice president, chief medical officer and head of global development in 2008. Dr. Bairu served as chief medical officer until September 2010 and then in October 2012 was reappointed to this position. During his time at Elan Dr. Bairu also served as head of Onclave Therapeutics, an Elan business unit which specialized in developing oncology related assets, and was senior vice president and head of international covering all of Elan s biopharmaceutical activities outside the United States. Prior to joining Elan, Dr. Bairu worked at Genentech in a number of medical and commercial roles, served on the board of One World Health, a nonprofit drug development company funded by the Bill & Melinda Gates Foundation, and was a director of A-Cube, a privately held pharma start-up. Dr. Bairu also lectures at the University of California San Francisco School of Medicine on global clinical trials design, development and conduct.

Table of Contents

William F. Daniel (60)

Executive Vice President & 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. In July 1996, he was appointed group vice president, finance, group controller. From 1990 to 1992, Mr. Daniel was financial director of Xtravision plc. Mr. Daniel is a Fellow of Chartered Accountants Ireland and a graduate of University College Dublin. He is a member of the Council of the Institute of Directors in Ireland.

Fabiana Lacerca-Allen (45)

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 and AT&T Capital.

Hans Peter Hasler (*57)*

Chief Operating Officer (COO)

Mr. Hasler was appointed a non-executive director of Elan in September 2011 and retired in October 2012 to take up the role of COO. He is the Chairman of HBM Healthcare Investments AG and Director of the Board of Acino, Switzerland. Mr. Hasler was 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, he 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. In addition, Mr. Hasler served as chief marketing officer / head of global strategic marketing with Wyeth Pharmaceuticals.

Grainne McAleese (33)

Group Controller & Principal Accounting Officer

Ms. McAleese was appointed group controller and principal accounting officer of Elan in 2011. Since joining Elan in 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 Certified Public Accountant in the United States, a Fellow of Chartered Accountants Ireland and a graduate of Dublin City University.

Mary Sheahan (40)

Head of Human Resources, IT, Facilities and Portfolio Assessment Management

During 2012, Ms. Sheahan was appointed head of human resources, information technology, facilities and portfolio assessment management. As part of this role Ms. Sheahan also serves as a director on the board of Janssen Alzheimer Immunotherapy. Since joining Elan in 1997, Ms. Sheahan has held a number of commercial, R&D and corporate finance roles in Ireland and the United States. Most recently she was vice president finance, tax and treasury from 2007 to 2011. Prior to joining Elan, Ms. Sheahan worked in KPMG in Dublin. Ms. Sheahan holds a Commerce degree and a Masters in Accounting from University College Dublin and is a Fellow of Chartered Accountants Ireland.

Table of Contents

B. Compensation

Executive Officers and Directors Remuneration

For the year ended December 31, 2012, all directors and executive officers as a group that served during the year (17 persons) received total compensation of $6.3 million (2011: $7.8 million).

We reimburse directors and officers for their actual business-related expenses. For the year ended December 31, 2012, an aggregate of $0.4 million (2011: $0.5 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 director and officers participate.

Directors Remuneration

	Year Ended December, 31					
	2012 Salary/ Fees	2012 Bonus	2012 Pension	2012 Benefit in kind	2012 Total	2011 Total
Executive Directors:						
G. Kelly Martin	$ 1,000,000	$ 1,125,000	$ 7,500	$ 45,289	$ 2,177,789	$ 2,885,110
Total	1,000,000	1,125,000	7,500	45,289	2,177,789	2,885,110
Non-Executive Directors:						
Robert A. Ingram	150,000				150,000	240,793
Lars Ekman[1][4]	70,109				70,109	78,503
Hans Peter Hasler[2]	50,625				50,625	19,626
Gary Kennedy	92,500				92,500	92,500
Patrick Kennedy	75,000				75,000	75,000
Giles Kerr	82,500				82,500	82,500
Kieran McGowan[1]	95,000				95,000	95,000
Kyran McLaughlin[1]	67,500				67,500	84,292
Donal O Connor	82,500				82,500	82,500
Richard Pilnik	55,000				55,000	60,604
Dennis J. Selkoe[3]	141,000				141,000	130,000
Andrew von Eschenbach[1]	67,500				67,500	19,626
Total	$ 2,029,234	$ 1,125,000	$ 7,500	$ 45,289	$ 3,207,023	$ 3,946,054

(1) *In 2012, all or some portion of director s fee was received in the form of RSUs which vest on the earlier of 10 years or 90 days after retirement from the board. For further information refer to the Report of the LDCC on page 73.*

(2) *Retired as director on October 1, 2012.*

(3) *Includes fees of $61,000 in 2012 (2011:$50,000) under a consultancy agreement. See Item 7B. Related Party Transactions for additional information.*

(4) *Retired as director on December 7, 2012.*

Table of Contents

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.

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. The 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 addition to the general provisions contained in the code of conduct concerning conflicts of interest, the board adopted, in January 2011, a comprehensive Conflicts of Interests Policy for directors, which sets out wide-ranging procedures covering the identification and management of such conflicts.

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 (the Irish Annex) ceased to apply to the Company following the re-classification, however we have voluntarily incorporated the recommendations of the Irish 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. To date 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 2012. In addition, five 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.

Table of Contents

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 a number of standing committees; further information on these committees is described below.

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

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, nine 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.

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 now stand for annual re-election at the AGM each year.

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.

Table of Contents

Induction and Development

Directors are provided with appropriate 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 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 2012, the board considered the independence of each non-executive director, and determined 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, to be independent in character and judgment and that there are no relationships or circumstances that are likely to affect their independent judgment.

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 and particulars of both 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 their duties in a thoroughly independent manner and constructively and appropriately challenges the executive director and the board. For these reasons, the board considers that they are independent.

Conflicts of Interest

In addition to the general provisions contained in the code of conduct concerning conflicts of interest which apply to all directors, executives and employees of the Company, the board, in January 2011, adopted a comprehensive Conflicts of Interests Policy for directors. This specific policy sets out comprehensive 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 position. The policy also extends to 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. Under the Code, the board is required to have an externally facilitated evaluation at least every three years and it is planned to do so during 2013.

Table of Contents

Board Committees

During the majority of 2012, the board had four standing committees to assist it in exercising its authority. In December 2012, the board approved the establishment of a new committee, the Transaction Committee (TC). The TC s role is to assist the board with oversight of future transactions proposed by management, including both acquisitions and disposals. The TC held no formal meetings in 2012. In addition to the TC, the other committees of the board are the Audit Committee, the Leadership, Development & Compensation Committee (LDCC), the Nominating & Governance Committee (NGC) and the Science and Technology Committee (S&TC).

Each of the committees has a charter under which its authority is delegated to it by the board. The charter for each committee is available in the Corporate Governance section of our website, www.elan.com, or from the company secretary on request.

The reports of the Leadership, Development & Compensation Committee and the Nominating & Governance Committee are set out on pages 73 to 76, and the Report of the Audit Committee is set out on pages 101 to 103.

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 they are provided with all the documentation and information relevant to that meeting and are encouraged to discuss the issues arising in that meeting with the chairman, CEO or company secretary.

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

(1) *Retired as a director on December 7, 2012*
(2) *Retired as a director on October 1, 2012*

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 also secretary to the Audit Committee, the LDCC, the NGC, the S&TC and the TC. The company secretary ensures compliance with applicable rules and regulations. The appointment and removal of the company secretary is a matter for the board.

Table of Contents

Relations with Shareholders

We communicate regularly with our shareholders throughout the year, specifically following the release of quarterly and annual results, and at the time of 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 general meetings 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.

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 and applicable regulations, 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

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.

Table of Contents

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, 2012 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 & Compensation Committee

The LDCC held four scheduled meetings in 2012. Details of meeting attendance by LDCC members are included in the table on page 71. In addition, one meeting was held to deal with specific matters.

Committee Membership

Name	**Status During 2012**
Patrick Kennedy (Chairman)	Member for the whole period
Hans Peter Hasler	Retired October 1, 2012
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 any 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 of executives in comparable 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 engages 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 our 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; 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.

Table of Contents

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 some or all of 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 2012, Dr. Ekman, Mr. McGowan and Mr. McLaughlin and Dr. von Eschenbach elected to receive fee payments in the form of RSUs. Non-executive directors are also reimbursed for reasonable travel expenses to and from board meetings.

Elements of Executive Director Remuneration

Basic Salary

The basic salary of the executive director is 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 the executive director, 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 and company performance.

Share-Based Compensation

It is our policy, in common with other companies operating in similar industries, 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 when shareholders voted to increase the shares available to be granted under this plan, which was indicated would meet the Company s equity plan requirements for three years. At the 2012 AGM shareholders approved the Elan Corporation, plc 2012 Long Term Incentive Plan (the 2012 Plan) which provides equity for the grant of up to 30 million ordinary shares. As with its predecessor, the purposes of the 2012 Plan is to further advance the interests of the Company and its shareholders by providing a means to attract, retain, and motivate employees, consultants and directors, to provide for competitive compensation opportunities, to encourage long term service, to recognize individual contributions and reward achievement of performance goals, and to promote the creation of long term value for shareholders by aligning the interests of such persons with those of shareholders. It is anticipated that the 2012 Plan would meet the Company s equity plan requirement for at least three years. Equity awards are usually made annually if and when we achieve our strategic and operating goals. Equity awards may also be granted to some individuals on joining the Company or on the occurrence of other specific events. 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. The EEPP was originally approved by the shareholders at the 2004 AGM and allows all employees, who meet the eligibility criteria, the opportunity to purchase shares in the Company at a discount. At the 2012 AGM shareholder approved an increase of 1.5 million shares in the number of shares available to employees to purchase in accordance with the terms of the plan. It is anticipated that there will be sufficient shares in the EEPP to meet the Company s needs for at least three years. Purchases are limited and subject to certain U.S. Internal Revenue Code (IRC) restrictions.

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 2012 Elan performance goals and objectives for all staff. In addition, the LDCC continued to monitor general compensation trends and CEO compensation in particular.

Table of Contents

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 Prothena demerger. The committee also engaged in a review of its charter and adopting several amendments during 2012.

On behalf of the LDCC,

Patrick Kennedy

Chairman of the LDCC and

Non-Executive Director

February 12, 2013

Report of the Nominating & Governance Committee

The NGC held three scheduled meetings in 2012. 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 2012**
Kieran McGowan (Chairman)	Member for the whole period
Robert Ingram	Member for the whole period
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 Committee 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. In carrying out this function the Committee looks to the business experience of the candidate, particularly in relation to our established areas and those we are likely to venture into. The committee in evaluating potential candidate s skills, knowledge and expertise also considers other factors such as, diversity, including nationality and gender, as well the need for an appropriately sized board and appropriately composed committees. 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

On June 3, 2010, we communicated that, as part of our prudent executive succession management process, Mr. Martin and the board of directors had agreed that by May 1, 2012, Mr. Martin would have successfully completed his commitment and overall duty as CEO to the Company. During 2011 and 2012, the board held several in-depth discussions with a number of exceptionally high caliber candidates regarding the Elan CEO role.

However, as 2012 represented a significant transformational period for the Company, it was decided by the board that the Company and our shareholders would be best served by Mr. Martin continuing his leadership through this critical period and strategic inflection point. To that end, the board requested that Mr. Martin extend his tenure as the Elan s CEO, on an open ended basis, creating continuity and an opportunity to achieve further clarity for Elan s strategic and financial path forward. Mr. Martin agreed to this request.

Over the past number of years, the Committee and the board have continued to engage in the process of board refreshment and renewal with just over half of current directors being appointed during the previous six years. This process has continued, overseen by the Committee, in 2012. As outlined above, in considering director appointments, the Committee evaluates, among other things, the balance of skills, experience, independence and knowledge of the Company on the board and compares this to the needs of the

75

Table of Contents

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

During the year, the Committee reviewed the membership of the board s committees but did not recommend any changes. The Committee 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 12, 2013

D. Employees

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

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, 2012, including their spouses and children under 18 years of age, were as follows:

	Ordinary Shares; Par Value 0.05 Each	
	2012[1]	**2011**[1]
Directors		
Robert A. Ingram		
Gary Kennedy	7,650	7,650
Patrick Kennedy	10,500	10,500
Giles Kerr		
G. Kelly Martin	338,452	147,476
Kieran McGowan	6,200	6,200
Kyran McLaughlin	190,000	190,000
Donal O Connor	18,900	18,900
Richard Pilnik	3,700	
Dennis J. Selkoe	180,675	180,675
Andrew von Eschenbach	2,000	
Secretary		
William F. Daniel	53,037	46,274

(1) *No director or executive officer beneficially owned 1% or more of our outstanding shares of the Company as of December 31, 2012, or as of December 31, 2011.*

76

Table of Contents

Directors and Secretary s Options and Restricted Stock Units

	Date of Grant	At December 31, 2011[2]	Exercise Price $[1]	Granted 2012	Exercised or Vested/ Cancelled 2012[1]	Market Price at Exercise/ Vest Date	At December 31, 2012[1][2]	Earliest Vest Date	Option Expiry/ RSU Latest Vest Date
Robert A. Ingram	February 9, 2011	29,412	RSU				30,365		February 9, 2021[3]
	February 9, 2011	29,412	RSU				30,365		February 9, 2021[3]
	February 9, 2012		RSU	30,372			31,357		February 9, 2022[3]
	December 20, 2012		RSU	2,891					
		58,824		33,263			92,087		
Gary Kennedy	May 26, 2005	15,000	$ 7.80				15,486	May 26, 2007	May 25, 2015
	February 1, 2006	10,000	$ 15.40				10,324	February 1, 2008	January 31, 2016
	February 21, 2007	10,000	$ 13.51				10,324	February 21, 2009	February 20, 2017
	February 14, 2008	10,000	RSU				10,324		February 14, 2018[3]
	February 11, 2009	7,500	RSU				7,743		February 11, 2019[3]
	May 26, 2010	23,855	RSU				24,628		May 26, 2020[3]
	February 9, 2011	18,382	RSU				18,978		February 9, 2021[3]
	February 9, 2012		RSU	15,186			15,678		February 9, 2022[3]
	December 20, 2012		Various	3,562					
		94,737		18,748			113,485		
Patrick Kennedy	May 22, 2008	20,000	$ 24.30				20,648	May 22, 2009	May 21, 2018
	February 11, 2009	7,500	RSU				7,743		February 11, 2019[3]
	May 26, 2010	23,855	RSU				24,628		May 26, 2020[3]
	February 9, 2011	18,382	RSU				18,978		February 9, 2021[3]
	February 9, 2012		RSU	15,186			15,678		February 9, 2022[3]
	December 20, 2012		Various	2,752					
		69,737		17,938			87,675		
Giles Kerr	September 13, 2007	20,000	$ 18.90				20,648	September 13, 2008	September 12, 2017
	February 14, 2008	10,000	RSU				10,324		February 14, 2018[3]
	February 11, 2009	7,500	RSU				7,743		February 11, 2019[3]
	May 26, 2010	23,855	RSU				24,628		May 26, 2020[3]
	February 9, 2011	18,382	RSU				18,978		February 9, 2021[3]
	February 9, 2012		RSU	15,186			15,678		February 9, 2022[3]
	December 20, 2012		Various	3,076					
		79,737		18,262			97,999		

Table of Contents

	Date of Grant	At December 31, 2011[2]	Exercise Price $[1]	Granted 2012	Exercised or Vested/ Cancelled 2012[1]	Market Price at Exercise/ Vest Date	At December 31, 2012[1][2]	Earliest Vest Date	Option Expiry/ RSU Latest Vest Date
G. Kelly Martin	February 6, 2003	944,000	$ 3.85		100,000	13.45			
					400,000	11.72			
					444,000	10.46		December 31, 2003	February 5, 2013
	November 13, 2003	1,000,000	$ 5.11				1,032,416	December 31, 2003	November 12, 2013
	March 10, 2004	60,000	$ 15.76				61,945	January 1, 2005	March 9, 2014
	March 10, 2005	280,000	$ 7.24				289,077	January 1, 2006	March 9, 2015
	December 7, 2005	750,000	$ 11.65				774,312	December 31, 2006	December 6, 2015
	February 21, 2007	494,855	$ 13.51				510,896	February 21, 2008	February 20, 2017
	February 14, 2008	329,590	$ 24.22				340,274	February 14, 2009	February 13, 2018
	September 18, 2009	150,000	$ 6.95				154,862	March 18, 2012	September 17, 2019
	February 11, 2010	673,797	$ 6.83				695,639	February 11, 2011	February 10, 2020
	February 11, 2010	82,742	RSU		41,371	13.26	42,712	February 11, 2011	February 11, 2013
	February 9, 2011	932,134	$ 6.59				962,351	February 9, 2012	February 8, 2021
	February 9, 2011	136,029	RSU		45,343	13.17	93,626	February 9, 2012	February 9, 2014
	February 9, 2012		RSU	37,500	37,500	10.89		October 1, 2012	October 1, 2012
	February 9, 2012		$ 12.76	225,000			232,294	October 1, 2012	February 8, 2022
	April 30, 2012		$ 13.36	486,000			501,754	February 1, 2013	April 29, 2022
	April 30, 2012		RSU	81,000			83,626	February 1, 2013	July 1, 2014
	December 20, 2012		Various	181,351					
		5,833,147		1,010,851	1,068,214		5,775,784		
Kieran McGowan	March 10, 2004	40,000	$ 15.76				41,297	March 10, 2005	March 9, 2014
	March 10, 2005	7,500	$ 7.24				7,743	January 1, 2006	March 9, 2015
	February 1, 2006	10,000	$ 15.40				10,324	February 1, 2008	January 31, 2016
	February 21, 2007	10,000	$ 13.51				10,324	February 21, 2009	February 20, 2017
	February 14, 2008	10,000	RSU				10,324		February 14, 2018[3]
	February 11, 2009	7,500	RSU				7,743		February 11, 2019[3]
	May 26, 2010	23,855	RSU				24,628		May 26, 2020[3]
	February 9, 2011	18,382	RSU				18,978		February 9, 2021[3]
	April 21, 2011	2,980	RSU				3,077		April 21, 2021[4]
	July 28, 2011	2,093	RSU				2,161		July 28, 2021[4]
	October 28, 2011	1,956	RSU				2,019		October 28, 2021[4]
	February 9, 2012		RSU	15,186			15,678		February 9, 2022[3]
	February 9, 2012		RSU	1,803			1,861		February 9, 2022[4]
	April 27, 2012		RSU	1,709			1,764		April 27, 2022[4]
	July 26, 2012		RSU	1,984			2,048		July 26, 2022[4]
	October 25, 2012		RSU	2,181			2,252		October 25, 2022[4]
	December 20, 2012		Various	5,092					
		134,266		27,955			162,221		

Table of Contents

	Date of Grant	At December 31, 2011[2]	Exercise Price $[1]	Granted 2012	Exercised or Vested and Cancelled 2012[1]	Market Price at Exercise/ Vest Date	At December 31, 2012[1][2]	Earliest Vest Date	Option Expiry/ RSU Latest Vest Date
Kyran McLaughlin	March 10, 2004	40,000	$ 15.76				41,297	March10, 2005	March 9, 2014
	March 10, 2005	7,500	$ 7.24				7,743	January 1, 2006	March 9, 2015
	February 1, 2006	10,000	$ 15.40				10,324	February 1, 2008	January 31, 2016
	February 21, 2007	10,000	$ 13.51				10,324	February 21, 2009	February 20, 2017
	February 14, 2008	10,000	RSU				10,324		February 14, 2018[3]
	February 11, 2009	11,250	RSU				11,615		February 11, 2019[3]
	May 26, 2010	28,626	RSU				29,554		May 26, 2020[3]
	February 9, 2011	18,382	RSU				18,978		February 9, 2021[3]
	April 21, 2011	4,224	RSU				4,361		April 21, 2021[4]
	July 28, 2011	1,487	RSU				1,535		July 28, 2021[4]
	October 28, 2011	1,390	RSU				1,435		October 28, 2021[4]
	February 9, 2012		RSU	15,186			15,678		February 9, 2022[3]
	February 9, 2012		RSU	1,281			1,323		February 9, 2022[4]
	April 27, 2012		RSU	1,214			1,253		April 27, 2022[4]
	July 26, 2012		RSU	1,410			1,456		July 26, 2022[4]
	October 25, 2012		RSU	1,550			1,600		October 25, 2022[4]
	December 20, 2012		Various	5,300					
		142,859		25,941			168,800		
Donal O Connor	May 22, 2008	20,000	24.30				20,648	May 22, 2009	May 21, 2018
	February 11, 2009	7,500	RSU				7,743		February 11, 2019[3]
	May 26, 2010	23,855	RSU				24,628		May 26, 2020[3]
	February 9, 2011	18,382	RSU				18,978		February 9, 2021[3]
	February 9, 2012		RSU	15,186			15,678		February 9, 2022[3]
	December 20, 2012		Various	2,752					
		69,737		17,938			87,675		
Richard Pilnik	May 26, 2010	23,855	RSU				24,628		May 26, 2020[3]
	February 9, 2011	18,382	RSU				18,978		February 9, 2021[3]
	February 9, 2012		RSU	15,186			15,678		February 9, 2022[3]
	December 20, 2012		Various	1,861					
		42,237		17,047			59,284		
Dennis J. Selkoe	May 26, 2010	23,855	RSU				24,628		May 26, 2020[3]
	February 9, 2011	18,382	RSU				18,978		February 9, 2021[3]
	February 9, 2012		RSU	15,186			15,678		February 9, 2022[3]
	December 20, 2012		Various	1,861					
		42,237		17,047			59,284		
Andrew Von Eschenbach	February 9, 2012		RSU	15,186			15,678		February 9, 2022[3]
	April 27, 2012		RSU	607			627		April 27, 2022[4]
	July 26, 2012		RSU	705			728		July 26, 2022[4]
	October 25, 2012		RSU	775			800		October 25, 2022[4]
	December 20, 2012		Various	560					
				17,833			17,833		

79

Table of Contents

	Date of Grant	At December 31, 2011[2]	Exercise Price $[1]	Granted 2012	Exercised or Vested/ Cancelled 2012[1]	Market Price at Exercise/ Vest Date	At December 31, 2012[1][2]	Earliest Vest Date	Option Expiry/ RSU Latest Vest Date
Secretary									
William F. Daniel	March 1, 2002	30,000	$ 14.07		30,000			January 1, 2003	February 29, 2012
	May 1, 2003	6,000	$ 3.72				6,194	January 1, 2004	April 30, 2013
	March 10, 2004	30,000	$ 15.76				30,972	January 1, 2005	March 9, 2014
	March 10, 2005	50,000	$ 7.24				51,621	January 1, 2006	March 9, 2015
	February 1, 2006	47,925	$ 15.40				49,479	January 1, 2007	January 31, 2016
	February 21, 2007	69,372	$ 13.51				71,621	February 21, 2008	February 20, 2017
	February 14, 2008	17,758	$ 24.22				18,334	February 14, 2009	February 13, 2018
	February 14, 2008	2,499	RSU		2,499	13.08		February 14, 2009	February 14, 2012
	February 11, 2009	77,643	$ 7.51				80,160	August 11, 2011	February 10, 2019
	February 11, 2010	51,337	$ 6.83				53,001	February 11, 2011	February 10, 2020
	February 11, 2010	18,912	RSU		9,456	13.00	9,763	February 11, 2011	February 11, 2013
	February 9, 2011	103,458	$ 6.58				106,812	February 9, 2012	February 8, 2021
	February 9, 2011	45,294	RSU		15,098	13.09	31,175	February 9, 2012	February 9, 2014
	February 9, 2012		RSU	37,965			39,196	February 9, 2013	February 9, 2015
	February 9, 2012		$ 12.76	30,042			31,016	February 9, 2013	February 8, 2022
	February 9, 2012		$ 12.76	75,104			77,539	February 9, 2013	February 8, 2022
	December 20, 2012		Various	20,627					
		550,198		163,738	57,053		656,883		

(1) *Elan stock options and RSUs outstanding amounts at close of business on December 20, 2012 were subject to an adjustment in connection with the separation and distribution of the Prothena Business. In line with the terms of our employee equity plans (2006 LTIP, 1996 LTIP and 1999 Stock Option Plan) the total number of RSUs outstanding on that day was increased by 3.24165%, the number of options outstanding was also increased and the corresponding exercise prices decreased to reflect the changes in the Company s share price across the transaction date. Refer to Note 30 for additional information on the adjustments made in connection with the demerger of the Prothena Business.*

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

(3) *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.*

(4) *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.*

During the year ended December 31, 2012, the closing market price ranged from $15.02 to $9.76 per ADS. The closing market price at February 4, 2013 on the NYSE, of our ADSs was $10.47.

Table of Contents

The following changes in directors and secretary s interests occurred between December 31, 2012, and February 8, 2013:

	Grant Date	Exercise Price	No. of Options	No. of RSUs
Directors				
Robert A. lngram	February 7, 2013	$		40,650
Gary Kennedy	February 7, 2013	$		20,325
Patrick Kennedy	February 7, 2013	$		20,325
Giles Kerr	February 7, 2013	$		20,325
G. Kelly Martin	February 7, 2013	$ 9.84	1,000,000	125,000
Kieran McGowan	February 7, 2013	$		22,738[1]
Kyran McLaughlin	February 7, 2013	$		22,039[2]
Donal O Connor	February 7, 2013	$		20,325
Richard Pilnik	February 7, 2013	$		20,325
Dennis J. Selkoe	February 7, 2013	$		20,325
Andrew von Eschenbach	February 7, 2013	$		21,182[3]
Secretary				
William F. Daniel	February 7, 2013	$ 9.84	130,222	45,656

(1) *Includes 2,413 RSUs granted in fulfillment of directors fees for September to December 2012*
(2) *Includes 1,714 RSUs granted in fulfillment of directors fees for September to December 2012*
(3) *Includes 857 RSUs granted in fulfillment of directors fees for September to December 2012*

	Date	RSUs Vested	Options Exercised	ADRs Sold
Directors				
G. Kelly Martin	February 7, 2013	16,725		

Directors Pension Arrangements

Pensions for executive directors are calculated on basic salary only (no incentive or benefit elements are included). Currently there is only one Executive Director, the CEO, Mr. Martin. 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 28 to the Consolidated Financial Statements.

Table of Contents

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 4, 2013 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, 2009	18.0%
Fidelity Management and Research Company LLC	77,695,797	November, 2012	13.1%
Invesco Limited	53,068,490	November, 2012	8.9%
Wellington Management Company, LLP	35,969,219	November, 2012[4]	6.0%
Blackrock, Inc.	23,735,433	September, 2011	4.0%
T. Rowe Price Associates, Inc.	18,473,407	November, 2012[4]	3.1%
All directors and officers as a group (17 persons)	5,845,383[5]	February 4, 2013	1.0%

(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 595.3 million Ordinary Shares outstanding on February 4, 2013.*

(3) *These shares were issued as part of the Johnson & Johnson Transaction. Refer to page 42 for additional information.*

(4) *Sourced from SEC filings.*

(5) *Includes 5.0 million Ordinary Shares issuable upon exercise of currently exercisable options held by directors and officers as a group as of February 4, 2013.*

Except for these interests, we have not been notified at February 4, 2013 of any interest of 3% or more of our issued share capital. None of Janssen Pharmaceuticals, Fidelity Management and Research Company LLC, Invesco Limited, Wellington Management Company LLC, Blackrock, Inc. nor T. Rowe Price Associates, Inc. have 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 595,297,619 Ordinary Shares of Elan were issued and outstanding at February 4, 2013, of which 3,788 Ordinary Shares were held by holders of record in the United States, excluding shares held in the form of ADRs. 484,887,846 Ordinary Shares were represented by our ADSs, evidenced by ADRs, issued by Citibank, N.A., as depositary, pursuant to a deposit agreement. At February 4, 2013, the number of holders of record of Ordinary Shares was 7,082, which includes 11 holders of record in the United States, and the number of registered holders of ADRs was 2,839. 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.

Table of Contents

B. Related Party Transactions

There were no significant transactions with related parties during the year ended December 31, 2012, other than as outlined in Note 35 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 Annual General Meeting (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 to be made in February 2013 will have 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.	

Table of Contents

(1) *The chairman s compensation for 2013 consists of a fee of $150,000 (2012: $150,000) and RSUs with a grant date fair value of $400,000 (2012:$400,000), amounting to a total value of $550,000 in 2013 (2012: $550,000). 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 2012, Dr. Ekman (retired December 7, 2012), Mr. McGowan, Mr. McLaughlin and Dr. von Eschenbach elected to receive all or part of their fee payments in the form of RSUs.*

(3) *Inclusive of committee membership fee.*

Mr. Martin

On January 7, 2003, we and Elan Pharmaceuticals, Inc. (EPI) entered into an agreement with Mr. 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 continued to serve as our CEO with an initial base annual salary of $798,000. Under the 2003 agreement, Mr. Martin was 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 role 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 would 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 moved to the role of executive adviser, his base salary was to be reduced to $750,000 per year, he would not be eligible for a bonus and he would resign from the board. However, as 2012 represented a significant transformational period for the Company, it was decided by the board that the Company and our shareholders would be best served by Mr. Martin continuing his leadership through this critical period and strategic inflection point. To that end, the board requested that Mr. Martin extend his tenure as the Elan CEO creating continuity and an opportunity to achieve further clarity for Elan s strategic and financial path forward. Mr. Martin agreed to this request and the extension.

Effective April 30, 2012, we, EPI and Mr. Martin amended and restated Mr. Martin s employment agreement. Under the amended and restated agreement, Mr. Martin s term as CEO was extended indefinitely while his base salary remained at $1,000,000 per year, the vesting of his equity awards that were granted in February 2012 was accelerated to October 2012, the vesting of any equity awards granted in 2013 would receive partial acceleration upon termination of Mr. Martin s employment, and Mr. Martin was awarded an option to purchase 486,000 shares (subsequently adjusted to 501,754 shares on December 20, 2012, in connection with the separation and distribution of the Prothena Business. Refer to Note 30 for additional information on the December 20, 2012, equity adjustments), with an exercise price per share of $13.79 (subsequently adjusted to $13.36 on December 20, 2012), and an RSU grant covering 81,000 shares (subsequently adjusted to 83,626 shares on December 20, 2012). The equity awards granted in April 2012 vest over a two year period.

In general, the amended and restated agreement, continues until Mr. Martin resigns, is involuntarily terminated, is terminated for cause or dies, or is disabled. Subject to certain conditions, if Mr. Martin s employment is involuntarily terminated (other than for cause, death or disability), Mr. Martin leaves for good reason or Mr. Martin resigns on or after April 2, 2013, 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. Similarly, most options will be exercisable until the earlier of (i) two years from the date of termination or (ii) tenth anniversary of the date of grant, or in the event of a change in control, the earlier of (i) three years from the date of termination 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.

Table of Contents

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.

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.

Mr. McLaughlin

In 2012, 2011 and 2010, Davy, an Irish based stock broking, 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 in 2012 was $1.3 million (2011: $0.2 million, 2010: $0.3 million), of which $1.1 million related to services rendered in relation to the offering of the 6.25% Notes.

In November 2011, the Company engaged an adult son of Mr. McLaughlin as a consultant in relation to the Company s investor relations programs for a fixed period. The amount invoiced for these services in 2012 was 70,800 (2011: 11,800). Mr. McLaughlin s son was not an executive officer of Elan and did not have a key strategic role within Elan. The consultancy arrangement terminated on June 30, 2012.

Dr. Selkoe

In July 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. Under the agreement we paid Dr. Selkoe a fee of $12,500 per quarter. The agreement was effective for three years unless terminated by either party upon 30 days written notice and superseded all prior consulting agreements between Dr. Selkoe and Elan. In July 2012, EPI and Dr. Selkoe agreed an amendment to the 2009 agreement which extended the term of the agreement to July 1, 2015 and increased the fee payable to $18,000 per quarter. Under the consultancy agreements, Dr. Selkoe received $61,000 in 2012 (2011: $50,000; 2010: $50,000).

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

Dr. Ekman

Effective December 31, 2007, Dr. Lars Ekman resigned from his operational role as president of R&D and continued to serve as a member of the board of directors of Elan in a non-executive capacity. Dr. Ekman retired from the board on December 7, 2012 in contemplation of his appointment as chairman of Prothena Corporation plc.

As part of Dr. Ekman s retirement from executive duties, we agreed to make payments if we achieve certain milestones in respect of our Alzheimer s disease program. To date none of the required milestones have been triggered and no payments have been made.

Table of Contents

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 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 (the 2009 Agreement). Effective July 17, 2011, the 2009 Agreement was extended for a further year (the Amended Agreement) and under which we would pay Dr. Bloom a fee of $12,500 per quarter. Effective July 17, 2012, Dr. Bloom s Amended Agreement was renewed for a further 12 month period. As with its predecessor, this agreement can be terminated by either party upon 30 days written notice. Under the consultancy agreements, Dr. Bloom received $50,000 in 2012 (2011: $44,674).

Mr. Hasler

Effective October 1, 2012, Elan Pharmaceuticals GmbH entered into an employment agreement with Mr. Hasler under which Mr. Hasler was appointed our chief operating officer with an initial base annual salary of 600,000 CHF. Mr. Hasler is eligible to participate in our annual bonus plan. Mr. Hasler was awarded an option to purchase 375,000 shares vesting in three annual instalments. Mr. Hasler resigned from the board in October 2012 in connection with his appointment as chief operating officer.

External Appointments and Retention of Fees

The Company recognizes that executive directors (and senior management) may be invited to take up non-executive directorships, public sector and/or not-for-profit appointments, and that these can broaden the experience and knowledge of the individual, from which the Company can benefit. Executive directors (and senior management) may, subject to approval, 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.

Table of Contents

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

A. Consolidated Statements and Other Financial Information

See Item 18 Consolidated Financial Statements.

B. Significant Changes

On February 6, 2013, we announced that we have entered into an asset purchase agreement with Biogen Idec to transfer to Biogen Idec all *Tysabri* IP and other assets related to *Tysabri*. As a result of this transaction, Biogen Idec will have sole authority over and exclusive worldwide rights to the development, manufacturing and commercialization of *Tysabri*. In accordance with the terms of the transaction, upon consummation of the transaction, the existing collaboration arrangements with Biogen Idec will be terminated and Biogen Idec will pay to us an upfront payment of $3.25 billion and continuing royalties on *Tysabri* in-market sales. We will earn a royalty of 12% of global net sales of *Tysabri* during the first 12 months following the closing of the transaction. Thereafter, we will earn a royalty of 18% of global net sales up to $2.0 billion each year, and a 25% royalty on annual global net sales above $2.0 billion. The transaction is expected to close in the first half of 2013, subject to the satisfaction of certain conditions, including customary regulatory approvals.

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

A. Offer and Listing Details

See Item 9C Markets.

B. Plan of Distribution

Not applicable.

Table of Contents

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				
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
2012	11.80	7.57	15.02	9.76
Calendar Year				
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
2012				
Quarter 1	11.21	9.15	15.02	12.09
Quarter 2	11.78	9.84	14.96	12.77
Quarter 3	11.80	8.30	14.46	10.70
Quarter 4	8.75	7.57	11.30	9.76
Month Ended				
August 2012	9.67	8.43	11.94	11.07
September 2012	9.03	8.30	11.53	10.70
October 2012	8.75	8.21	11.30	10.75
November 2012	8.71	7.72	11.04	9.98
December 2012	8.05	7.57	10.54	9.76
January 2013	8.45	7.33	10.93	9.94

(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.

88

Table of Contents

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 . Mr. Hasler and Dr. Ekman resigned from the board on October 1, 2012 and December 7, 2012, respectively.

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 UK Corporate Governance Code, all directors now stand 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.

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 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.

Table of Contents

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 4.1 to our Registration Statement on Form S-8 (Registration No. 333-181973) filed with the Commission on June 7, 2012.

C. Material Contracts

Indenture

The indenture governing the 6.25% Senior Fixed Rates Notes due October 15, 2019 contains 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 2012, as of December 31, 2012, 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 indenture, refer to Note 24 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.

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 2012 were $1,631.1

million (2011: $1,510.6 million; 2010: $1,230.0 million), consisting of $886.0 million (2011: $746.5 million; 2010: $593.2 million) in the U.S. market and $745.1 million (2011: $764.1 million; 2010: $636.8 million) in the ROW.

Table of Contents

In January 2008, the FDA approved the 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 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.

On February 6, 2013, we announced that we have entered into an asset purchase agreement with Biogen Idec to transfer to Biogen Idec all *Tysabri* IP and other assets related to *Tysabri*. As a result of this transaction, Biogen Idec will have sole authority over and exclusive worldwide rights to the development, manufacturing and commercialization of *Tysabri*. In accordance with the terms of the transaction, upon consummation of the transaction, the existing collaboration arrangements with Biogen Idec will be terminated and Biogen Idec will pay to us an upfront payment of $3.25 billion and continuing royalties on *Tysabri* in-market sales. We will earn a royalty of 12% of global net sales of *Tysabri* during the first 12 months following the closing of the transaction. Thereafter, we will earn a royalty of 18% of global net sales up to $2.0 billion each year, and a 25% royalty on annual global net sales above $2.0 billion. The transaction is expected to close in the first half of 2013, subject to the satisfaction of certain conditions, including customary regulatory approvals.

Tysabri was developed in collaboration with Biogen Idec. Until the *Tysabri* Transaction closes, *Tysabri* continues to be marketed in collaboration with Biogen Idec and, subject to certain limitations imposed by the parties, we share with Biogen Idec most development and commercialization costs. Upon consummation of the *Tysabri* Transaction, Biogen Idec will be responsible for all 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 2012, we recorded ROW revenue of $316.6 million (2011: $317.6 million; 2010: $258.3 million).

If the *Tysabri* Transaction is not consummated, 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); however in some circumstances this option will terminate if the *Tysabri* Transaction fails to complete. In addition, each of Biogen Idec and Elan can terminate the Collaboration 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 12.

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 American Depositary Receipts (ADRs) of Elan, representing 18.4% of our outstanding Ordinary Shares at the time.

Under the terms of the transaction, Johnson & Johnson provided an initial $500.0 million of funding to Janssen AI for the development and commercialization of the AIP and Elan has a 49.9% shareholding in Janssen AI. The AIP is a collaboration between Janssen AI and Pfizer, which control all operational aspects of the AIP, including bapineuzumab. Through its shareholding in Janssen AI, Elan has an approximate 25.0% economic interest in the AIP, together with certain royalty rights on any future commercialization of the AIP. Any required additional expenditures in respect of Janssen AI s obligations under the AIP collaboration in excess of the initial $500.0 million funded by Johnson & Johnson will be required to be funded by Johnson & Johnson and Elan in proportion to their respective shareholdings in Janssen AI, up to a maximum additional funding commitment of $400.0 million in total. During

Table of Contents

2012, we provided $76.9 million of our proportionate funding commitment and in January 2013, we provided an additional $29.9 million of our funding commitment. Following the provision of this funding in January 2013, our remaining funding commitment to Janssen AI is $93.2 million. In the event that the AIP collaboration requires expenditures in excess of the additional $400.0 million pro rata commitment, the funding for such expenditures will be on terms determined by the board of directors of Janssen AI, with Johnson & Johnson and Elan each having a right of first refusal to provide such 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.

On August 6, 2012, Johnson & Johnson issued a press release announcing that Janssen AI and Pfizer had determined to discontinue the development of bapineuzumab intravenous in mild to moderate Alzheimer s disease based on the co-primary clinical endpoints not being met in the Janssen AI-led Phase 3 clinical studies (Study 301 and 302). We subsequently recorded a non-cash impairment charge of $117.3 million on our equity method investment in Janssen AI, representing the full initial estimated value of our 49.9% share of the Janssen AI AIP assets.

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 Agreement

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 cerebrospinal fluid (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 in 2010 and Transition received a further $11.0 million payment upon our commencement of an ELND005 Phase 2 clinical trial in 2012. Transition 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 no longer funds 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, 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 2012, we initiated two Phase 2 clinical trials of ELND005. The first Phase 2 clinical trial is a safety and efficacy study of ELND005 as an adjunctive treatment of Bipolar Disease (Study BPD201) and the second Phase 2 trial studies ELND005 for the treatment of agitation/aggression in patients with moderate to severe Alzheimer s disease (Study AG201).

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

Table of Contents

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 Osama 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 4, 2013, 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 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%.

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.

Table of Contents

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 33% (in respect of gifts or inheritances taken on or after December 6, 2012) 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 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%. 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.

Table of Contents

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, 2012 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 4.1 to our Registration Statement on Form S-8(Registration No. 333-181973) filed with the SEC on June 7, 2012. 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.

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.

95

Table of Contents

During 2012, average exchange rates were $1.287 = 1.00. We entered into a number of forward foreign exchange contracts at various rates of exchange during 2012 that required us to sell euro for U.S. dollars. At December 31, 2012, we held a net forward foreign exchange derivative liability of $0.3 million relating to outstanding forward foreign exchange contracts that expire on various dates during the first half of 2013.

Interest Rate Risk on Debt

Our long-term debt at December 31, 2012 was at fixed rates, therefore we are not exposed to cash flow interest rate risk in relation to our debt.

As of December 31, 2012, the fair value of our debt was $628.1 million. For additional information on the fair values of debt instruments, refer to Note 31 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, 2012, was as follows (in millions):

		Fixed	Floating	No Interest	Total
Cash and cash equivalents		$	$ 431.3	$	$ 431.3
Restricted cash and cash equivalents	current	$	$ 2.6	$	$ 2.6
Restricted cash and cash equivalents	non-current	$	$ 13.7	$	$ 13.7
Investment securities	current	$	$	$ 167.9	$ 167.9
Investment securities	non-current	$	$	$ 8.6	$ 8.6

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.

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 and collaborator, AmerisourceBergen and Biogen Idec, respectively, account for all of our gross accounts receivable balance at December 31, 2012. 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.

Table of Contents

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 2012, Citibank, N.A. replaced the Bank of New York Mellon as our ADS depository. 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.

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.

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. Citibank, N.A., was appointed as depositary on February 3, 2012. Citibank has agreed to reimburse certain Company expenses and make certain payments related to the Company s ADS program and incurred by the

Table of Contents

Company in connection with the program. The Depositary reimbursed to the Company, or paid amounts on the Company s behalf to third parties, or waived its fees and expenses, of $0.4 million for the year ended December 31, 2012.

Subject to certain conditions, should the Company remove the Depositary the Company may be required to repay to the Depositary any amounts reimbursed to the Company during the 12 month period prior to such termination.

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, 2012 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, 2012 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 that the degree of compliance with the policies and procedures may deteriorate.

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, 2012, 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, 2012, 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, 2012, 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.

Table of Contents

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, 2012, 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, 2012, 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, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, changes in shareholders equity and cash flows for each of the years in the three-year period ended December 31, 2012, and the related financial statement schedule, and our report dated February 12, 2013 expressed an unqualified opinion on those consolidated financial statements and the related financial statement schedule.

/s/ KPMG

Dublin, Ireland

February 12, 2013

Table of Contents

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 is regularly reviewed by the board and was revised and updated in October 2012. The Code of Conduct ensures that our directors, officers and employees are familiar with our basic corporate philosophies and policies. The Code of Conduct provides guidance on the ethical and legal standards that constitute appropriate employee behavior and explains the process for reporting potential violations of compliance. We are committed to conducting business with the highest standards of ethical conduct and integrity. Our passion to succeed is guided by our compliance program that ensures we follow the rules established in Elan s internal policies and are reflected in our Code of Conduct, and that we comply with all applicable laws and regulations in the countries where we do business.

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. In addition to the general provisions contained in the Code of Conduct concerning conflicts of interest, the board adopted, in January 2011, a comprehensive Conflicts of Interests Policy for directors, which sets out wide-ranging procedures covering the identification and management of such conflicts.

There have been no material modifications to, or waivers from, the provisions of the Code of Conduct. The Code of Conduct 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):

	2012	2011
Auditors remuneration:		
Audit fees[1]	$ 2.2	$ 2.0
Audit-related fees[2]		
Total audit and audit-related fees	$ 2.2	$ 2.0
Tax fees[3]	1.7	1.2
All other fees		
Total auditors remuneration	$ 3.9	$ 3.2

(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.

Table of Contents

Report of the Audit Committee

The Audit Committee held eight scheduled meetings in 2012. 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 2012
Gary Kennedy (Chairman)	Member for the whole period
Giles Kerr	Member for the whole period
Donal O Connor	Member for the whole period

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 meetings were also circulated to all board members. During 2012, 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 2012.

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 Prothena Demerger completed in December, 2012.

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 of 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 2012.

Table of Contents

The amount of audit and non-audit fees of the independent auditor was monitored throughout 2012. 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 12, 2013

Item 16D. ***Exemptions from the Listing Standards for Audit Committees.***

Not applicable.

Item 16E. ***Purchases of Equity Securities by the Issuer and Affiliated Purchasers.***

On September 24, 2012, 21,375 B Executive Shares of 0.05 each, and 1,000 non-voting Executive shares of 1.25 each in the capital of the Company were redeemed for cash at par and cancelled.

Item 16F. ***Change in Registrant s Certifying Accountant.***

Not applicable.

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.

Table of Contents

NYSE Standards for U.S. Listed Companies under Listed Company Manual Section 303A	Elan Corporate Governance Practices
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.
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	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.

least once a year to determine if it or its committees function effectively and report thereon.	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.

Table of Contents

NYSE Standards for U.S. Listed Companies under Listed Company Manual Section 303A	Elan Corporate Governance Practices
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.

Item 16H. ***Mine Safety Disclosure***
Not applicable.

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

Table of Contents

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, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, changes in shareholders equity and cash flows for each of the years in the three-year period ended December 31, 2012. 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, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, 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, 2012, 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 12, 2013 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG

Dublin, Ireland

February 12, 2013

Table of Contents

Elan Corporation, plc

Consolidated Statements of Operations

For the Years Ended December 31, 2012, 2011 and 2010

	Notes	2012	2011	2010
		(In millions, except per share data)		
Continuing Operations				
Product revenue		$ 0.2	$ 4.0	$ 43.1
Contract revenue				1.0
Total revenue	3	0.2	4.0	44.1
Cost of sales		0.2	0.8	12.2
Gross margin			3.2	31.9
Operating expenses:				
Selling, general and administrative expenses		113.6	107.2	124.2
Research and development expenses		95.0	106.8	128.5
Other net charges	6	168.9	24.3	52.8
Settlement reserve charge	7			206.3
Net gain on divestment of business	5			