

MEDIMMUNE INC /DE
Form 10-K/A
April 30, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1933

For the fiscal year ended December 31, 2006

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 1-19131

MedImmune, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

52-1555759
(I.R.S. Employer
Identification No.)

One MedImmune Way
Gaithersburg, Maryland 20878
(Address of principal executive office)
(Zip Code)

Registrant's telephone number, including area code: (301) 398-0000

Securities Registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$.01 par value

Name of each exchange on which registered
The NASDAQ Global Market

Securities Registered pursuant to Section 12(g) of the Act: None

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

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

Aggregate market value of the 188,304,128 shares of voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price on June 30, 2006, was \$5.1 billion.* Common Stock outstanding as of April 24, 2007: 237,831,924 shares.

Documents Incorporated by Reference: None.

* Excludes 51,130,424 shares of common stock held by directors, officers and any stockholder whose ownership exceeds 5% of the shares outstanding as of June 30, 2006. Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, directly or indirectly, to direct or cause the direction of the management or policies of the registrant, or that such person is controlled by or under common control with the registrant.

MedImmune, Inc.

Form 10-K/A

(Amendment No. 1)

TABLE OF CONTENTS

<u>Explanatory Statement</u>		2
<u>Forward-Looking Statements</u>		3
	<u>PART III</u>	
<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	4
<u>Item 11.</u>	<u>Executive Compensation</u>	9
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	28
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	29
<u>Item 14.</u>	<u>Principal Accountant Fees and Services</u>	31
<u>SIGNATURE</u>		32
<u>Exhibit Index</u>		
Exhibits		

EXPLANATORY STATEMENT

MedImmune, Inc. is filing this Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 31, 2006, originally filed with the Securities and Exchange Commission on February 27, 2007 (the Original Filing), as we will not file our definitive proxy statement within 120 days of the end of the Company s fiscal year ended December 31, 2006. This Amendment No. 1 adds certain information required by the following items of Part III of Form 10-K:

Item	Description
ITEM 10.	Directors, Executive Officers and Corporate Governance
ITEM 11.	Executive Compensation
ITEM 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
ITEM 13.	Certain Relationships and Related Transactions, and Director Independence
ITEM 14.	Principal Accountant Fees and Services

We hereby amend Items 10, 11, 12, 13 and 14 of Part III of our Original Filing by deleting the text of such Items 10, 11, 12, 13 and 14 in their entirety and replacing them with the information provided below under the respective headings.

This Amendment No. 1 does not affect any other items in our Original Filing, except that we are filing as exhibits to this amendment the certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Because no financial statements are contained in this Amendment No.1, we are not including certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Except as otherwise expressly stated for the items amended in this Amendment No. 1, all other information provided in the Original Filing is unchanged. This Amendment No. 1 does not reflect events occurring after the filing of the Original Filing or modify or update the disclosures presented in the Original Filing, except in relation to the items filed in this Amendment No. 1. Accordingly, this Amendment No. 1 should be read in conjunction with our filings made subsequent to the filing of the Original Filing.

The information provided in this Amendment No. 1 continues to speak as of the date of the Original Filing. On April 23, 2007, we announced that MedImmune has entered into a definitive agreement with AstraZeneca PLC pursuant to which MedImmune is expected to merge with and into a wholly owned subsidiary of AstraZeneca at the closing of the transaction. The information provided in this Amendment No. 1 does not take into account the merger transaction and the expected changes to our corporate governance, executive compensation and any other information that may be changed as a result of the merger transaction and assumes that we are and continue to be an independent company.

All references to the Company, we , us , or our shall refer to MedImmune, Inc.

FORWARD-LOOKING STATEMENTS

The statements in this Amendment No. 1 to the annual report on Form 10-K that are not descriptions of historical facts may be forward-looking statements. Those statements involve substantial risks and uncertainties. You can identify those statements by the fact that they contain words such as anticipate, believe, estimate, expect, intend, project or other terms of similar meaning. Those statements reflect management's current beliefs, but are based on numerous assumptions, over which MedImmune may have little or no control and that may not develop as MedImmune expects. Consequently, actual results may differ materially from those projected in the forward-looking statements. Among the factors that could cause actual results to differ materially are the risks, uncertainties and other matters discussed under Item 1A. Risk Factors in the Original Filing. Unless otherwise indicated, the information in this Amendment No. 1 is as of December 31, 2006 and such information will not be updated as a result of new information or future events.

PART III**Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE****Board of Directors**

The table below shows the name and age, as of the filing date, of each of the directors, any positions and offices held by each with MedImmune, and the period during which each has served as a director.

Name	Age	Position Held	Served as Director Since
Wayne T. Hockmeyer, Ph.D.	62	Chairman(1*); President, MedImmune Ventures, Inc.	1988
David M. Mott	41	Chief Executive Officer, President and Vice Chairman(1)	1995
David Baltimore, Ph.D.	69	Director(2),(3)	2003
M. James Barrett, Ph.D.	64	Director(1),(3*), (4), (5)	1988
James H. Cavanaugh, Ph.D.**	70	Director(1),(5*), (6*)	1990
Barbara Hackman Franklin	67	Director(1),(4*), (5), (6)	1995
Robert H. Hotz	62	Director(2),(5)	2007
George M. Milne, Jr., Ph.D.	63	Director(5),(6)	2005
Elizabeth H.S. Wyatt	59	Director(2*), (3), (4)	2002

- (1) Member of the Executive Committee
- (2) Member of the Investment Committee
- (3) Member of the Compliance Committee
- (4) Member of the Audit Committee
- (5) Member of the Compensation and Stock Committee
- (6) Member of the Corporate Governance and Nominating Committee

* Chairperson of indicated committee

** Lead Independent Director

Dr. Hockmeyer founded MedImmune, Inc. in April 1988 as President and Chief Executive Officer and was elected to serve on the Board of Directors in May 1988. Dr. Hockmeyer became Chairman of the Board of Directors in May 1993. He relinquished his position as Chief Executive Officer in October 2000 and now serves as the Chairman of the Board of Directors of MedImmune, Inc. and President of MedImmune Ventures, Inc. Dr. Hockmeyer earned his bachelor's degree from Purdue University and his Ph.D. from the University of Florida in 1972. Dr. Hockmeyer was recognized in 1998 by the University of Florida as a Distinguished Alumnus and in 2002, he was awarded a Doctor of Science *honoris causa* from Purdue University. Dr. Hockmeyer is a member of the Maryland Economic Development Commission and the Maryland Governor's Workforce Investment Board (GWIB). He is a member of the board of directors of the publicly traded biotechnology companies Advancis Pharmaceutical Corp., GenVec, Inc. and Idenix Pharmaceuticals, Inc. He also serves on the boards of several educational and philanthropic organizations and the boards of certain private companies consistent with his responsibilities as President of MedImmune Ventures, Inc.

Mr. Mott was appointed Chief Executive Officer in October 2000 and was also appointed President in February 2004. He joined MedImmune in April 1992 as Vice President with responsibility for business development, strategic planning and investor relations. In 1994, Mr. Mott assumed additional responsibility for the medical and regulatory groups, and in March 1995 was appointed Executive Vice

President and Chief Financial Officer. In November 1995, Mr. Mott was appointed to the position of President and Chief Operating Officer and was elected to the Board of Directors. In October 1998, Mr. Mott was appointed Vice Chairman. Mr. Mott is a member of the board of the Biotechnology Industry Organization (BIO), MdBIO, Inc. and the High Tech Council of Maryland. He also serves on the Board of Governors of Beauvoir, the National Cathedral Elementary School. Mr. Mott holds a bachelor of arts degree from Dartmouth College.

Dr. Baltimore has been a director of MedImmune since August 2003. From 1997 to 2006, Dr. Baltimore was President of the California Institute of Technology and he is currently a Professor. From 1996 to 2002, he was the Chairman of the National Institutes of Health AIDS Vaccine Research Committee. From 1995 to 1997, Dr. Baltimore was an Institute Professor at the Massachusetts Institute of Technology (MIT), and from 1994 to 1997, the Ivan R. Cottrell Professor of Molecular Biology and Immunology at MIT. Previously, Dr. Baltimore was a Professor at Rockefeller University from 1990 to 1994, and was Rockefeller's President from 1990 through 1991. He also served as founding director of the Whitehead Institute for Biomedical Research at MIT from 1982 to 1990. Dr. Baltimore's honors include a 1975 Nobel Prize for his work in virology, the 1970 Gustave Stern Award in Virology, the 1971 Eli Lilly and Co. Award in Microbiology and Immunology, the 1999 National Medal of Science, and the 2000 Warren Alpert Foundation Prize. He was elected to the National Academy of Sciences in 1974, and is also a fellow of the American Academy of Arts and Sciences, the American Association for the Advancement of Science, and the American Academy of Microbiology. He is serving as President of the American Association for the Advancement of Science for 2007. Dr. Baltimore currently serves on the boards of directors of publicly traded companies Amgen, Inc. and BB Biotech, AG, a Swiss investment company. Dr. Baltimore holds a bachelor's degree from Swarthmore College, and a doctorate from Rockefeller University.

Dr. Barrett has been a director of MedImmune since 1988. He is the Chairman of the Board of Sensors for Medicine and Science, Inc., which he founded, and is a General Partner of New Enterprise Associates. From January 1997 to September 2001 he served as Chairman of the Board and Chief Executive Officer of Sensors for Medicine and Science, Inc. From July 1987 to September 1996, he was Chief Executive Officer and a director of Genetic Therapy, Inc. From 1982 to July 1987, Dr. Barrett served as President of Life Technologies, Inc. and its predecessor, Bethesda Research Laboratories, Inc. Prior to 1982, he was employed at SmithKline Beecham Corporation for 13 years, where he held a variety of positions, including President of its In Vitro Diagnostic Division and President of SmithKline Clinical Laboratories. Dr. Barrett serves on the boards of directors of publicly traded companies Pharmion, Inc., Inhibitex, Inc., Iomai Corporation, YM Bioscience, Inc., and Targacept, Inc. He also serves on the boards of directors of a number of private companies. Dr. Barrett holds a doctorate in biochemistry from the University of Tennessee and a master's degree in business administration from the University of Santa Clara.

Dr. Cavanaugh has been a director of MedImmune since September 1990 and has been a General Partner of HealthCare Ventures LLC since 1989. He has been designated as the Lead Independent Director of our Board of Directors. From March 1985 to February 1989, Dr. Cavanaugh served as President of SmithKline and French Laboratories U.S., Inc., and as President of SmithKline Clinical Laboratories from 1981 to 1985. Prior thereto, Dr. Cavanaugh was the President of Allergan International, a specialty eye care company. Prior to his industry experience, Dr. Cavanaugh was Deputy Assistant to the President for Domestic Affairs and Deputy Chief of the White House Staff. Before his White House tour, he served as Deputy Assistant Secretary for Health and Scientific Affairs in the U.S. Department of Health, Education and Welfare and as Special Assistant to the Surgeon General of the U.S. Public Health Service. Dr. Cavanaugh currently serves as Trustee Emeritus of the California College of Medicine. He has served on the Board of Directors of the National Venture Capital Association, Pharmaceutical Research and Manufacturers Association, Unihealth America, the Proprietary Association and on the Board of

Trustees of the National Center for Genome Resources. He was a Founding Director of the Marine National Bank in Santa Ana, California. Dr. Cavanaugh currently serves as Chairman of the Board of Directors of publicly traded companies Shire PLC and Diversa Corp., and as a member of the Board of Directors of publicly traded Advancis Pharmaceutical Corp. Dr. Cavanaugh also serves on the boards of directors of several private health care and biotechnology companies. Dr. Cavanaugh holds a doctorate and a master's degree from the University of Iowa and a bachelor of science degree from Fairleigh Dickinson University.

Ms. Franklin has been a director of MedImmune since November 1995. She is President and Chief Executive Officer of Barbara Franklin Enterprises, a private investment and management consulting firm in Washington, D.C. that she founded in January 1995. Between January 1993 and January 1995, she was a lecturer and served as a director of various corporations and organizations. Ms. Franklin served as the 29th U.S. Secretary of Commerce from 1992-1993. Prior to that appointment, she was President and Chief Executive Officer of Franklin Associates, a management consulting firm which she founded in 1984. Ms. Franklin was a Senior Fellow of the Wharton School of Business (1979-1988), an original Commissioner and Vice Chair of the U.S. Consumer Product Safety Commission (1973-1979), and a staff assistant to the President of the U.S. (1971-1973). Prior to that, she held executive positions at Citibank and the Singer Company. She is Chairman of the Economic Club of New York, Vice Chair of the US-China Business Council, a director of the National Association of Corporate Directors, and a member of the Public Company Accounting Oversight Board Advisory Council. She is a past director of the Nasdaq Stock Market, Inc. and the American Institute of CPAs. She received an Outstanding Director award from the Outstanding Director Exchange (2003), Director of the Year by the National Association of Corporate Directors (2000), and was awarded the John J. McCloy award for her contributions to audit excellence (1992). Ms. Franklin currently serves on the board of directors of publicly traded companies Aetna Inc., The Dow Chemical Company, GenVec, Inc., and Washington Mutual Investors Fund. She graduated from the Pennsylvania State University with distinction and earned an MBA from the Harvard Business School.

Mr. Hotz has been a director of MedImmune since March 2007. He is the Co-Chairman, Senior Managing Director and Co-Head of Corporate Finance of Houlihan Lokey Howard & Zukin. He also serves as a member of Houlihan Lokey's Board of Directors and the Operating Committee, having joined Houlihan Lokey in 2002. From 1997 through 2002, Mr. Hotz served with UBS, ultimately becoming Senior Vice Chairman, Investment Banking for the Americas. For most of his career, Mr. Hotz managed the corporate finance departments of major investment banks. Mr. Hotz serves as a director of publicly held companies Pep Boys - Manny, Moe & Jack and Universal Health Services, Inc. Mr. Hotz holds an undergraduate degree from Rutgers University and received his MBA from Cornell University.

Dr. Milne has been a director of MedImmune since April 2005, and previously served on our Scientific Advisory Board from January 2004 until March 2005. From 1970 to July 2002, Dr. Milne held various management positions with Pfizer Corporation, including most recently Executive Vice President, Pfizer Global Research and Development and President, Worldwide Strategic and Operations Management. Dr. Milne was also a Senior Vice President of Pfizer Inc. and a member of the Pfizer Management Council. He was President of Central Research from 1993 to July 2002 with global responsibility for Pfizer's Human and Veterinary Medicine Research and Development. Dr. Milne currently serves as a Venture Partner with Radius Ventures and also serves on the board of directors of publicly traded companies Aspreva Pharmaceuticals, Inc., Charles River Laboratories, Inc. and Mettler-Toledo International, Inc.

Ms. Wyatt has been a director of MedImmune since February 2002. Ms. Wyatt retired in December 2000 from Merck & Co., Inc. where she had headed Merck's worldwide product and technology acquisition activities as Vice President of Corporate Licensing. Ms. Wyatt joined Merck in 1980 and was responsible for many of its major agreements. Previously she had been a consultant and an academic administrator responsible, for example, for the Harvard Business School's first formal marketing of its

executive education programs. She currently serves on the Board of Directors of Sweet Briar College. Ms. Wyatt also serves on the boards of directors of public companies Neose Technologies, Inc., Ariad Pharmaceuticals, Inc., and The Medicines Company. Ms. Wyatt graduated with a bachelor of arts *magna cum laude* and Phi Beta Kappa from Sweet Briar College, earned a master's degree in education from Boston University and a master's degree in business administration with honors from the Harvard Business School.

Board Size, Committees and Meetings

The Board of Directors is composed of nine members. On January 30, 2007, Mr. Gordon S. Macklin, a member of the Board of Directors died. During 2006 and until his death, Mr. Macklin served as the Chair and member of the Investment Committee and also served as a member of the Audit Committee and the Compensation and Stock Committee. On March 30, 2007, the Board of Directors appointed Mr. Robert H. Hotz as a member of the Board of Directors. Mr. Hotz was also appointed to serve in the Compensation and Stock Committee and the Investment Committee.

Committees of the Board of Directors consist of the Audit Committee, the Compensation and Stock Committee, the Corporate Governance and Nominating Committee, the Investment Committee, the Compliance Committee and the Executive Committee. All of these committees operate under a written charter which sets the functions and responsibilities of that committee. A copy of the charter for each committee can be found on our website at www.medimmune.com. More information concerning each of the committees is set forth below.

The Audit Committee oversees matters relating to the adequacy of our controls and financial reporting process and the integrity of our financial statements, our compliance with legal requirements relating to financial disclosure, the qualifications and independence of our independent registered public accountants and the effectiveness of our internal audit function and independent registered public accountants. The Audit Committee also reviews audit plans and procedures, changes in accounting policies and the use of the independent registered public accountants for any non-audit services. In addition, the Audit Committee reviews any related party transactions in which we are involved, if any. The Audit Committee is also responsible for establishing procedures for the receipt, retention and treatment of any complaints we receive regarding accounting, internal accounting controls or auditing matters and any confidential, anonymous submissions by our employees regarding concerns of questionable accounting or auditing matters. The Board has determined that Ms. Franklin, Dr. Barrett and Mr. Macklin qualified as audit committee financial experts as defined by the rules of the U.S. Securities and Exchange Commission (the Securities and Exchange Commission). The members of the Audit Committee are Ms. Franklin (Chair), Dr. Barrett and Ms. Wyatt. During 2006, the Audit Committee met ten times.

The Compensation and Stock Committee determines the compensation and benefits of our executive officers and establishes general policies relating to compensation and benefits of our employees. The Compensation and Stock Committee is also responsible for administering our stock incentive plans in accordance with the terms and conditions set forth therein. The members of the Compensation and Stock Committee are Dr. Cavanaugh (Chair), Dr. Barrett, Ms. Franklin, Mr. Hotz and Dr. Milne. During 2006, the Compensation and Stock Committee met five times.

The Corporate Governance and Nominating Committee oversees matters regarding our corporate governance and the composition and effectiveness of the Board of Directors. The Corporate Governance and Nominating Committee's responsibilities include identifying, reviewing qualifications of and making recommendations with respect to potential nominees to fill open positions on the Board of Directors. The Corporate Governance and Nominating Committee also considers qualifications of nominees recommended by MedImmune stockholders. If you wish to recommend a nominee, you may do so by writing to the Board of Directors, care of the Corporate Secretary, following the procedure described in

the Report of the Corporate Governance and Nominating Committee below. The members of the Corporate Governance and Nominating Committee are Dr. Cavanaugh (Chair), Ms. Franklin and Dr. Milne. During 2006, the Corporate Governance and Nominating Committee met five times.

The Investment Committee is responsible for overseeing our investment portfolio. The Investment Committee reviews our investment policy, oversees the performance of the MedImmune Ventures funds, and evaluates the performance of our investment portfolio. The members of the Investment Committee are Ms. Wyatt (Chair), Dr. Baltimore and Mr. Hotz. During 2006, the Investment Committee met one time.

The Compliance Committee oversees our compliance with laws and regulations relating to the research, development, manufacture and marketing of our products. The members of the Compliance Committee are Dr. Barrett (Chair), Dr. Baltimore and Ms. Wyatt. During 2006, the Compliance Committee met four times.

The Executive Committee is responsible for matters that may arise from time to time between regular meetings of the Board of Directors. The members of the Executive Committee are Dr. Hockmeyer (Chair), Dr. Barrett, Dr. Cavanaugh, Ms. Franklin and Mr. Mott. During 2006, the Executive Committee met one time.

During 2006, the Board of Directors met ten times. All directors attended more than 75% of the 2006 meetings of the Board and the Committees on which they serve.

Executive Officers

Required disclosures regarding our executive officers have been presented under Executive Officers included in Part I, Item 1 of the Original Filing, to which reference is hereby made. Executive officers are elected to serve, subject to the discretion of the Board of Directors, until their successors are appointed.

Global Standards of Business Conduct and Ethics

We have adopted Global Standards of Business Conduct and Ethics that are applicable to all of our directors and employees, including the Principal Executive Officer, the Principal Financial Officer and the Principal Accounting Officer. These Global Standards meet the criteria for a code of ethics under the rules of the Securities and Exchange Commission and a code of conduct under the Marketplace rules of Nasdaq. These Global Standards are available on our website at www.medimmune.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers to file reports of ownership and changes in ownership of our common stock with the SEC, with a copy delivered to us. Based on our review of the Section 16(a) reports and written representations from the executive officers and directors, we believe that our officers and directors complied on a timely basis with reporting requirements applicable to them for transactions in 2006, except for Forms 4 filed on July 6, 7 and 10, 2006, relating to the issuance of stock options on June 30, 2006 for each of the non-executive directors, namely Ms. Franklin, Mr. Milne, Ms. Wyatt, Dr. Barrett, Mr. Macklin, Dr. Cavanaugh and Dr. Baltimore.

Item 11. *EXECUTIVE COMPENSATION*

Compensation Committee Interlocks and Insider Participation

During the fiscal year ended December 31, 2006, the Compensation and Stock Committee consisted of Dr. Cavanaugh (Chair), Dr. Barrett, Mr. Macklin, Ms. Franklin and Dr. Milne. None of these directors had any contractual or other relationships with us during the fiscal year except serving as directors.

Report of the Compensation and Stock Committee

The Compensation and Stock Committee (the Compensation Committee) has furnished the following report on compensation for fiscal year 2006 for the Chief Executive Officer and the other executive officers listed on the Summary Compensation Table (the Named Executive Officers) of this report. The Compensation Committee is composed of independent members of the Board of Directors. The primary mission of the Compensation Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the compensation of the company's senior executives. In that regard, the Compensation Committee establishes executive compensation policies and administers the company's executive compensation programs, including the compensation of the Named Executive Officers. The Compensation Committee is also responsible for administering the company's incentive compensation as well as equity-based incentive plans.

The Compensation Committee has retained an independent consulting firm, Towers Perrin, to assist it in fulfilling its responsibilities. The independent consultant is engaged by, and reports to, the Compensation Committee. In 2006, the independent consultant was engaged for the purpose of conducting a review of the competitiveness of the executive compensation program for members of MedImmune's executive management team, presenting data on industry compensation trends, specific data relative to each member of senior management and compiling tally sheets that provided the Compensation Committee with detailed information on the total compensation and benefits provided to the Named Executive Officers.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis section provided below. Based on such review and discussions with the independent consultant and the company's management, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis should be included in this Amendment No. 1 to MedImmune's annual report on Form 10-K for the fiscal year ended December 31, 2006.

Compensation and Stock Committee

James H. Cavanaugh, Ph.D. (Chair)
M. James Barrett, Ph.D.
Barbara Hackman Franklin
George M. Milne, Jr., Ph.D.

Compensation Discussion and Analysis

Overall Executive Compensation Objectives

MedImmune has five key objectives for its executive compensation program:

- Attracting, motivating and retaining talented executives with significant industry experience by targeting total compensation opportunities at the 50th percentile of our comparator groups, with an opportunity to earn above the 50th percentile based on company and individual performance;
- Delivering the majority of senior executives' compensation through performance-based pay, no significant perquisites and limited use of supplemental executive benefits;
- Emphasizing long-term equity awards to link compensation to shareholder returns as evidenced by a compensation program in which long-term equity represents more than 70% of the annual compensation opportunity for senior executives;
- Providing performance-based annual incentive awards tied to the successful progress toward and achievement of the company's long-term strategic objectives, individual objectives and the attainment of annual goals; and
- Maintaining a program that supports the company's core values, is easy for participants to understand and does not present unusual complexities to administer.

Peer Group and Targeted Competitiveness

In order to attract and retain a highly skilled executive team, the Compensation Committee believes that MedImmune's compensation practices must remain competitive with those of other employers for which MedImmune competes for talent. In evaluating compensation levels, the Compensation Committee relies on compensation data from two peer groups: (i) leading biotechnology companies (the "Top Biotech" peers) and (ii) a broader group of biotechnology, pharmaceutical and life sciences companies (the "All Bio/Pharma" sample). The Top Biotech peers include both "core" peers which are the largest biotech companies in terms of market capitalization and sales, and "emerging" peers which are other biotech companies, which over time are expected to increasingly compete with us for executive talent. For 2006,

- The "core" peers were: Amgen Inc., Genentech, Inc., Genzyme Corporation, Biogen Idec Inc., Gilead Sciences, Inc., Shire PLC, Cephalon, Inc., Sepracor Inc., Millennium Pharmaceuticals, Inc., Celgene Corporation, and Imclone Systems Inc.
- The "emerging" peers were: PDL Biopharma, Inc., OSI Pharmaceuticals, Inc., Alkermes, Inc., Vertex Pharmaceuticals Inc., Amylin Pharmaceuticals, Inc., and Human Genome Sciences, Inc.

Additionally, we collect data from the "All Bio/Pharma" sample, which included forty-nine biotechnology, pharmaceutical and life sciences companies. The "All Bio/Pharma" sample provides us with perspective on compensation levels and trends beyond the direct biotechnology industry, including perspective on levels and trends among pharmaceutical companies against which MedImmune periodically competes for executive talent.

The Compensation Committee targets the median pay levels of the corresponding positions as a guideline for setting base salaries, annual incentives and equity-based long-term incentives. To the extent information about a specific position is not disclosed by peers or proxy data is insufficient, survey data is acquired by the Compensation Committee as an alternative tool for evaluating levels of executive compensation.

Elements of the Compensation Program

Base Salary

We choose to pay base salaries based on competitive practice and to provide executives with an annual income based on the services they provide to the company. Base salaries are generally targeted at the median of the peer groups identified above. However, actual base salary levels may be adjusted above or below the median based on a variety of factors, including an executive's past performance and supply and demand for the executive's position in light of the skills required to carry out the job function. Additionally, MedImmune believes that individual performance of senior executives can have significant impact on overall company results. Therefore, when making salary increase decisions, the Compensation Committee considers both individual performance and the company's overall results for the prior year in relation to our specified goals and objectives. While there is no formula to determine the magnitude of salary increases, both individual and overall company performance factor explicitly into salary increase decisions (in addition to the peer compensation and economic data).

Performance-based Annual Incentive Awards

We choose to pay performance-based annual incentive awards in order to motivate and reward executive officers for the achievement of MedImmune's strategic and financial goals. MedImmune establishes these performance-based incentive award targets, expressed as a percentage of salary, that range from 40% to 80% for senior executives and 100% for the Chief Executive Officer. The performance-based incentive award targets are set based on median peer group data. Actual awards can be above or below the target incentive award opportunity, based on the extent to which MedImmune achieves its performance objectives and the individual executive achieves his or her personal goals.

For the Chief Executive Officer, 60% of the target incentive opportunity is based on overall company results and the remainder 40% is based on individual performance; for the other Named Executive Officers, 40% to 50% of the target incentive opportunity is based on overall company results with the remainder based on individual performance. For the 2007 fiscal year, the weight given to company results to determine target incentive will be increased to 70% for the Chief Executive Officer and 50% to 60% for the other Named Executive Officers.

In terms of company goals used in the annual incentive plan, MedImmune's philosophy is that progress against long-term strategic goals is the most critical objective for the company and its executive officers. Thus, performance against long-term strategic goals receives the greatest weight, although there is still significant weighting on annual financial goals such as sales growth, expense management and earnings performance. The long-term strategic focus of the company is generally represented by the following categories of objectives:

- **Commercial Objectives:** increasing product sales, improving margins, identifying markets and expanding capabilities, and improving manufacturing, distribution and supply chains for marketed products;
- **Research & Development (R&D) Objectives:** achieving regulatory and development milestones for critical late-stage clinical programs, initiating new preclinical and clinical studies, expanding strategic alliances, and expanding and securing intellectual property protection; and
- **Infrastructure and Organizational Objectives:** streamlining business processes to create sustainability and scalability, managing capital investments, operational budgets and corporate expansion, including human resource and capital asset growth.

More specifically, the annual objectives that MedImmune focused on for fiscal 2006 to support the strategic direction of the company included:

- Supporting the growth of Synagis, Ethyol, FluMist and CytoGam;
- Developing FluMist as a better influenza vaccine;
- Developing Numax as a differentiated successor to Synagis;
- Bringing two additional products to market by 2010;
- Elevating science and evolving R&D governance; and
- Continuing to develop our people, processes and culture.

Payout amounts are based on the Compensation Committee's final evaluation of the company's overall progress against these specified long-term strategic goals, key metrics and individual executives' contributions to that progress. Each year, the evaluation process is facilitated through the use of a company rating scorecard. Early in the year, management consults with the Compensation Committee to establish the goals and metrics identified in the scorecard. At year-end, progress against the pre-established scorecard is evaluated and approved by the Compensation Committee.

While evaluating performance, the Compensation Committee took into consideration the factors and results outlined below prior to awarding 2006 performance-based incentive awards. Highlights included:

- Progress against the pre-established goals articulated in the company scorecard.
- Supporting continued growth of marketed products

Upgraded and strengthened the sales and marketing infrastructure for Synagis; commercial execution - successfully transitioned promotional efforts from the Ross Products Division of Abbott Laboratories to MedImmune, achieved \$300 million milestone of international end user Synagis sales, initiated end-to-end optimization of supply chain, and successfully completed new Cytogam manufacturing licensure

- Developing Numax as a differentiated successor to Synagis

Met targets focused on delivering a differentiated product and continued optimization of the product development process

- Developing FluMist as a better flu vaccine

Secured cell culture contract with the United States Department of Health & Human Services, substantially met targets focused on delivering US launch in 2007, and submitted sBLA for expanded indication

- Bringing two additional products to market by 2010

Merck's human papillomavirus vaccine (HPV) was approved by the Food and Drug Administration in June 2006, utilizing MedImmune's virus-like particle technology

Successfully managed the MedImmune Ventures portfolio, strategically targeted new investments and liquidated certain existing investments, strategically invested in facilities, and effectively managed product portfolio through in-licensing new programs and out-licensing existing programs

- Elevating science and evolving R&D governance

Implemented a portfolio management strategy and new evaluation processes, and enhanced R&D governance infrastructure through re-staffing/restructuring and redefining roles internally

12

- Developing people, process and culture

Significant strides implemented strategies targeting the development of enterprise-wide talent, initiated revamp of publications process and Phase 4 design and execution processes

- Key Metrics/Targets
- Grow revenue to \$1.4 billion actual revenue was \$1.3 billion
- Achieve diluted earnings per share (excluding share-based compensation) of \$0.40 0.50 actual diluted earnings per share (excluding share-based compensation) was \$0.30
- Manage capital investment of \$175 million actual capital investment was \$133 million
- Manage headcount growth to 8-10% - actual headcount growth was 7%

Product sales volume results for the 2005/2006 RSV (respiratory syncytial virus) season as reported at mid-year were approximately 92% of the target plan. As a result, commission payouts to the field sales force employees were reduced by approximately 50% on average as compared to the target. In addition, several sales managers received no commission payout following the 2005/2006 RSV season. Further, several actions were taken by executive management to address the shortfall and reposition the company's sales and marketing organization, including leadership and organizational changes. Where appropriate, 2006 performance-based incentive award payouts to the Named Executive Officers also reflect a discount to target.

Two additional items to note in relation to 2006 performance relate to: (i) the substantially better than expected returns generated by the MedImmune Ventures portfolio in 2006, and (ii) the decisions made by our Board of Directors to execute several discretionary business development transactions which negatively impacted our earnings per share. The alliances we entered into with Infinity Pharmaceuticals, Inc. and BioWa, Inc. alone resulted in up-front expenditures of \$85 million, thereby lowering our diluted earnings per share.

Based on these accomplishments and factors, we awarded performance-based incentive awards to the Named Executive Officers as follows:

Name	Target Award as a % of Base	Actual Payout	Actual Payout as a % of Target Award
David M. Mott			