

BIOMARIN PHARMACEUTICAL INC

Form 10-Q

April 30, 2012

Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

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

For the quarterly period ended March 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            .

Commission File Number: 000-26727

**BioMarin Pharmaceutical Inc.**

(Exact name of registrant as specified in its charter)

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>68-0397820</b> (I.R.S. Employer Identification No.)
<b>105 Digital Drive, Novato, California</b> (Address of principal executive offices)	<b>94949</b> (Zip Code)
<b>(415) 506-6700</b> Registrant's telephone number including area code	

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  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  No

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

**Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

**Applicable only to corporate issuers:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 115,700,983 shares of common stock, par value \$0.001, outstanding as of April 13, 2012.

**Table of Contents**

**BIOMARIN PHARMACEUTICAL INC.**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I. FINANCIAL INFORMATION</b>	<b>3</b>
Item 1. Financial Statements	3
<u>Condensed Consolidated Balance Sheets as of March 31, 2012 (Unaudited) and December 31, 2011</u>	3
<u>Condensed Consolidated Statements of Comprehensive Loss (Unaudited) for the three months ended March 31, 2012 and 2011</u>	4
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the three months ended March 31, 2012 and 2011</u>	5
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	32
Item 4. <u>Controls and Procedures</u>	32
<b>PART II. OTHER INFORMATION</b>	<b>32</b>
Item 1. <u>Legal Proceedings</u>	32
Item 1A. <u>Risk Factors</u>	32
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	32
Item 3. <u>Defaults Upon Senior Securities</u>	32
Item 4. <u>Mine Safety Disclosures</u>	32
Item 5. <u>Other Information</u>	32
Item 6. <u>Exhibits</u>	33
<b><u>SIGNATURE</u></b>	<b>33</b>

**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

March 31, 2012 and December 31, 2011

(In thousands of U.S. dollars, except share and per share amounts)

	March 31, 2012 (unaudited)	December 31, 2011(1)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 82,586	\$ 46,272
Short-term investments	150,393	148,820
Accounts receivable, net (allowance for doubtful accounts: \$471 and \$513, respectively)	105,828	104,839
Inventory	124,064	130,118
Other current assets	50,519	39,753
Total current assets	513,390	469,802
Investment in BioMarin/Genzyme LLC	1,082	559
Long-term investments	54,751	94,385
Property, plant and equipment, net	264,317	268,971
Intangible assets, net	170,914	180,277
Goodwill	51,543	51,543
Long-term deferred tax assets	221,239	222,649
Other assets	19,849	15,495
Total assets	\$ 1,297,085	\$ 1,303,681
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 96,359	\$ 94,125
Convertible debt	23,455	0
Total current liabilities	119,814	94,125
Long-term convertible debt	324,872	348,329
Other long-term liabilities	80,449	88,179
Total liabilities	525,135	530,633
Stockholders' equity:		
Common stock, \$0.001 par value: 250,000,000 shares authorized at March 31, 2012 and December 31, 2011: 115,681,825 and 114,789,732 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively.	116	115
Additional paid-in capital	1,221,933	1,197,082
Company common stock held by Nonqualified Deferred Compensation Plan	(3,538)	(3,935)
Accumulated other comprehensive income	2,512	4,887
Accumulated deficit	(449,073)	(425,101)
Total stockholders' equity	771,950	773,048

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Total liabilities and stockholders' equity	\$ 1,297,085	\$ 1,303,681
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- (1) December 31, 2011 balances were derived from the audited consolidated financial statements.  
The accompanying notes are an integral part of these condensed consolidated financial statements.

**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****Three Months Ended March 31, 2012 and 2011****(In thousands of U.S. dollars, except per share amounts)****(Unaudited)**

	<b>2012</b>	<b>2011</b>
<b>REVENUES:</b>		
Net product revenues	\$ 116,239	\$ 109,076
Collaborative agreement revenues	96	125
Royalty and license revenues	314	255
Total revenues	116,649	109,456
<b>OPERATING EXPENSES:</b>		
Cost of sales (excludes amortization of certain acquired intangible assets)	17,105	20,796
Research and development	73,834	45,017
Selling, general and administrative	45,248	41,037
Intangible asset amortization and contingent consideration	2,328	312
Total operating expenses	138,515	107,162
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(21,866)</b>	<b>2,294</b>
Equity in the loss of BioMarin/Genzyme LLC	(734)	(542)
Interest income	505	782
Interest expense	(1,947)	(2,163)
Other income (expense)	36	22
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(24,006)</b>	<b>393</b>
Provision for (benefit from) income taxes	(34)	4,764
<b>NET LOSS</b>	<b>\$ (23,972)</b>	<b>\$ (4,371)</b>
<b>NET LOSS PER SHARE, BASIC AND DILUTED</b>	<b>\$ (0.21)</b>	<b>\$ (0.04)</b>
Weighted average common shares outstanding, basic	115,070	110,652
Weighted average common shares outstanding, diluted	115,070	110,743
<b>COMPREHENSIVE LOSS</b>	<b>\$ (26,347)</b>	<b>\$ (10,346)</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****Three Months Ended March 31, 2012 and 2011****(In thousands of U.S. dollars)****(Unaudited)**

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (23,972)	\$ (4,371)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	10,598	8,585
Amortization of discount on investments	852	1,080
Equity in the loss of BioMarin/Genzyme LLC	734	542
Stock-based compensation	11,155	10,151
Deferred income taxes	712	3,910
Excess tax benefit from stock option exercises	(18)	(415)
Impairment of intangible assets	6,704	0
Unrealized foreign exchange gain on forward contracts	(1,878)	(401)
Changes in the fair value of contingent acquisition consideration payable	(5,181)	(493)
Changes in operating assets and liabilities:		
Accounts receivable, net	(989)	(19,622)
Inventory	6,054	(369)
Other current assets	(11,113)	(2,051)
Other assets	(6,040)	1,599
Accounts payable and accrued liabilities	3,826	(2,204)
Other long-term liabilities	1,385	560
Net cash used in operating activities	(7,171)	(3,499)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(6,179)	(6,241)
Maturities and sales of investments	74,037	84,013
Purchase of available-for-sale investments	(36,562)	(74,210)
Investments in BioMarin/Genzyme LLC	(1,258)	(593)
Net provided by investing activities	30,038	2,969
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from exercise of stock options and Employee Stock Purchase Plan	13,679	3,133
Excess tax benefit from stock option exercises	18	415
Repayment of capital lease obligations	(250)	(315)
Net cash provided by financing activities	13,447	3,233
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents:		
Beginning of period	\$ 46,272	\$ 88,079

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End of period	\$ 82,586	\$ 90,782
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**SUPPLEMENTAL CASH FLOW DISCLOSURES:**

Cash paid for interest, net of interest capitalized into fixed assets	\$ 293	\$ 637
Cash paid for income taxes	1,739	616
Stock-based compensation capitalized into inventory	894	1,173
Depreciation capitalized into inventory	1,062	2,651

**SUPPLEMENTAL CASH FLOW DISCLOSURES FROM INVESTING AND FINANCING ACTIVITIES:**

Decrease in accrued liabilities related to fixed assets	\$ (3,149)	\$ (3,239)
Equipment acquired through capital leases	0	366
Change in asset retirement obligation	44	0

The accompanying notes are an integral part of these condensed consolidated financial statements.



**Table of Contents**

**BIOMARIN PHARMACEUTICAL INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2012**

**(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)**

**(Unaudited)**

**(1) NATURE OF OPERATIONS AND BUSINESS RISKS**

BioMarin Pharmaceutical Inc. (the Company or BioMarin), a Delaware corporation, develops and commercializes innovative biopharmaceuticals for serious diseases and medical conditions. BioMarin selects product candidates for diseases and conditions that represent a significant unmet medical need, have well-understood biology and provide an opportunity to be first-to-market or offer a significant benefit over existing products. The Company's product portfolio is comprised of four approved products and multiple investigational product candidates. The Company's approved products are Naglazyme (galsulfase), Kuvan (sapropterin dihydrochloride), Firdapse (amifampridine phosphate) and Aldurazyme (laronidase).

Through March 31, 2012, the Company had accumulated losses of approximately \$449.1 million. Management believes that the Company's cash, cash equivalents and short-term and long-term investments at March 31, 2012 will be sufficient to meet the Company's obligations for the foreseeable future based on management's current long-term business plans and assuming that the Company achieves its long-term goals. If the Company elects to increase its spending on development programs significantly above current long-term plans or enters into potential licenses and other acquisitions of complementary technologies, products or companies, the Company may need additional capital. The Company expects to continue to finance future cash needs that exceed its operating activities primarily through its current cash, cash equivalents, short-term and long-term investments, and to the extent necessary, through proceeds from equity or debt financings, loans and collaborative agreements with corporate partners.

The Company is subject to a number of risks, including the financial performance of Naglazyme, Kuvan, Firdapse and Aldurazyme; the potential need for additional financings; its ability to successfully commercialize its product candidates, if approved; the uncertainty of the Company's research and development efforts resulting in future successful commercial products; obtaining regulatory approval for new products; significant competition from larger organizations; reliance on the proprietary technology of others; dependence on key personnel; uncertain patent protection; dependence on corporate partners and collaborators; and possible restrictions on reimbursement from governmental agencies and healthcare organizations, as well as other changes in the health care industry.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Condensed Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for Quarterly Reports on Form 10-Q and do not include all of the information and note disclosures required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. The Condensed Consolidated Financial Statements should therefore be read in conjunction with the Consolidated Financial Statements and Notes thereto for the fiscal year ended December 31, 2011 included in the Company's Annual Report on Form 10-K filed with the SEC on February 22, 2012.

The accompanying Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP, which requires management to make estimates and assumptions that affect amounts reported in the Condensed Consolidated Financial Statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may be different from those estimates. The Condensed Consolidated Financial Statements reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for a fair presentation of results for these interim periods. The results of operations for the three months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2012.

The Company has evaluated events and transactions subsequent to the balance sheet date. Based on this evaluation, the Company is not aware of any events or transactions that occurred subsequent to the balance sheet date but prior to filing this Quarterly Report on Form 10-Q that would require recognition or disclosure in the Condensed Consolidated Financial Statements.



**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****March 31, 2012****(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)****(Unaudited)****Significant Accounting Policies**

There have been no material changes to the Company's significant accounting policies during the three months ended March 31, 2012, as compared to the significant accounting policies disclosed in Note 2 of the Company's Consolidated Financial Statements in the Annual Report on Form 10-K for the year ended December 31, 2011.

**Reclassifications**

Certain items in the Company's prior year Condensed Consolidated Financial Statements have been reclassified to conform to the current presentation.

**(3) RECENT ACCOUNTING PRONOUNCEMENTS**

There have been no new accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2012, as compared to the recent accounting pronouncements described in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, that are of significance or potential significance to the Company.

**(4) SHORT-TERM AND LONG-TERM INVESTMENTS**

All investments were classified as available-for-sale at March 31, 2012 and December 31, 2011. The principal amounts of short-term and long-term investments by contractual maturity are summarized in the tables below:

	Contractual Maturity Date for the Years Ending December 31,				Total Book	Unrealized Gain (Loss)	Aggregate Fair Value at March 31, 2012
	2012	2013	2014	2015	Value at March 31, 2012		
Certificates of deposit	\$ 31,874	\$ 22,325	\$ 328	\$ 0	\$ 54,527	\$ 18	\$ 54,545
Commercial paper	16,473	0	0	0	16,473	(5)	16,468
Corporate securities	59,629	40,701	3,100	0	103,430	347	103,777
U.S. Government agency securities	0	8,556	13,372	8,400	30,328	(23)	30,305
Greek government-issued bonds	0	0	0	49	49	0	49
Total	\$ 107,976	\$ 71,582	\$ 16,800	\$ 8,449	\$ 204,807	\$ 337	\$ 205,144

	Contractual Maturity Date for the Years Ending December 31,			Total Book Value at	Unrealized Gain (Loss)	Aggregate Fair Value at
	2012	2013	2014			

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				December 31, 2011		December 31, 2011	
Certificates of deposit	\$ 38,547	\$ 17,195	\$ 0	\$ 55,742	\$ 13	\$ 55,755	
Commercial paper	24,730	0	0	24,730	(9)	24,721	
Corporate securities	85,595	40,899	3,100	129,594	53	129,647	
U.S. Government agency securities	0	32,877	0	32,877	13	32,890	
Greek government-issued bonds	0	192	0	192	0	192	
Total	\$ 148,872	\$ 91,163	\$ 3,100	\$ 243,135	\$ 70	\$ 243,205	

The Company completed an evaluation of its investments and determined that it did not have any other-than-temporary impairments as of March 31, 2012. The investments are held in accounts with financial institutions that have strong credit ratings and management expects full recovery of the carrying amounts.

See Notes 10 and 13 for additional discussion regarding the Greek government-issued bonds held by the Company.

**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****March 31, 2012****(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)****(Unaudited)**

The aggregate amounts of unrealized losses and related fair value of investments with unrealized losses as of March 31, 2012 and December 31, 2011 were as follows:

	Less Than 12 Months to Maturity		12 Months or More to Maturity		Totals at March 31, 2012	
	Aggregate Fair Value	Unrealized Losses	Aggregate Fair Value	Unrealized Losses	Aggregate Fair Value	Unrealized Losses
Certificates of deposit	\$ 11,753	\$ (3)	\$ 2,688	\$ (1)	\$ 14,441	\$ (4)
Commercial paper	12,719	(7)	0	0	12,719	(7)
Corporate securities	10,471	(6)	0	0	10,471	(6)
U.S. Government agency securities	0	0	20,734	(38)	20,734	(38)
<b>Total</b>	<b>\$ 34,943</b>	<b>\$ (16)</b>	<b>\$ 23,422</b>	<b>\$ (39)</b>	<b>\$ 58,365</b>	<b>\$ (55)</b>

	Less Than 12 Months to Maturity		12 Months or More to Maturity		Totals at December 31, 2011	
	Aggregate Fair Value	Unrealized Losses	Aggregate Fair Value	Unrealized Losses	Aggregate Fair Value	Unrealized Losses
Certificates of deposit	\$ 7,489	\$ 0	\$ 8,118	\$ (5)	\$ 15,607	\$ (5)
Commercial paper	7,474	(12)	0	0	7,474	(12)
Corporate securities	26,840	(184)	9,571	(29)	36,411	(213)
U.S. Government agency securities	0	0	11,252	(1)	11,252	(1)
<b>Total</b>	<b>\$ 41,803</b>	<b>\$ (196)</b>	<b>\$ 28,941</b>	<b>\$ (35)</b>	<b>\$ 70,744</b>	<b>\$ (231)</b>

**(5) PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, net consisted of the following:

	March 31, 2012	December 31, 2011
Leasehold improvements	\$ 49,816	\$ 49,456
Building and improvements	142,711	141,484
Manufacturing and laboratory equipment	74,032	72,039
Computer hardware and software	48,343	48,566

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Furniture and equipment	7,773	7,679
Land	10,056	10,056
Construction-in-progress	55,028	55,436
	\$ 387,759	\$ 384,716
Less: Accumulated depreciation	(123,442)	(115,745)
Total property, plant and equipment, net	\$ 264,317	\$ 268,971

Depreciation expense for the three months ended March 31, 2012 and 2011 was \$8.4 million and \$7.4 million, respectively, of which \$1.1 million and \$2.7 million was capitalized into inventory, respectively.

Capitalized interest related to the Company's property, plant and equipment purchases for the three months ended March 31, 2012 and 2011 was insignificant.

**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****March 31, 2012****(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)****(Unaudited)****(6) INTANGIBLE ASSETS**

Intangible assets consisted of the following:

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
<b>Intangible assets:</b>		
Finite-lived intangible assets	\$ 118,242	\$ 118,242
Indefinite-lived intangible assets	63,692	70,396
Total intangible assets, gross	181,934	188,638
Less: Accumulated amortization	(11,020)	(8,361)
Total intangible assets, net	\$ 170,914	\$ 180,277

*Finite-Lived Intangible Assets*

The Company's intangible assets consist of marketing rights in the U.S. and EU for Naglazyme, Kuvan and Firdapse, which are being amortized over their estimated useful lives using the straight-line method. The Company reviews these finite-lived intangible assets for impairment when facts or circumstances indicate a reduction in the fair value below their carrying amount.

*Indefinite-Lived Intangible Assets*

The Company's indefinite-lived intangible assets consist of in-process research and development (IPR&D) assets related to both early and late stage product candidates purchased in the acquisitions of Huxley Pharmaceuticals Inc. (Huxley), LEAD Therapeutics, Inc. (LEAD) and ZyStor Therapeutics, Inc. (ZyStor).

Intangible assets related to IPR&D assets are considered to be indefinite-lived until the completion or abandonment of the associated research and development efforts. During the period the assets are considered indefinite-lived, they will not be amortized but will be tested for impairment on an annual basis and between annual tests if the Company becomes aware of any events occurring or changes in circumstances that would indicate a reduction in the fair value of the IPR&D assets below their respective carrying amounts. During the three months ended March 31, 2012, the Company recorded an impairment charge of \$6.7 million related to certain Firdapse IPR&D assets. These IPR&D assets are associated with marketing rights in the U.S. for Firdapse, a product candidate that is in Phase 3 clinical trials in the U.S. for the treatment of Lambert-Eaton Myasthenic Syndrome. The Company was exploring strategic options for the Firdapse U.S. program, including the potential outlicense of rights in the U.S. In March 2012, the Company determined to suspend business development efforts. As a result, management evaluated its plans and expectations regarding clinical development and commercialization of Firdapse in the U.S. The revised discounted cash flow projections no longer supported the carrying-value of the IPR&D intangible assets and the Company recognized an impairment charge for the three months ended March 31, 2012. The impairment charge is included in Intangible Asset Amortization and Contingent Consideration on the Company's Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2012.

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See Note 10 to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, for additional information related to the Company's intangible assets.



**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****March 31, 2012****(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)****(Unaudited)****(7) SUPPLEMENTAL BALANCE SHEET INFORMATION**

Inventory consisted of the following:

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Raw materials	\$ 13,191	\$ 12,145
Work-in-process	69,943	75,903
Finished goods	40,930	42,070
Total inventory	\$ 124,064	\$ 130,118

Other current assets consisted of the following:

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Non-trade receivables	\$ 6,827	\$ 6,093
Prepaid expenses	12,107	7,551
Foreign currency exchange forward contract asset	2,743	4,705
Current deferred tax assets	21,115	21,115
Deferred cost of goods sold	6,419	0
Short-term restricted investments	1,085	0
Other	223	289
Total other current assets	\$ 50,519	\$ 39,753

See Note 10 for additional discussion regarding the fair value of restricted investments.

Accounts payable and accrued liabilities consisted of the following:

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Accounts payable	\$ 12,439	\$ 12,239
Accrued accounts payable	26,977	23,849

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Accrued vacation expense	7,696	6,530
Accrued compensation expense	13,013	17,619
Accrued taxes payable	399	713
Accrued interest expense	2,680	1,300
Accrued royalties payable	3,178	5,866
Accrued rebates payable	5,310	6,025
Other accrued operating expenses	13,267	9,259
Value added taxes payable	3,894	3,165
Current portion of contingent acquisition consideration payable	5,625	5,555
Other	1,881	2,005
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 96,359</b>	<b>\$ 94,125</b>

Other long-term liabilities consisted of the following:

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Long-term portion of deferred rent	\$ 1,898	\$ 950
Long-term portion of contingent acquisition consideration payable	27,808	33,059
Long-term portion of asset retirement obligation liability	3,035	2,991
Long-term portion of deferred compensation liability	8,771	8,768
Long-term income taxes payable	5,165	5,165
Deferred tax liabilities	32,698	35,127
Other	1,074	2,119
<b>Total other long-term liabilities</b>	<b>\$ 80,449</b>	<b>\$ 88,179</b>

**Table of Contents**

**BIOMARIN PHARMACEUTICAL INC.**

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

**March 31, 2012**

**(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)**

**(Unaudited)**

**(8) DERIVATIVE INSTRUMENTS AND HEDGING STRATEGIES**

***Foreign Currency Exposure***

The Company uses hedging contracts to manage the risk of its overall exposure to fluctuations in foreign currency exchange rates. The Company considers all of its designated hedging instruments to be cash flow hedges.

***Foreign Currency Exchange Rate Exposure***

The Company uses forward foreign currency exchange contracts to hedge certain operational exposures resulting from changes in foreign currency exchange rates. Such exposures result from portions of the Company's forecasted revenues and operating expenses being denominated in currencies other than the U.S. dollar, primarily the Euro and Brazilian Real, respectively.

The Company designates certain of these forward foreign currency exchange contracts as hedging instruments and enters into some forward foreign currency exchange contracts that are considered to be economic hedges that are not designated as hedging instruments. Whether designated or undesignated, these forward foreign currency exchange contracts protect against the reduction in value of forecasted foreign currency cash flows resulting from Naglazyme and Firdapse product revenues, Aldurazyme royalty revenues, operating expenses and net asset or liability positions designated in currencies other than the U.S. dollar. The fair values of forward foreign currency exchange contracts are estimated using current exchange rates and interest rates, and take into consideration the current creditworthiness of the counterparties or the Company, as applicable. Details of the specific instruments used by the Company to hedge its exposure to foreign currency exchange rate fluctuations follow below. See Note 10 for additional discussion regarding the fair value of forward foreign currency exchange contracts.

At March 31, 2012, the Company had 141 forward foreign currency exchange contracts outstanding to sell a total of 80.6 million Euros and six forward foreign currency exchange contracts outstanding to buy 5.6 million Brazilian Reals with expiration dates ranging from April 30, 2012 through December 27, 2013. These hedges were entered into in order to protect against the fluctuations in revenue associated with Euro denominated Naglazyme, Firdapse and Aldurazyme sales and operating expenses denominated in Brazilian Real. The Company has formally designated these forward foreign currency exchange contracts as cash flow hedges and expects them to be highly effective within the meaning of Financial Accounting Standards Board's Accounting Standards Codification Subtopic 815-30, *Derivatives and Hedging-Cash Flow Hedges*, in offsetting fluctuations in revenues denominated in Euros and operating expenses denominated in Brazilian Real related to changes in the foreign currency exchange rates.

The Company also enters into forward foreign currency exchange contracts that are not designated as hedges for accounting purposes. The changes in fair value of these forward foreign currency exchange contracts are included as a part of selling, general and administrative expenses in the Condensed Consolidated Statements of Comprehensive Loss. At March 31, 2012, separate from the 147 contracts discussed above, the Company had one outstanding forward foreign currency exchange contract to sell 27.6 million Euros that was not designated as a hedge for accounting purposes.

The maximum length of time over which the Company is hedging its exposure to the reduction in value of forecasted foreign currency cash flows through forward foreign currency exchange contracts is through December 2013. Over the next twelve months, the Company expects to reclassify \$3.3 million from accumulated other comprehensive income to earnings as the forecasted revenue transactions and operating expenses occur.



**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****March 31, 2012****(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)****(Unaudited)**

At March 31, 2012 and December 31, 2011, the fair value carrying amounts of the Company's derivative instruments were as follows:

	Asset Derivatives March 31, 2012		Liability Derivatives March 31, 2012	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
<b>Derivatives designated as hedging instruments:</b>				
Forward foreign currency exchange contracts	Other current assets	\$ 2,743	Accounts payable and accrued liabilities	\$ 208
Forward foreign currency exchange contracts	Other assets	530	Other long-term liabilities	354
Total		\$ 3,273		\$ 562
<b>Derivatives not designated as hedging instruments:</b>				
Forward foreign currency exchange contracts	Other current assets	\$ 0	Accounts payable and accrued liabilities	\$ 229
Total		\$ 0		\$ 229
Total value of derivative contracts		\$ 3,273		\$ 791

	Asset Derivatives December 31, 2011		Liability Derivatives December 31, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
<b>Derivatives designated as hedging instruments:</b>				
Forward foreign currency exchange contracts	Other current assets	\$ 4,705	Accounts payable and accrued liabilities	\$ 189
Forward foreign currency exchange contracts	Other assets	1,977	Other long-term liabilities	26
Total		\$ 6,682		\$ 215
<b>Derivatives not designated as hedging instruments:</b>				
Forward foreign currency exchange contracts	Other current assets	\$ 0		\$ 5

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Accounts payable and  
accrued liabilities

Total	\$ 0	\$ 5
Total value of derivative contracts	\$ 6,682	\$ 220

The effect of the Company's derivative instruments on the Condensed Consolidated Financial Statements for the three months ended March 31, 2012 and 2011 was as follows:

	Foreign Currency Forward Contracts	
	2012	2011
<b>Derivatives Designated as Hedging Instruments:</b>		
Net gain (loss) recognized in Other Comprehensive Income (OCI)		
(1)	\$ (4,373)	\$ (5,837)
Net gain (loss) reclassified from accumulated OCI into income (2)	1,248	(120)
Net gain (loss) recognized in income (3)	481	325
<b>Derivatives Not Designated as Hedging Instruments:</b>		
Net gain (loss) recognized in income (4)	\$ (863)	\$ (1,808)

- (1) Net change in the fair value of the effective portion classified as OCI
  - (2) Effective portion classified as net product revenue
  - (3) Ineffective portion and amount excluded from effectiveness testing classified as selling, general and administrative expense
  - (4) Classified as selling, general and administrative expense
- At March 31, 2012 and December 31, 2011, accumulated other comprehensive income/loss before taxes associated with foreign currency forward contracts qualifying for hedge accounting treatment was a gain of \$3.5 million and \$8.0 million, respectively.

The Company is exposed to counterparty credit risk on all of its derivative financial instruments. The Company has established and maintained strict counterparty credit guidelines and enters into hedges only with financial institutions that are investment grade or better to minimize the Company's exposure to potential defaults. The Company does not require collateral to be pledged under these agreements.

**Table of Contents**

**BIOMARIN PHARMACEUTICAL INC.**

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

**March 31, 2012**

**(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)**

**(Unaudited)**

**(9) CONVERTIBLE DEBT**

In April 2007, the Company sold approximately \$324.9 million of senior subordinated convertible notes due 2017 (the 2017 Notes). The debt was issued at face value and bears interest at the rate of 1.875% per annum, payable semi-annually in cash. The debt is convertible, at the option of the holder, at any time prior to maturity or redemption, into shares of the Company's common stock at a conversion price of approximately \$20.36 per share, subject to adjustment in certain circumstances. The debt does not include a call provision and the Company is unable to unilaterally redeem the debt prior to maturity on April 23, 2017. The Company also must repay the debt if there is a qualifying change in control or termination of trading of its common stock.

In connection with the placement of the 2017 Notes, the Company paid approximately \$8.5 million in offering costs, which have been deferred and are included in other assets. The deferred offering costs are being amortized as interest expense over the life of the debt, and in each of the three-month periods ended March 31, 2012 and 2011; the Company recognized amortization of expense of \$0.2 million.

In March 2006, the Company sold \$172.5 million of senior subordinated convertible notes due 2013 (the 2013 Notes). The debt was issued at face value and bears interest at the rate of 2.5% per annum, payable semi-annually in cash. The debt is convertible, at the option of the holder, at any time prior to maturity or redemption, into shares of the Company's common stock at a conversion price of approximately \$16.58 per share, subject to adjustment in certain circumstances. The debt does not include a call provision and the Company is unable to unilaterally redeem the debt prior to maturity on March 29, 2013. The Company also must repay the debt if there is a qualifying change in control or termination of trading of its common stock.

In connection with the placement of the 2013 Notes, the Company paid approximately \$5.5 million in offering costs, which have been deferred and are included in other assets. The deferred offering costs are being amortized as interest expense over the life of the debt. The Company recognized amortization expense of approximately \$27 for the three months ended March 31, 2012, compared to \$0.1 million for the three months ended March 31, 2011. The decrease in amortization expense for the three months ended March 31, 2012 was attributed to the conversion of \$29.2 million in aggregate principal of the 2013 Notes in September 2011.

In September 2011, the Company entered into separate agreements with six of the existing holders of its 2013 Notes pursuant to which such holders converted \$29.2 million in aggregate principal amount of the 2013 Notes into 1,760,178 shares of the Company's common stock. In addition to issuing the requisite number of shares of the Company's common stock pursuant to the 2013 Notes, the Company paid the holders future interest of approximately \$1.1 million along with an aggregate of approximately \$0.8 million related to varying cash premiums for agreeing to convert the 2013 Notes, which was recognized in total as debt conversion expense on the Company's Consolidated Statement of Operations for the year ended December 31, 2011. Additionally, the Company reclassified \$0.2 million of deferred offering costs to additional paid-in capital in connection with the conversion of the 2013 Notes. During the fourth quarter of 2011, certain note holders voluntarily exchanged an insignificant number of convertible notes for shares of the Company's common stock.

**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****March 31, 2012****(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)****(Unaudited)**

Interest expense on the Company's convertible debt for the three months ended March 31, 2012 was \$1.7 million, compared to \$1.9 million for the three months ended March 31, 2011. The decrease in interest expense related to the Company's convertible debt for the three months ended March 31, 2012, compared to the three months ended March 31, 2011 was attributed to the conversion of \$29.2 million in aggregate principal of the 2013 Notes in September 2011.

**(10) FAIR VALUE MEASUREMENTS**

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including available-for-sale fixed income securities and foreign currency derivatives. The tables below present the fair value of these financial assets and liabilities determined using the following input levels at March 31, 2012 and December 31, 2011.

	Total	Fair Value Measurements at March 31, 2012		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Cash and cash equivalents				
Overnight deposits	\$ 33,689	\$ 33,689	\$ 0	\$ 0
Money market instruments	48,897	0	48,897	0
<b>Total cash and cash equivalents</b>	<b>\$ 82,586</b>	<b>\$ 33,689</b>	<b>\$ 48,897</b>	<b>\$ 0</b>
Available-for-sale securities				
Short-term				
Certificates of deposit	\$ 44,182	\$ 0	\$ 44,182	\$ 0
Commercial paper	16,468	0	16,468	0
Corporate securities	81,173	0	81,173	0
U.S. Government agency securities	8,570	0	8,570	0
Long-term				
Certificates of deposit	10,363	0	10,363	0
Corporate securities	22,604	0	22,604	0
U.S. Government agency securities	21,735	0	21,735	0
Greek government-issued bonds	49	0	49	0
<b>Total available-for-sale securities</b>	<b>\$ 205,144</b>	<b>\$ 0</b>	<b>\$ 205,144</b>	<b>\$ 0</b>
Restricted investments (1)	4,713		4,713	
Nonqualified deferred compensation plan assets (2)	4,066	0	4,066	0
Forward foreign currency exchange contract asset (3)	3,273	0	3,273	0



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Total assets	\$ 299,782	\$ 33,689	\$ 266,093	\$ 0
<b>Liabilities:</b>				
Nonqualified deferred compensation plan liability (4)	\$ 9,291	\$ 5,225	\$ 4,066	\$ 0
Forward foreign currency exchange contract liability (3)	791	0	791	0
Contingent acquisition consideration payable (5)	33,433	0	0	33,433
Asset retirement obligation (6)	3,035	0	0	3,035
Total liabilities	\$ 46,550	\$ 5,225	\$ 4,857	\$ 36,468

**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****March 31, 2012****(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)****(Unaudited)**

	Fair Value Measurements at December 31, 2011			
	Total	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Cash and cash equivalents				
Overnight deposits	\$ 44,212	\$ 44,212	\$ 0	\$ 0
Money market instruments	2,060	0	2,060	0
<b>Total cash and cash equivalents</b>	<b>\$ 46,272</b>	<b>\$ 44,212</b>	<b>\$ 2,060</b>	<b>\$ 0</b>
Available-for-sale securities				
Short-term				
Certificates of deposit	\$ 38,564	\$ 0	\$ 38,564	\$ 0
Commercial paper	24,721	0	24,721	0
Corporate securities	85,535	0	85,535	0
Long-term				
Certificates of deposit	17,191	0	17,191	0
Corporate securities	44,112	0	44,112	0
U.S. Government agency securities	32,890	0	32,890	0
Greek government-issued bonds	192	0	192	0
<b>Total available-for-sale securities</b>	<b>\$ 243,205</b>	<b>\$ 0</b>	<b>\$ 243,205</b>	<b>\$ 0</b>
Nonqualified deferred compensation plan assets (2)	3,505	0	3,505	0
Forward foreign currency exchange contract asset (3)	6,682	0	6,682	0
<b>Total assets</b>	<b>\$ 299,664</b>	<b>\$ 44,212</b>	<b>\$ 255,452</b>	<b>\$ 0</b>
<b>Liabilities:</b>				
Nonqualified deferred compensation plan liability (4)	\$ 9,450	\$ 5,945	\$ 3,505	\$ 0
Forward foreign currency exchange contract liability (3)	220	0	220	0
Contingent acquisition consideration payable (5)	38,614	0	0	38,614
Asset retirement obligation (6)	2,991	0	0	2,991
<b>Total liabilities</b>	<b>\$ 51,275</b>	<b>\$ 5,945</b>	<b>\$ 3,725</b>	<b>\$ 41,605</b>

(1) At March 31, 2012, 77% and 23% of the restricted investments were included in other assets and other current assets, respectively. The restricted investments secure the Company's irrevocable standby letter of credit obtained in connection with the Company's new corporate

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- facility lease agreements. See Note 26 to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 for additional discussion.
- (2) At March 31, 2012 and December 31, 2011, 98% and 96%, respectively, of the nonqualified deferred compensation plan assets balance were included in other assets and the remainder of the balance was included in other current assets on the Company's Condensed Consolidated Balance Sheets.
  - (3) See Note 8 for further information regarding the Company's derivative instruments.
  - (4) At March 31, 2012 and December 31, 2011, 94% and 93%, respectively, of the nonqualified deferred compensation plan liability balance was included in other long-term liabilities and the remainder was included in accounts payable and accrued liabilities on the Company's Condensed Consolidated Balance Sheets.
  - (5) At March 31, 2012 and December 31, 2011, 83% and 86%, respectively, of the contingent acquisition consideration payable was included in other long-term liabilities and 17% and 14%, respectively, was included in accounts payable and accrued liabilities.
  - (6) At March 31, 2012 and December 31, 2011, the asset retirement obligation liability was included in other long-term liabilities.
- The Company's level 2 securities are valued using third-party pricing sources, which generally use observable market prices, interest rates and yield curves observable at commonly quoted intervals of similar assets as observable inputs for pricing. The Company validates the prices provided by its third-party pricing services by understanding the models used, obtaining market values from other pricing sources, analyzing pricing data in certain instances and confirming those securities traded in active markets. Due to the continued volatility associated with market conditions in Greece and reduced trading activity in its sovereign debt, the Company classified its Greek government-issued bonds as level 2 on March 31, 2012 and December 31, 2011. See Note 4 for further information regarding the Company's financial instruments.

**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****March 31, 2012****(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)****(Unaudited)**

The Company's level 3 liabilities are estimated using a probability-based income approach utilizing an appropriate discount rate. Subsequent changes in the fair value of the contingent acquisition consideration payable, resulting from the revision of key assumptions, will be recorded in intangible asset amortization and contingent consideration on the Company's Condensed Consolidated Statements of Comprehensive Loss.

During the three months ended March 31, 2012, the fair value of the contingent acquisition consideration payable decreased by \$5.2 million due to changes in estimated probability and assumed timing of achievement of certain milestones. Key assumptions used by management to estimate the fair value of contingent acquisition consideration payable include assumed probabilities, timing of when a milestone may be attained and assumed discount periods and rates.

See Notes 5, 6 and 7, to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 for additional discussion related to business acquisitions and contingent acquisition consideration payable.

**(11) STOCK-BASED COMPENSATION**

The Company's stock-based compensation plans include the 2006 Share Incentive Plan, as amended and restated on March 22, 2010 (2006 Share Incentive Plan) and the Employee Stock Purchase Plan (ESPP). These plans are administered by the Compensation Committee of the Company's Board of Directors, which selects persons to receive awards and determines the number of shares subject to each award and the terms, conditions, performance measures and other provisions of the award. See Note 18 to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, for additional information related to these stock-based compensation plans.

***Determining the Fair Value of Stock Options and Stock Purchase Rights***

The fair value of each option award is estimated on the date of grant using the Black-Scholes valuation model and the assumptions noted in the tables below. The expected life of options is based on observed historical exercise patterns. Groups of employees that have similar historical exercise patterns were considered separately for valuation purposes, but none were identified that had distinctly different exercise patterns as of March 31, 2012. The expected volatility of stock options is based upon proportionate weightings of the historical volatility of the Company's common stock and the implied volatility of traded options on the Company's common stock for fiscal periods in which there is sufficient trading volume in options on the Company's common stock. The risk-free interest rate is based on the implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the option. The dividend yield reflects that the Company has not paid any cash dividends since inception and does not intend to pay any cash dividends in the foreseeable future. The assumptions used to estimate the per share fair value of stock options granted under the 2006 Share Incentive Plan were as follows:

<b>Stock Option Valuation Assumptions</b>	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Expected volatility	46%	50%
Dividend yield	0.0%	0.0%
Expected life	6.5 years	6.3 years
Risk-free interest rate	1.1%	2.7%

During the three months ended March 31, 2012, the Company granted 0.2 million options with a weighted average option value of \$16.68 per option.

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The Company did not grant any new stock purchase rights under the ESPP during the three months ended March 31, 2012.

**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****March 31, 2012****(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)****(Unaudited)*****Restricted Stock Unit Awards with Service-Based Vesting Conditions***

Restricted stock units (RSUs) are generally subject to forfeiture if employment terminates prior to the release of vesting restrictions. The Company expenses the cost of the RSUs, which is determined to be the fair market value of the shares of common stock underlying the RSUs at the date of grant, ratably over the period during which the vesting restrictions lapse. During the three months ended March 31, 2012, the Company granted 5,000 RSUs with a weighted average fair market value of \$36.74 per share.

***Restricted Stock Unit Awards with Performance and Market-Based Vesting Conditions***

On June 1, 2011, pursuant to the Board of Directors approval, the Company granted RSU awards under the 2006 Share Incentive Plan to certain executive officers that provide for a base award of 875,000 RSUs (Base RSUs), with a grant date fair value of \$32.61. The number of RSUs that could potentially vest from the Base RSUs granted is contingent upon achievement of specific performance goals and will be multiplied by the Total Shareholder Return multiplier which could range from 75% to 125% to determine the number of earned RSUs.

Stock-based compensation expense for this award will be recognized over the remaining service period beginning in the period the Company determines the strategic performance goal or goals is probable of achievement. Accordingly, because the Company's management has not yet determined the goals are probable of achievement as of March 31, 2012, no compensation expense has been recognized for these awards for the three months ended March 31, 2012.

Compensation expense included in the Company's Condensed Consolidated Statements of Comprehensive Loss for all stock-based compensation arrangements was as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Cost of sales	\$ 873	\$ 1,402
Research and development	4,695	3,674
Selling, general and administrative	5,566	5,304
 Total stock-based compensation expense	 \$ 11,134	 \$ 10,380

Stock-based compensation of \$0.9 million and \$1.2 million was capitalized into inventory, for the three months ended March 31, 2012 and 2011, respectively. Capitalized stock-based compensation is recognized as cost of sales when the related product is sold.

Table of Contents

## BIOMARIN PHARMACEUTICAL INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2012

(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)

(Unaudited)

**(12) EARNINGS (LOSS) PER SHARE**

Potential shares of common stock include shares issuable upon the exercise of outstanding employee stock option awards, common stock issuable under the ESPP, unvested restricted stock, common stock held by the Company's Nonqualified Deferred Compensation Plan and contingent issuances of common stock related to convertible debt.

The following table sets forth the computation of basic and diluted earnings/loss per common share:

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Numerator:</b>		
Net loss, basic	\$ (23,972)	\$ (4,371)
Gain on Company stock held by the Nonqualified Deferred Compensation Plan	0	(156)
Net loss, diluted	\$ (23,972)	\$ (4,527)
<b>Denominator (in thousands of common shares):</b>		
Basic weighted-average shares outstanding	115,070	110,652
<b>Effect of dilutive securities:</b>		
Common stock held by the Nonqualified Deferred Compensation Plan	0	91
Fully diluted weighted-average shares	115,070	110,743
Basic loss per common share	\$ (0.21)	\$ (0.04)
Diluted loss per common share	\$ (0.21)	\$ (0.04)

In addition to the equity instruments included in the table above, the table below presents potential shares of common stock that were excluded from the computation as they were anti-dilutive using the treasury stock method:

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Options to purchase common stock	15,537	14,870
Common stock issuable under convertible debt	17,371	19,130
Unvested restricted stock units	1,425	416
Potentially issuable common stock for ESPP purchases	308	371
Common stock held by the Nonqualified Deferred Compensation Plan	153	0
Total	34,794	34,787





**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****March 31, 2012****(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)****(Unaudited)****(13) REVENUE AND CREDIT CONCENTRATIONS**

*Net Product Revenue* The Company considers there to be revenue concentration risks for regions where net product revenue exceeds ten percent of consolidated net product revenue. The concentration of the Company's net product revenue within the regions below may have a material adverse effect on the Company's revenue and results of operations if sales in the respective regions were to experience difficulties.

The table below summarizes net product revenue concentrations based on patient location for Naglazyme, Kuvan and Firdapse and Genzyme's headquarters for Aldurazyme. Although Genzyme sells Aldurazyme worldwide, the royalties earned by the Company on Genzyme's net sales are included in the U.S. region, as the Company's transactions are with Genzyme whose headquarters are located in the U.S.

Region:	Three Months Ended March 31,	
	2012	2011
United States	43%	47%
Europe	25%	25%
Latin America	18%	13%
Rest of World	14%	15%
Total net product revenue	100%	100%

The following table illustrates the percentage of the Company's consolidated net product revenue attributed to the Company's three largest customers.

	Three Months Ended March 31,	
	2012	2011
Customer A	15%	18%
Customer B (1)	10%	17%
Customer C	16%	12%
Total	41%	47%

(1) Genzyme is the Company's sole customer for Aldurazyme and is responsible for marketing and selling Aldurazyme to third-parties. Net product revenues from Genzyme are comprised of royalties on world wide net Aldurazyme sales and incremental product transfer revenue. The accounts receivable balances at March 31, 2012 and December 31, 2011 were comprised of amounts due from customers for net product sales of Naglazyme, Kuvan and Firdapse and Aldurazyme product transfer and royalty revenues. On a consolidated basis, the two largest customers accounted for 40% and 13% of the March 31, 2012 accounts receivable balance, compared to December 31, 2011 when the two largest customers accounted for 49% and 14% of the accounts receivable balance. As of March 31, 2012 and December 31, 2011, accounts

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receivable for the Company's largest customer balance included \$24.3 million and \$31.0 million, respectively, of unbilled accounts receivable related to net incremental Aldurazyme product transfers to Genzyme. The Company does not require collateral from its customers, but performs periodic credit evaluations of its customers' financial condition and requires immediate payment in certain circumstances.

**Table of Contents****BIOMARIN PHARMACEUTICAL INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****March 31, 2012****(In thousands of U.S. dollars, except per share amounts or as otherwise disclosed)****(Unaudited)**

The Company's product sales to government-owned or government-funded customers in certain European countries, including Italy, Spain, Portugal and Greece are subject to payment terms that are statutorily determined. Because these customers are government-owned or government-funded, the Company may be impacted by declines in sovereign credit ratings or sovereign defaults in these countries. A significant or further decline in sovereign credit ratings or a default in these countries, may decrease the likelihood that the Company will collect accounts receivable or may increase the discount rates and the length of time until receivables are collected, which could result in a negative impact to the Company's operating results. For the three months ended March 31, 2012, approximately 3.8% of the Company's net product revenues were from these countries and approximately 12% of the Company's outstanding accounts receivable at March 31, 2012 related to such countries.

The following table summarizes the accounts receivable by country that were past due related to Italy, Spain, Portugal and Greece as of March 31, 2012, the number of days past due and the total allowance for doubtful accounts related to each of these countries at March 31, 2012.

	Days Past Due			Total Amount Past Due	Allowance for Doubtful Accounts
	< 180 Days	180 -360 Days	> 360 Days		
Italy	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Spain	2,340	2,299	0	4,639	0
Portugal	0	0	0	0	0
Greece	49	127	468	644	471
<b>Total</b>	<b>\$ 2,389</b>	<b>\$ 2,426</b>	<b>\$ 468</b>	<b>\$ 5,283</b>	<b>\$ 471</b>

The Company has not historically experienced a significant level of uncollected receivables and has received continued payments from its more aged accounts. The Company believes that the allowances for doubtful accounts related to these countries is adequate based on its analysis of the specific business circumstances and expectations of collection for each of the underlying accounts in these countries.

**(14) COMMITMENTS AND CONTINGENCIES**

The Company is also subject to contingent payments totaling approximately \$357.0 million upon achievement of certain regulatory and licensing milestones if they occur before certain dates in the future.

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations  
Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains forward-looking statements as defined under securities laws. Many of these statements can be identified by the use of terminology such as believes, expects, anticipates, plans, may, will, projects, continues, estimates, or the negative versions of these terms and other similar expressions. These forward-looking statements may be found in *Overview*, of this Item 2 and other sections of this Quarterly Report on Form 10-Q. Our actual results or experience could differ significantly from the forward-looking statements. Factors that could cause or contribute to these differences include those discussed in *Risk Factors*, in our Annual Report on Form 10-K for the year ended December 31, 2011, which was filed with the Security and Exchanges Commission (SEC) on February 22, 2012, as well as those discussed elsewhere in this Quarterly Report on Form 10-Q. You should carefully consider that information before you make an investment decision.

You should not place undue reliance on these statements, which speak only as of the date that they were made. These cautionary statements are based on the beliefs and assumptions of our management based on information currently available to management and should be considered in connection with any written or oral forward-looking statements that we may issue in the future. We do not undertake any obligation to release publicly any revisions to these forward-looking statements after completion of the filing of this Quarterly Report on Form 10-Q to reflect later events or circumstances or the occurrence of unanticipated events.

The following discussion of our financial condition and results of operations should be read in conjunction with our Condensed Consolidated Financial Statements and the related Notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

**Overview**

We develop and commercialize innovative biopharmaceuticals for serious diseases and medical conditions. We select product candidates for diseases and conditions that represent a significant unmet medical need, have well-understood biology and provide an opportunity to be first-to-market or offer a significant benefit over existing products.

Key components of our results of operations include the following (in millions):

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Total net product revenues	\$ 116.2	\$ 109.1
Cost of sales	17.1	20.8
Research and development expense	73.8	45.0
Selling, general and administrative expense	45.2	41.0
Provision for income taxes	0	4.8
Net loss	(24.0)	(4.4)
Stock-based compensation expense	11.1	10.4

See *Results of Operations* below for a discussion of the detailed components and analysis of the amounts above.

Our product portfolio is comprised of four approved products and multiple investigational product candidates. Our approved products are Naglazyme (galsulfase), Kuvan (sapropterin dihydrochloride), Firdapse (amifampridine phosphate) and Aldurazyme (aronidase).

Naglazyme, a recombinant form of N-acetylgalactosamine 4-sulfatase indicated for patients with mucopolysaccharidosis VI (MPS VI) a debilitating life-threatening genetic disease for which no other drug treatment currently exists and is caused by the deficiency of arylsulfatase B, received marketing approval in the U.S. in May 2005, in the EU in January 2006 and subsequently in other countries. Naglazyme net product revenues for the three months ended March 31, 2012, totaled \$68.6 million, compared to \$60.6 million for the three months ended March 31, 2011.

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**Table of Contents**

**Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

Kuvan, was granted marketing approval for the treatment of phenylketonuria (PKU) in the U.S. and in the EU in December 2007 and December 2008, respectively. Kuvan net product revenues for the three months ended March 31, 2012 totaled \$32.0 million, compared to \$26.7 million for the three months ended March 31, 2011.

In December 2009, the European Medicines Agency granted marketing approval for Firdapse, a proprietary form of 3-4-diaminopyridine (amifampridine phosphate), for the treatment of Lambert-Eaton Myasthenic Syndrome (LEMS). We launched this product on a country by country basis in the EU beginning in April 2010. Firdapse net product revenues for the three months ended March 31, 2012 totaled \$3.6 million, compared to \$3.1 million for the three months ended March 31, 2011. We also continue to develop Firdapse for the possible treatment of LEMS in the U.S. and initiated a Phase 3 clinical trial in the second quarter of 2011. We continue exploring options with the Firdapse program, including the potential outlicense of certain rights in the U.S. or elsewhere.

Aldurazyme (aronidase), which was developed in collaboration with Genzyme Corporation (Genzyme), was approved in 2003 for marketing in the U.S., the EU and subsequently in other countries for patients with mucopolysaccharidosis I (MPS I). Aldurazyme net product revenues for the three months ended March 31, 2012 totaled \$12.0 million, compared to \$18.7 million for the three months ended March 31, 2011.

We are conducting clinical trials on several investigational product candidates for the treatment of various diseases including:

GALNS, an enzyme replacement therapy for the treatment of mucopolysaccharidosis Type IV or Morquio Syndrome Type A, a lysosomal storage disorder;

PEG-PAL, an enzyme substitution therapy for the treatment of PKU;

BMN-701, an enzyme replacement therapy for Pompe disease, a glycogen storage disorder;

BMN-673, an orally available poly-ADP ribose polymerase inhibitor for the treatment of patients with certain cancers;

BMN-111, a peptide therapeutic for the treatment of achondroplasia, a disorder of bone growth; and

Firdapse, for the treatment of LEMS in the U.S.

We are conducting preclinical development of several other product candidates for genetic and other metabolic diseases, including BMN-190 for late infantile neuronal ceroid lipofuscinosis, a form of Batten disease.

Cost of sales includes raw materials, personnel and facility and other costs associated with manufacturing Naglazyme and Aldurazyme at our production facility in Novato, California. Cost of sales also includes third-party manufacturing costs for the production of Kuvan and Firdapse and third-party production costs related to final formulation and packaging services for all products and cost of royalties payable to third parties for all products.

Research and development includes costs associated with the research and development of product candidates and post-marketing research commitments related to our approved products. These costs primarily include preclinical and clinical studies, personnel and raw materials costs associated with manufacturing product candidates, quality control and assurance and regulatory costs.

Selling, general and administrative expense primarily includes expenses associated with the commercialization of approved products and general and administrative costs to support our operations. These expenses include: product marketing and sales operations personnel; corporate facility

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operating expenses; information technology expenses and depreciation; and core corporate support functions including human resources, finance and legal, and other external corporate costs such as insurance, audit and legal fees.

**Table of Contents**

**Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

Intangible asset amortization and contingent consideration includes amortization expense related to our finite-lived intangible assets associated with marketing rights in the EU for Firdapse, impairment losses on intangible assets and changes in the fair value of contingent acquisition consideration payable. Changes in fair value can result from changes in assumed probability adjustments, changes in assumed timing of when a milestone may be achieved and changes in assumed discount periods and rates.

Our cash, cash equivalents, short-term investments and long-term investments totaled \$287.7 million as of March 31, 2012, compared to \$289.5 million as of December 31, 2011. We have historically financed our operations primarily through the issuance of common stock and convertible debt and by relying on equipment and other commercial financing. During the remainder of 2012, and for the foreseeable future, we will be highly dependent on our net product revenue to supplement our current liquidity and fund our operations. We may in the future elect to supplement this with further debt or equity offerings or commercial borrowing. Further, depending on market conditions, our financial position and performance and other factors, we may in the future choose to use a portion of our cash or cash equivalents to repurchase our convertible debt or other securities. See *Financial Position, Liquidity and Capital Resources* below for a further discussion of our liquidity and capital resources.

**Critical Accounting Policies and Estimates**

In preparing our Consolidated Financial Statements in accordance with accounting principles generally accepted in the U.S. and pursuant to the rules and regulations promulgated by the SEC, we make assumptions, judgments and estimates that can have a significant impact on our net income/(loss) and affect the reported amounts of certain assets, liabilities, revenue and expenses, and related disclosures. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. On a regular basis, we evaluate our assumptions, judgments and estimates. We also discuss our critical accounting policies and estimates with the audit committee of our board of directors.

We believe that the assumptions, judgments and estimates involved in the accounting for business combinations, contingent acquisition consideration payable, income taxes, long-lived assets, revenue recognition and inventory have the greatest impact on our Consolidated Financial Statements, so we consider these to be our critical accounting policies. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results.

There have been no significant changes to our critical accounting policies and estimates during the three months ended March 31, 2012, as compared to the critical accounting policies and estimates disclosed in *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in our Annual Report on Form 10-K for the year ended December 31, 2011, which was filed with the SEC on February 22, 2012.

**Recent Accounting Pronouncements**

See Note 3 of our accompanying Condensed Consolidated Financial Statements for a full description of recent accounting pronouncements and our expectation of their impact, if any, on our results of operations and financial condition.

**Table of Contents****Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)****Results of Operations****Net Loss**

Our net loss for the three months ended March 31, 2012 was \$24.0 million, compared to net loss of \$4.4 million for the three months ended March 31, 2011. The change in net loss was primarily a result of the following (in millions):

Net loss for the period ended March 31, 2011	\$ (4.4)
Increased gross profit from product sales	10.9
Increased research and development expense	(28.8)
Increased selling, general and administrative expense	(4.2)
Decreased intangible asset amortization and contingent consideration expense	4.7
Impairment loss on intangible assets	(6.7)
Decreased income tax expense	4.8
Other individually insignificant fluctuations	(0.3)
Net loss for the period ended March 31, 2012	\$ (24.0)

The increase in gross profit from product sales during the three months ended March 31, 2012, as compared to the three months ended March 31, 2011 was primarily a result of additional Naglazyme patients initiating therapy and additional Kuvan patients initiating therapy in the U.S. The increase in research and development expense was primarily attributed to increased development expenses for our GALNS, PEG-PAL, Firdapse, BMN-701 and BMN-673 programs. The increase in selling, general and administrative expense was primarily due to increased facility and employee related costs and the continued international expansion of Naglazyme.

**Net Product Revenues, Cost of Sales and Gross Profit**

Net product revenues were as follows (in millions):

	Three Months Ended March 31,		
	2012	2011	Change
Naglazyme	\$ 68.6	\$ 60.6	\$ 8.0
Kuvan	32.0	26.7	5.3
Firdapse	3.6	3.1	0.5
Aldurazyme	12.0	18.7	(6.7)
Total net product revenues	\$ 116.2	\$ 109.1	\$ 7.1

Net product revenues and related gross profit attributed to our collaboration with Genzyme were as follows (in millions):

	Three Months Ended March 31,		
	2012	2011	Change
Aldurazyme revenue reported by Genzyme	\$ 45.9	\$ 42.8	\$ 3.1
Royalties due from Genzyme	\$ 18.4	\$ 16.9	\$ 1.5
Incremental (previously recognized) Aldurazyme product transfer revenue	(6.4)	1.8	(8.2)



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Total Aldurazyme net product revenues	\$ 12.0	\$ 18.7	\$ (6.7)
Gross profit	\$ 11.1	\$ 13.4	\$ (2.3)

Naglazyme net product revenues for the three months ended March 31, 2012 totaled \$68.6 million, of which \$60.0 million was earned from customers based outside the U.S. The impact of foreign currency exchange rates on Naglazyme sales denominated in currencies other than the U.S. dollar was negative by \$0.2 million for the three months ended March 31, 2012. Gross profit from Naglazyme sales for the three months ended March 31, 2012 was \$58.8 million, representing gross margins of 86%. Gross profit from Naglazyme sales for the three months ended March 31, 2011 was \$50.4 million representing gross margins of 83%.

**Table of Contents****Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

The increased Naglazyme gross margins for the three months ended March 31, 2012 were consistent with expectations during the three months ended March 31, 2012 as a result of our purchase of the Naglazyme royalty rights from SA Pathology in November 2011. Prior to the purchase, we licensed the intellectual property from SA Pathology and paid it a five percent royalty on net sales of Naglazyme. For additional discussion of the transaction see Note 10 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2011.

Net product revenue for Kuvan for the three months ended March 31, 2012 was \$32.0 million, compared to \$26.7 million for the three months ended March 31, 2011. Gross profit from Kuvan for the three months ended March 31, 2012 was \$26.2 million representing gross margins of 82%, compared to the three months ended March 31, 2011 when gross profit totaled \$21.9 million representing gross margins of 82%. Cost of goods sold for the three months ended March 31, 2012 and 2011 reflect royalties paid to third parties of 10%. During the three months ended March 31, 2012, we earned \$0.5 million in royalties from Merck Serono on their net sales of \$11.9 million, compared to the three months ended March 31, 2011 when we earned \$0.3 million in royalties from Merck Serono on their net sales of \$8.3 million. Kuvan gross margins for the three months ended March 31, 2012 were consistent with expectations and are not expected to fluctuate significantly in the future.

Net product revenue for Firdapse during the three months ended March 31, 2012 was \$3.6 million, compared to \$3.1 million for the three months ended March 31, 2011. Gross profit from Firdapse for the three months ended March 31, 2012 was \$3.0 million representing gross margins of 82% compared to the three months ended March 31, 2011 when gross profit was \$2.6 million representing gross margins of 82%. Cost of goods sold for the periods presented reflect royalties paid to third parties of approximately 8%.

During the three months ended March 31, 2012, Aldurazyme gross margins were 93%, compared to the three months ended March 31, 2011 when gross margins were 72%. Aldurazyme gross margins reflect the profit earned on royalty revenue and net incremental product transfer revenue. The change in margins is attributed to the shift in revenue mix between royalty revenue and net product transfer revenues. Aldurazyme gross margins are expected to fluctuate depending on the mix of royalty revenue, from which we earn higher gross profit, and product transfer revenue, from which we earn lower gross profit.

Total cost of sales for the three months ended March 31, 2012 was \$17.1 million, compared to \$20.8 million for the three months ended March 31, 2011. The decrease in cost of sales was primarily attributed to the elimination of third party royalty fees paid to SA Pathology on net sales of Naglazyme offset by amortization of the acquired intellectual property and the shift in Aldurazyme revenue mix between royalty revenue and net product revenues. Additionally, Aldurazyme cost of goods sold during the three months ended March 31, 2012 included a \$0.8 million write-off of finished goods inventory.

**Research and Development**

Research and development expense increased to \$73.8 million for the three months ended March 31, 2012, from \$45.0 million for the three months ended March 31, 2011. The change in research and development expense was primarily a result of the following (in millions):

Research and development expense for the period ended March 31, 2011	\$ 45.0
Increased GALNS for MPS IV A development expenses	13.7
Increased BMN-701 development expenses	4.6
Increased PEG-PAL development expenses	2.6
Increased BMN-111 development expenses	2.2
Increased BMN-190 development expenses	1.0
Increased development expense related to commercial products	0.9
Increased BMN-673 development expenses	0.7
Decreased development expenses on early development stage programs	(0.5)
Increased stock-based compensation expense related to research and development	1.0
Increase in non-allocated research and development expenses and other net changes	2.6
Research and development expense for the period ended March 31, 2012	\$ 73.8

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The increase in GALNS development expenses was attributed to increased clinical and manufacturing activities related to the product candidate. We expect that our GALNS manufacturing activities will be substantially completed by July 2012, resulting in lower GALNS development spend in the second half of 2012. The increase in PEG-PAL, BMN-673 and BMN-701 development expense was attributed to increased clinical trial activities related to these product candidates. The increase in BMN-190 development expense was attributed to increased pre-clinical activities related to this product candidate. The increase in stock-based compensation expense is a result of an increased number of options outstanding due to an increased number of employees. The increase in non-allocated research and development expense primarily includes increases research and development personnel costs that are not allocated to specific programs. We expect to continue incurring significant research and development expense for the foreseeable future due to long-term clinical activities related to post-approval regulatory commitments related to our approved products and spending on our GALNS, PEG-PAL, Firdapse, BMN-673, BMN-701, BMN-111 and BMN-190 programs and our other product candidates.

**Table of Contents****Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)*****Selling, General and Administrative***

Selling, general and administrative expense increased to \$45.2 million for the three months ended March 31, 2012, from \$41.0 million for the three months ended March 31, 2011. The change in selling, general and administrative expenses was primarily a result of the following (in millions):

Selling, general and administrative expense for the period ended March 31, 2011	\$ 41.0
Net increase in corporate overhead and other administrative expenses	3.8
Increased sales and marketing expenses related to commercial products	1.0
Absence of bad debt expense	(0.9)
Increased stock-based compensation expense	0.3
 Selling, general and administrative expense for the period ended March 31, 2012	 \$ 45.2

We continue to incur sales and marketing expense for Naglazyme and Kuvan as a result of continued expansion of our international and U.S. activities, respectively, and spending related to the European commercialization of Firdapse. The increase in corporate overhead and other administrative costs was primarily comprised of increased employee related costs, legal costs, accounting costs and facility costs. We expect selling, general and administrative expenses to increase in future periods as a result of the international expansion of Naglazyme, the U.S. commercialization activities for Kuvan and the administrative support of our operations.

***Intangible Asset Amortization and Contingent Consideration***

Intangible asset amortization and contingent consideration expense is comprised of amortization of the European marketing rights for Firdapse, changes in the fair value of contingent acquisition consideration payable to former stockholders of our acquired businesses and impairment loss on intangible assets. Changes in the fair value of contingent acquisition consideration payable results from updates to the assumed probability of achievement or timing of milestones and adjustments to the discount periods and rates. Intangible asset amortization and contingent consideration expense consisted of the following (in millions):

	<b>Three Months Ended March 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>Change</b>
Amortization of Firdapse European marketing rights	\$ 0.8	\$ 0.8	\$ 0
Impairment loss on intangible assets	6.7	0	6.7
Changes in the fair value of contingent acquisition consideration payable	(5.2)	(0.5)	(4.7)
 Total intangible asset amortization and contingent consideration	 \$ 2.3	 \$ 0.3	 \$ 2.0

During the three months ended March 31, 2012, we recorded an impairment charge of \$6.7 million related to certain Firdapse in-process research and development (IPR&D) assets. These IPR&D assets are associated with marketing rights for Firdapse in the U.S., a product candidate that is in Phase 3 clinical trials for the treatment of LEMS in the U.S. We were exploring strategic options for the Firdapse U.S. program, including the potential outlicense of rights in the U.S. In March 2012, we determined to suspend business development efforts. As a result, our management evaluated its plans and expectations regarding clinical development and commercialization of Firdapse in the U.S. The revised discounted cash flow projections no longer supported the carrying-value of the IPR&D intangible assets and we recognized an impairment charge for the three months ended March 31, 2012. The change in the contingent consideration amount was due to changes in the fair value of contingent acquisition consideration payable resulting from changes in estimated probability and the estimated timing of when certain milestones may be achieved.

For additional discussion see Note 6 to our accompanying Condensed Consolidated Financial Statements for additional discussion.



**Table of Contents**

**Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

***Equity in the Loss of BioMarin/Genzyme LLC***

Equity in the loss of BioMarin/Genzyme LLC includes our 50% share of the joint venture's loss for the period. BioMarin/Genzyme LLC's operations consist primarily of certain research and development activities and the intellectual property that are managed by the joint venture, with costs shared equally by BioMarin and Genzyme.

Equity in the loss of the joint venture totaled \$0.7 million for the three months ended March 31, 2012, compared to \$0.5 million for the three months ended March 31, 2011.

***Interest Income***

We invest our cash, short-term and long-term investments in government and other high credit quality securities in order to limit default and market risk. Interest income totaled \$0.5 million for the three months ended March 31, 2012, compared to \$0.8 million for the three months ended March 31, 2011. The reduced interest income during the three months ended March 31, 2012, as compared to the three months ended March 31, 2011 was due to decreased levels of cash and investments and lower market interest rates. We expect that interest income will continue to decline during the remainder of 2012 as compared to 2011 due to lower cash and investment balances and reduced interest yields.

***Interest Expense and Debt Conversion Expense***

We incur interest expense on our convertible debt. Interest expense for the three months ended March 31, 2012 was \$1.9 million, compared to \$2.2 million for the three months ended March 31, 2011. The decrease in interest expense was attributed to the early conversion of \$29.2 million in aggregate principal of our 2013 Notes in September 2011. We expect interest expense for the remainder of 2012 and the first quarter of 2013 to be \$1.7 million per quarter based on the amount of our outstanding debt at March 31, 2012. See Note 15 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2011 for additional discussion.

***Provision for (Benefit from) Income Taxes***

During the three months ended March 31, 2012 we recognized income tax benefit of \$34,000, compared to income tax expense of \$4.8 million during the three months ended March 31, 2011. The provision for income taxes for the three months ended March 31, 2012 and 2011 consisted of federal, foreign and state current tax expense and deferred tax expense related to the utilization of our federal net operating loss carryforwards and a portion of our credit carryforwards. Our overall tax expense is significantly reduced by deferred tax benefits from the federal orphan drug credit. The current period provision was further reduced by the benefit related to stock option exercises during the three months ended March 31, 2012. See Note 22 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2011 for additional discussion of the components of income tax expense.

**Financial Position, Liquidity and Capital Resources**

We have historically financed our operations primarily through the issuance of common stock and convertible debt and by relying on equipment and other commercial financing. During the remainder of 2012, and for the foreseeable future, we will be highly dependent on our net product revenue to supplement our current liquidity and fund our operations. We may in the future elect to supplement this with further debt or equity offerings or commercial borrowing. Further, depending on market conditions, our financial position and performance and other factors, we may in the future choose to use a portion of our cash or cash equivalents to repurchase our convertible debt or other securities.

**Table of Contents****Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

Our financial condition as of March 31, 2012 and December 31, 2011 was as follows (in millions):

	March 31, 2012	December 31, 2011	Change
Cash and cash equivalents	\$ 82.6	\$ 46.3	\$ 36.3
Short-term investments	150.4	148.8	1.6
Long-term investments	54.7	94.4	(39.7)
Cash, cash equivalents and investments	\$ 287.7	\$ 289.5	\$ (1.8)
Current assets	\$ 513.4	\$ 469.8	\$ 43.6
Current liabilities	119.8	94.1	25.7
Working capital	\$ 393.6	\$ 375.7	\$ 17.9
Convertible debt	\$ 348.3	\$ 348.3	\$ 0

Our cash flows for each of the months ended March 31, 2012 and 2011 is summarized as follows (in millions):

	2012	2011	Change
Cash and cash equivalents at the beginning of the period	\$ 46.3	\$ 88.1	\$ (41.8)
Net cash used in operating activities	(7.2)	(3.5)	(3.7)
Net cash provided by investing activities	30.1	3.0	27.1
Net cash provided by financing activities	13.4	3.2	10.2
Cash and cash equivalents at the end of the period	\$ 82.6	\$ 90.8	\$ (8.2)
Short-term and long-term investments	205.1	303.1	(98.0)
Cash, cash equivalents and investments	\$ 287.7	\$ 393.9	\$ (106.2)

**Working Capital**

Working capital was \$393.6 million at March 31, 2012, an increase of \$17.9 million from working capital of \$375.7 million at December 31, 2011. The increase was primarily attributed increases of \$37.9 million in cash, cash equivalents and short-term investments and \$10.8 million in other current assets, offset by a decrease in inventory of \$6.1 million and the classification of the 2013 Notes as a current liability from long-term convertible debt based on their maturity in March 2013.

Our product sales to government-owned or government-funded customers in certain Southern European countries, including Greece, Spain, Italy and Portugal are subject to payment terms that are imposed by government authority. Because these customers are government-owned or government-funded, we may be impacted by declines in sovereign credit ratings or sovereign defaults in these countries. A significant or further decline in sovereign credit ratings or a default in Greece, or in other Southern European countries, may decrease the likelihood that we will collect accounts receivable or may increase the discount rates and the length of time until receivables are collected, which could result in a negative impact to our operating results. Historically we have not experienced a significant level of uncollected receivables and have received continued payments from our more aged accounts. We believe that the allowances for doubtful accounts for these countries is adequate based on our analysis of the specific business circumstances and expectations of collection for each of the underlying accounts in these countries. As of March 31, 2012, approximately 12% of our outstanding accounts receivable relate to such countries. See Note 13 of our accompanying

Condensed Consolidated Financial Statements for additional discussion.

***Cash Used in Operating Activities***

Cash used in operating activities was \$7.2 million for the three months ended March 31, 2012, compared to cash used in operating activities of \$3.5 million for the three months ended March 31, 2011. The increase in cash used in operating activities was primarily related to increased research and development expense that drove our increased net loss of \$24.0 million, adjusted for non-cash items such as \$10.6 million of depreciation and amortization expenses, \$11.2 million of stock-based compensation expense, \$6.7 million of impairment loss on intangible assets, \$5.2 million decrease in the fair value of contingent acquisition consideration payable and \$1.9 million of unrealized foreign exchange gain on forward foreign currency exchange contracts.



**Table of Contents****Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)*****Cash Provided by Investing Activities***

Net cash provided by investing activities for the three months ended March 31, 2012 was \$30.1 million, compared to net cash provided by investing activities of \$3.0 million for the three months ended March 31, 2011. Our investing activities have consisted primarily of purchases and sales and maturities of investments, capital expenditures and cash paid for net assets acquired in business combinations. The increase in net cash provided by investing activities for the three months ended March 31, 2012 compared to the three months ended March 31, 2011 was primarily due to increased net settlements of investment securities of \$27.7 million.

***Cash Provided by Financing Activities***

Net cash provided by financing activities for the three months ended March 31, 2012 was \$13.4 million, compared to net cash provided by financing activities of \$3.2 million for the three months ended March 31, 2011. Our financing activities primarily include payments related to our contingent acquisition obligations, payments related to our convertible debt obligations and proceeds from the ESPP and stock option exercises. The increase in net cash provided by financing activities during the three months ended March 31, 2012, compared to the three months ended March 31, 2011 was primarily comprised of proceeds from stock option exercises and ESPP contributions. See Note 11 to our accompanying Condensed Consolidated Financial Statements for additional discussion.

***Other Information***

In March 2006, we sold approximately \$172.5 million of the 2013 Notes of which \$23.5 million remains outstanding at March 31, 2012. The debt was issued at face value and bears interest at the rate of 2.5% per annum, payable semi-annually in cash. The debt does not contain a call provision included and we are unable to unilaterally redeem the remaining debt prior to maturity in 2013. The remaining \$23.5 million of the 2013 Notes is convertible, at the option of the holder, at any time prior to maturity, into shares of our common stock at a conversion price of approximately \$16.58 per share, subject to adjustment in certain circumstances. However, we must repay the remaining debt prior to maturity if there is a qualifying change in control or termination of trading of our common stock.

In April 2007, we sold approximately \$324.9 million of senior subordinated convertible notes due April 2017 (the 2017 Notes). The debt was issued at face value and bears interest at the rate of 1.875% per annum, payable semi-annually in cash. The debt is convertible, at the option of the holder, at any time prior to maturity, into shares of our common stock at a conversion price of approximately \$20.36 per share, subject to adjustment in certain circumstances. Our debt does not contain a call provision and we are unable to unilaterally redeem the debt prior to maturity in 2017. We also must repay the debt if there is a qualifying change in control or termination of trading of our common stock. See Note 9 to our accompanying Condensed Consolidated Financial Statements for additional discussion. Our \$348.3 million of total convertible debt as of March 31, 2012 will impact our liquidity due to the semi-annual cash interest payments and will impact our liquidity if the holders do not convert on or prior to the scheduled repayments of the debt.

We expect to fund our operations with our net product revenues from our commercial products; cash; cash equivalents; short-term and long-term investments supplemented by proceeds from equity or debt financings; and loans or collaborative agreements with corporate partners, each to the extent necessary. We expect our current cash, cash equivalents and short-term and long-term investments will meet our operating and capital requirements for the foreseeable future based on our current long-term business plans and assuming that we are able to achieve our long-term goals. This expectation could also change depending on how much we elect to spend on our development programs and for potential licenses and acquisitions of complementary technologies, products and companies.

On October 23, 2009, we acquired Huxley, which has rights to Firdapse for a total purchase price of \$37.2 million, of which \$15.0 million was paid in cash and \$22.2 million represented the acquisition date fair value of contingent acquisition consideration payable. In connection with the acquisition, we agreed to pay the Huxley stockholders additional consideration in future periods of up to \$41.9 million (undiscounted) in milestone payments if certain annual sales, cumulative sales and U.S. development milestones are met. During 2011, 2010 and 2009 we made milestone payments of \$3.0 million, \$6.5 million and \$1.0 million, respectively, related to the attainment of development milestones.

**Table of Contents****Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

On February 10, 2010, we acquired LEAD, which had the key compound now referred to as BMN-673, for a total purchase price of \$39.1 million, of which \$18.6 million was paid in cash and \$20.5 million represented the acquisition date fair value of contingent acquisition consideration payable. We paid \$3.0 million of the \$18.6 million in cash during December 2009. In connection with the acquisition, we agreed to pay the LEAD stockholders additional consideration in future periods of up to \$68.0 million (undiscounted) in milestone payments if certain clinical, development and sales milestones are met. In December 2010, the Medicines and Healthcare Products Regulatory Agency the United Kingdom issued a notice of acceptance for BMN-673 triggering the payment of an \$11.0 million regulatory milestone to the former LEAD stockholders.

On August 17, 2010, we acquired ZyStor, which had the compound now referred to as BMN-701, for a total purchase price of \$35.9 million, of which \$20.3 million was paid in cash, \$2.0 million was held back and \$15.6 million represented the acquisition date fair value of contingent acquisition consideration payable. The purpose of the holdback of the purchase price was to satisfy any obligations of the former ZyStor stockholders to pay any indemnification claims to BioMarin. During 2011, we recorded a reduction to goodwill of \$1.5 million related to the retention of a portion of the \$2.0 million held back at closing. The remainder of the holdback was released to the former ZyStor stockholders in the fourth quarter of 2011. In connection with the acquisition, we agreed to pay ZyStor stockholders additional consideration in future periods of up to \$93.0 million (undiscounted) in milestone payments if certain clinical, development and sales milestones are met.

**Funding Commitments**

Our investment in our product development programs and continued development of our existing commercial products has a major impact on our operating performance. Our research and development expenses during the three months ended March 31, 2012 and 2011 and during the period since inception (March 1997 for the portion not allocated to any major program) were as follows (in millions):

	Three Months Ended March 31,		Since Program
	2012	2011	Inception
Naglazyme	\$ 2.6	\$ 2.3	\$ 155.0
Kuvan	3.3	2.6	130.0
Firdapse	2.1	2.5	22.4
GALNS for MPS IV A	24.7	11.0	139.5
BMN-673	2.4	1.7	18.1
BMN-701	6.9	2.3	26.9
BMN-111	3.7	1.5	19.6
BMN-190	1.2	0.2	7.8
PEG-PAL	8.8	6.2	95.3
Not allocated to specific major current projects	18.1	14.7	425.5
<b>Totals</b>	<b>\$ 73.8</b>	<b>\$ 45.0</b>	<b>\$ 1,040.1</b>

We cannot estimate with certainty the cost to complete any of our product development programs. Additionally, except as disclosed under *Overview* above, we cannot precisely estimate the time to complete any of our product development programs or when we expect to receive net cash inflows from any of our product development programs. Please see *Risk Factors* included in our Annual Report on Form 10-K for the year ended December 31, 2011, which was filed with the SEC on February 22, 2012, for a discussion of the reasons we are unable to estimate such information, and in particular the following risk factors included in such Annual Report on Form 10-K:

*if we fail to maintain regulatory approval to commercially market and sell our drugs, or if approval is delayed, we will be unable to generate revenue from the sale of these products, our potential for generating positive cash flow will be diminished, and the capital necessary to fund our operations will be increased;*

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*to obtain regulatory approval to market our products, preclinical studies and costly and lengthy preclinical and clinical trials are required and the results of the studies and trials are highly uncertain;*

**Table of Contents**

**Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)**

*if we are unable to successfully develop manufacturing processes for our drug products to produce sufficient quantities at acceptable costs, we may be unable to meet demand for our products and lose potential revenue, have reduced margins or be forced to terminate a program;*

*if we fail to compete successfully with respect to product sales, we may be unable to generate sufficient sales to recover our expenses related to the development of a product program or to justify continued marketing of a product and our revenue could be adversely affected; and*

*if we do not achieve our projected development goals in the timeframes we announce and expect, the commercialization of our products may be delayed and the credibility of our management may be adversely affected and, as a result, our stock price may decline.*

We may elect to increase our spending above our current long-term plans and consequently we may be unable to achieve our long-term goals. This may increase our capital requirements, including: costs associated with the commercialization of our products; additional clinical trials; investments in the manufacturing of Naglazyme, Aldurazyme, Kuvan and Firdapse; preclinical studies and clinical trials for our other product candidates; potential licenses and other acquisitions of complementary technologies, products and companies; general corporate purposes; and working capital.

Our future capital requirements will depend on many factors, including, but not limited to:

our ability to successfully market and sell Naglazyme, Kuvan and Firdapse;

Genzyme's ability to continue to successfully market and commercialize Aldurazyme;

the progress, timing, scope and results of our preclinical studies and clinical trials;

the time and cost necessary to obtain regulatory approvals and the costs of post-marketing studies which may be required by regulatory authorities;

the time and cost necessary to develop commercial manufacturing processes, including quality systems and to build or acquire manufacturing capabilities;

the time and cost necessary to respond to technological and market developments;

any changes made to or new developments in our existing collaborative, licensing and other commercial relationships or any new collaborative, licensing and other commercial relationships that we may establish; and

whether our convertible debt is converted to common stock in the future.

**Off-Balance Sheet Arrangements**

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We do not have any off-balance sheet arrangements that are currently material or reasonably likely to be material to our consolidated financial position or results of operations.

We are also subject to contingent payments related to various development activities totaling approximately \$357.0 million, which are due upon achievement of certain development and commercial milestones, and if they occur before certain dates in the future.

## **Table of Contents**

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Our market risks during the three months ended March 31, 2012 have not materially changed from those discussed in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2011, which was filed with the SEC on February 22, 2012.

### **Item 4. Controls and Procedures**

#### **(a) Controls and Procedures**

An evaluation was carried out, under the supervision of and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report.

Based on the evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that the information required to be disclosed by us in the 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.

#### **(b) Change in Internal Controls over Financial Reporting**

There were no changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our most recently completed quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

None.

### **Item 1A. Risk Factors**

As of March 31, 2012, there have not been any material changes from the risk factors previously disclosed in Part 1, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which was filed with the SEC on February 22, 2012.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

### **Item 3. Defaults Upon Senior Securities.**

None.

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

None.

**Item 5. Other Information.**  
None.

**Table of Contents**

**Item 6. Exhibits.**

10.1	Lease Agreement entered into on January 6, 2012 between BioMarin Pharmaceutical Inc. and SR Corporate Center Phase Two, LLC for 770 Lindero Street, San Rafael, California, previously filed with the Commission on February 22, 2012 as Exhibit 10.34 to the Company's Annual Report on Form 10-K, which is incorporated herein by reference.
10.2	Lease Agreement entered into on January 6, 2012 between BioMarin Pharmaceutical Inc. and SR Corporate Center Phase Two, LLC for 790 Lindero Street, San Rafael, California, previously filed with the Commission on February 22, 2012 as Exhibit 10.35 to the Company's Annual Report on Form 10-K, which is incorporated herein by reference.
10.3	Severance Agreement and Release of All Claims with Jeffrey H. Cooper, dated February 21, 2012, previously filed with the SEC on February 22, 2012 as Exhibit 10.1 to the Company's Current Report on Form 8-K, which is incorporated herein by reference.
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This Certification accompanies this report and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed for purposes of §18 of the Securities Exchange Act of 1934, as amended.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Link Document

\* Furnished herewith and not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. Attached as Exhibit 101 to this report are documents formatted in XBRL (Extensible Business Reporting Language). Users of this data are advised that, pursuant to Rule 406T of Regulation S-T, the interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is otherwise not subject to liability under these sections.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BIOMARIN PHARMACEUTICAL INC.

Dated: April 30, 2012

By /S/ JEFFREY H. COOPER  
Jeffrey H. Cooper,

Senior Vice President, Chief Financial Officer  
(On behalf of the registrant and as principal financial officer)





**Table of Contents**

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