

Biogen (Denmark) Manufacturing ApS

Biogen Allé 1, 3400 Hillerød

CVR no. 26 06 07 02

Annual report 2016

Approved at the annual general meeting of shareholders on 29 May 2017

Chairman:

.....
Muna Yahaya



Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Company details	5
Financial highlights	6
Management commentary	7
Financial statements for the period 1 January - 31 December	10
Income statement	10
Balance sheet	11
Statement of changes in equity	13
Notes to the financial statements	14

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Bløgen (Denmark) Manufacturing ApS for the financial year 1 January - 31 December 2016.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 29 May 2017
Executive Board:



Lars Petersen

Board of Directors:



Inga Birgitte Thygesen
Chairman



Allan Frank Fischer
Petersen



Lars Petersen

Independent auditor's report

To the shareholders of Biogen (Denmark) Manufacturing ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Biogen (Denmark) Manufacturing ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's review and, in doing so, consider whether Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act, except for CSR policies and results, which are described by reference to a group report that will not be available until June 2017. This is not in accordance with the requirements of the Danish Financial Statement Act.

Management's responsibilities for the financial statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 29 May 2017
PRICEWATERHOUSECOOPERS
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31


Torben Jensen
state authorised public accountant


Rikke Lund-Kühl
state authorised public accountant

Management's review

Company details

Name	Biogen (Denmark) Manufacturing ApS
Address, Postal code, City	Biogen Allé 1, 3400 Hillerød
CVR no.	26 06 07 02
Established	1 June 2001
Registered office	Hillerød
Financial year	1 January - 31 December
Website	www.biogen.dk
Telephone	+45 77 41 60 00
Telefax	+45 77 41 60 70
Board of Directors	Inga Birgitte Thygesen, Chairman Allan Frank Fischer Petersen Lars Petersen
Executive Board	Lars Petersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44, 2900 Hellerup

Management's review

Financial highlights

DKK'000	2016	2015	2014	2013	2012
Key figures					
Revenue	1,275,316	1,160,163	1,153,760	1,054,130	660,824
Operating profit/loss	152,955	-223,628	160,276	135,606	65,857
Net financials	-13,522	37,148	22,503	-6,889	620
Profit/loss for the year	109,185	-124,280	141,254	102,686	49,803
Total assets					
Investment in property, plant and equipment	193,078	756,407	417,653	165,635	193,567
Equity	3,598,246	3,489,061	3,613,340	3,472,087	3,512,401
Financial ratios					
Operating margin	12.0%	-19.3%	13.9%	12.9%	10.0%
Gross margin	17.9%	14.3%	22.2%	20.3%	22.1%
Return on assets	3.4%	-5.3%	4.1%	3.6%	1.7%
Solvency ratio	76.1%	79.5%	88.9%	91.8%	93.3%
Return on equity	3.1%	-3.5%	4.0%	2.9%	1.4%
Average number of employees					
	596	608	552	483	375

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Management commentary

Business review

Biogen (Denmark) Manufacturing ApS main activities are production of pharmaceutical drug substance, packaging, labeling and quality control.

The company is part of US-based Biogen Inc. working with development, manufacturing and marketing of innovative therapies within neurology and other therapeutic areas.

Financial review

The Company's income statement for the year ended 31 December 2016 shows a net profit of DKK 109,2 million and the balance sheet at 31 December 2016 shows equity of DKK 3.598,2 million.

2016 has been in line with expectations.

During 2016, the Company employed an average of 596 full-time employees, compared to an average of 608 full-time employees in 2015.

The current year's revenue, DKK 1.275,3 million, primarily derives from contract manufacturing fees related to bulk production and labeling and packaging of biological products, as well as related quality control activities.

Net profit/loss for the year compared with the expectations in the latest Annual Report

The net profit for the year is influenced by a tax adjustment between Denmark and US for the years 2008 and 2009 of net DKK 24,9 million affecting operating profit/loss. Adjusted for this one-time amount under other operating income the result is in line with expectation for the year.

Special risks

For biotech companies the most significant risks relate to the generally large degree of uncertainty in relation to research and development of new products and the strong public regulations governing the industry, including the market conditions for sale of pharmaceuticals.

The group's risk management is carried out by central treasury department. Biogen (Denmark) Manufacturing ApS have no risk from usage and management of financial instruments. Neither is the company profit/loss significantly impacted from foreign exchange risk as most costs are in local currency and recharging within the company is in local currency as well.

Knowledge resources

Biogen (Denmark) Manufacturing ApS is operating in the area of biotechnological products with a high degree of specialised knowledge.

Production and infrastructure are subject to the health authorities' strict product requirements relating to drugs for patient treatment purposes. In June 2013 the pharmaceutical (drug substance) production received licensure from the authorities to be able to do commercial production.

Recognition and measurement uncertainties

None.

Unusual matters having affected the financial statements

None.

Events after the balance sheet date

Since the end of the financial year and until this date, there have been no events, which materially change the presentation of the annual report.

Management's review

Management commentary

Outlook

The expectation is that the activities in the labelling & packaging and associated quality functions will continue at approximately the same level in 2017, although this will be subject to demand-based fluctuations inherent in the pharmaceutical industry.

The pharmaceutical production is expected to increase in 2017 due to increased utilization of the second purification suite gone into service during 2016. Net profit/loss for 2017 is expected to be between DKK 140-170 million.

Statutory CSR report

Corporate, Environmental, and Social Responsibility

Biogen is an active participant in Pharmaceutical Supply Chain Initiatives (PSCI), and supports the Principles, which align with international frameworks and standards, including the United Nations Global Compact. PSCI is a group of major pharmaceutical companies that share a vision of better social, economic and environmental outcomes as documented in the Pharmaceutical Industry Principles for Responsible Supply Chain Management.

Environmental

Biogen (Denmark) Manufacturing ApS works to ensure more sustainable production. The Company is subject to public regulations according to the Danish Environmental Protection Act, including regulations relating to discharge of waste water from production equipment and disposal of materials used in the production unit, labelling & packaging or laboratory. At group level, the Company is taking additional initiatives aimed at more sustainable consumption of energy and water, reuse of materials and environmentally-friendly disposal of waste.

Human rights

In every country where we operate, Biogen follows all laws, regulations and international conventions related to human rights, including the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy and the Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises. The expectation to adhere to laws and regulations is outlined in our Code of Business Conduct.

Suppliers are also subject to our code. Additionally, we are working to improve the monitoring and enforcement of human rights in our supply chain through participation in the Pharmaceutical Supply Chain Initiative.

Society

We have not identified any operations with significant potential or actual negative impacts on local communities. At our major locations, we have procedures in place to help ensure that the impact of our operations on our local communities remains minimal. These include environmental assessments and traffic flow strategies. We also positively impact the communities where we live and work through our community programs.

Our production of pharmaceutical drugs for treatment of diseases with few treatments available and our interest in the community has increased our opportunities for attracting skilled and diversified labor. By the end of 2016, the workforce had increased to 651 full-time employees, of which a number of employees of non-Danish origin.

The information on global strategies, commitments and efforts regarding social responsibility and sustainability are published in the Biogen Annual report available at <https://manufacturing.biogen.dk/da/responsibility/transparency.html>. The Biogen Corporate Citizenship Report for 2016 is expected to be available from June 2017.

Management's review

Management commentary

Account of the gender composition of Management

The supervisory board consist of 2 male (67%) and 1 female (33%). Since the supervisory board consist of 3 persons it not possible to get a more equal composition between the genders and therefore we considered this to be equally represented. The expectation going forward is an equally representation of genders to be continued.

The site leadership team currently consists of 42% female and 58% male and the gender composition is therefore considered to be equally represented. The expectation going forward is an equally representation of genders to be continued.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2016	2015
2	Revenue	1,275,316	1,160,163
3, 4	Production costs	-1,046,972	-993,992
	Gross margin	228,344	166,171
3, 4	Administrative expenses	-88,694	-92,157
	Operating profit	139,650	74,014
	Other operating income	24,947	87,314
5	Other operating expenses	-11,642	-384,956
	Profit/loss before net financials	152,955	-223,628
6	Financial income	193	63,539
7	Financial expenses	-13,715	-26,391
	Profit/loss before tax	139,433	-186,480
8	Tax for the year	-30,248	62,200
	Profit/loss for the year	109,185	-124,280

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Fixed assets		
9	Intangible assets		
	Acquired intangible assets	12,798	8,644
		<u>12,798</u>	<u>8,644</u>
10	Property, plant and equipment		
	Land and buildings	2,177,196	1,867,108
	Other fixtures and fittings, tools and equipment	1,791,490	1,310,075
	Leasehold improvements	2,341	3,078
	Property, plant and equipment in progress	90,980	987,293
		<u>4,062,007</u>	<u>4,167,554</u>
	Total fixed assets	<u>4,074,805</u>	<u>4,176,198</u>
	Non-fixed assets		
	Receivables		
	Receivables from group entities	631,688	35,646
	Income taxes receivable	0	96,238
	Other receivables	0	67,300
11	Prepayments	3,141	4,612
		<u>634,829</u>	<u>203,796</u>
	Cash	21,160	11,092
	Total non-fixed assets	<u>655,989</u>	<u>214,888</u>
	TOTAL ASSETS	<u>4,730,794</u>	<u>4,391,086</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	390	390
	Retained earnings	3,597,856	3,488,671
	Total equity	3,598,246	3,489,061
	Provisions		
13	Deferred tax	163,034	129,754
	Total provisions	163,034	129,754
	Liabilities		
	Current liabilities		
	Trade payables	104,398	148,708
	Payables to group entities	693,923	479,515
	Income taxes payable	15,467	15,467
	Other payables	155,726	128,581
		969,514	772,271
	Total liabilities other than provisions	969,514	772,271
	TOTAL EQUITY AND LIABILITIES	4,730,794	4,391,086

- 1 Accounting policies
- 14 Contractual obligations and contingencies, etc.
- 15 Related parties
- 16 Fee to the auditors appointed by the Company in general meeting

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2015	390	3,612,951	3,613,341
17 Transfer, see "Appropriation of loss"	0	-124,280	-124,280
Equity at 1 January 2016	390	3,488,671	3,489,061
17 Transfer, see "Appropriation of profit"	0	109,185	109,185
Equity at 31 December 2016	390	3,597,856	3,598,246

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Biogen (Denmark) Manufacturing ApS for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Changes in accounting policies

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies the following changes in the recognition and measurement:

1. Yearly reassessment of residual values of property, plant and equipment

Re 1: In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity. The executive order on transitional provisions based in connection with the application of certain provisions in the Danish Financial Statements Act, as amended by act no. 738 of 15 June 2015 regarding amendments to the Danish Financial Statements Act and a number of other acts.

The above change does not affect the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above-mentioned change, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the parent company Biogen Inc.

Basis of recognition and measurement

The annual report has been prepared under the historical cost method.

Revenues are recognised in the income statement as earned, which includes recognition of value adjustments of financial assets and liabilities measured at fair value or amortised cost. Furthermore, all costs incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

Revenue include service fees for biologic bulk production and assembly, labelling and packing products to be distributed to group enterprises. Service fees are recognised exclusive of VAT.

Income from the supply of services is recognised as revenue with reference to the stage of completion.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current assets.

Production costs

Production costs comprise costs for biological bulk production and assembly, labelling and packing products to be distributed to group enterprises. Production costs include materials, direct wages and production overheads such as maintenance costs, amortisation, depreciation etc. as well as expenses to operate, administer and manage the packing facilities.

Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Also, provision for losses on construction contracts is recognised.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

Intangible assets are amortised on a straight-line basis over the expected useful life of each individual asset.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Software	0-5 years
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The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Land and buildings	15-40 years
Other fixtures and fittings, tools and equipment	6-20 years
Leasehold improvements	3-5 years
Computer hardware	3-5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realised and unrealised capital and exchange gains and losses on foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other subsidiaries. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Other intangible assets include software.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Impairment of non-current assets

Every year, intangible assets and property, plant and equipment are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Other liabilities are measured at net realisable value.

Segment information

Segment information is given for revenue broken down by geographical segment. The segmentation is in accordance with the entity's internal financial management.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2016	2015
2 Segment information		
Breakdown of revenue by geographical segment:		
USA	903,578	760,125
Europe	371,738	400,038
	<u>1,275,316</u>	<u>1,160,163</u>
3 Staff costs		
Wages/salaries	448,281	453,686
Pensions	37,200	37,296
Other social security costs	7,163	7,338
	<u>492,644</u>	<u>498,320</u>
Staff costs are recognised as follows in the financial statements:		
Production	446,052	446,006
Administration	46,592	52,314
	<u>492,644</u>	<u>498,320</u>
Average number of full-time employees	<u>596</u>	<u>608</u>

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

4 Amortisation/depreciation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	5,114	3,289
Depreciation of property, plant and equipment	275,736	259,327
Impairment of property, plant and equipment	12,132	0
	<u>292,982</u>	<u>262,616</u>

Amortisation/depreciation of intangible assets and property, plant and equipment are recognised in the income statement under the following items, Production costs with t.kr. 264,981 and Administrative expenses with t.kr. 15,870.

- 5 Other operating expenses**
Other operating expenses include tax adjustment and losses on the sale of property, plant and equipment, including other operating equipment.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2016	2015
6 Financial income		
Exchange gain	184	10,294
Interest allowance, corporate income taxes	0	53,209
Other financial income	9	36
	<u>193</u>	<u>63,539</u>
7 Financial expenses		
Interest expenses, group entities	2,090	781
Interests, corporate income taxes	818	2,673
Exchange losses	7,864	22,795
Other financial expenses	2,943	142
	<u>13,715</u>	<u>26,391</u>
8 Tax for the year		
Deferred tax adjustments in the year	33,280	21,905
Tax adjustments, prior years	0	-80,771
Refund in joint taxation	-3,032	-3,334
	<u>30,248</u>	<u>-62,200</u>

Tax adjustments, prior years includes tax refunds received/paid between jointly taxed entities.

9 Intangible assets

DKK'000	Acquired intangible assets
Cost at 1 January 2016	32,568
Transfer from other accounts	9,106
Cost at 31 December 2016	<u>41,674</u>
Impairment losses and amortisation at 1 January 2016	23,924
Amortisation/depreciation in the year	5,114
Transferred	-162
Impairment losses and amortisation at 31 December 2016	<u>28,876</u>
Carrying amount at 31 December 2016	<u>12,798</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Property, plant and equipment

DKK'000	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
Cost at 1 January 2016	2,417,605	1,799,676	9,506	987,293	5,214,080
Additions in the year	0	0	0	193,078	193,078
Disposals in the year	0	-14,706	0	0	-14,706
Transfer from other accounts	423,917	653,632	1,248	-1,089,391	-10,594
Cost at 31 December 2016	2,841,522	2,438,602	10,754	90,980	5,381,858
Impairment losses and depreciation at 1 January 2016	550,497	489,601	6,428	0	1,046,526
Amortisation/depreciation in the year	113,749	160,002	1,985	0	275,736
Amortisation/depreciation and impairment of disposals in the year	0	-2,573	0	0	-2,573
Transferred	80	82	0	0	162
Impairment losses and depreciation at 31 December 2016	664,326	647,112	8,413	0	1,319,851
Carrying amount at 31 December 2016	2,177,196	1,791,490	2,341	90,980	4,062,007

11 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent and accrued Pharmaceutical Operations & Technology expenses.

DKK'000	2016	2015
12 Share capital		
Analysis of the share capital:		
3,850 A shares of DKK 100.00 nominal value each	385	385
50 B shares of DKK 100.00 nominal value each	5	5
	390	390

The Company's share capital has remained DKK 390 thousand over the past 5 years.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2016	2015
13 Deferred tax		
Deferred tax at 1 January	129,754	107,849
Deferred tax adjustments in the year, recognized in the income statement	33,280	21,905
Deferred tax at 31 December	163,034	129,754
 Deferred tax relates to:		
Intangible assets	2,815	0
Property, plant and equipment	195,914	129,754
Provisions	-227	0
Tax loss	-35,468	0
	163,034	129,754

The provision for deferred tax primarily relates to timing differences in respect of intangible assets, property, plant and equipment, provisions and tax loss.

14 Contractual obligations and contingencies, etc.

Other contingent liabilities

The company is jointly taxed with its parent, Biogen (Denmark) New Manufacturing ApS, which acts as management company, and is jointly and severally with other jointly taxed group entities for payment of income taxes for the income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2016	2015
Rent and lease liabilities	9,425	15,262

Rent and lease liabilities concerning contracts which are interminable until 2021 with remaining contract terms of 1-5 years.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

15 Related parties

Biogen (Denmark) Manufacturing ApS' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Biogen Inc.	225 Binney Street, Cambridge, MA 02142, USA	Participating interest
Biogen Switzerland Holdings GmbH	Landis & Gyr-Strasse 3 CH 6300 Zug Switzerland	Participating interest
Biogen Luxembourg Holding Sarl	2-8 Avenue Charles De Gaulle L-1653 Luxembourg	Participating interest
Biogen (Denmark) New Manufacturing ApS	Biogen Allé 1, 3400 Hilferød, Denmark	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Biogen Inc.	225 Binney Street, Cambridge, MA 02142, USA	The consolidated accounts of Biogen Inc. can be obtained by written application to Biogen Inc., 225 Binney Street, Cambridge, MA 02142, USA

Related party transactions

With reference to section 98 C(7) of the Danish Financial Statements Act, the company has chosen only to disclose transactions with related parties not carried through on normal market terms. All transactions with related parties have been carried through on normal market terms.

DKK'000	2016	2015
16 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	1,086	1,036
	<u>1,086</u>	<u>1,036</u>
17 Appropriation of profit/loss		
Recommended appropriation of profit/loss	109,185	-124,280
Retained earnings/accumulated loss	<u>109,185</u>	<u>-124,280</u>