Biogen (Denmark) Manufacturing ApS

Biogen Allé 1, 3400 Hillerød

CVR no. 26 06 07 02

Annual report 2017

Approved at the Company's annual general meeting on 28 May 2018

Chairman:

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Tanja Møller

Contents

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 Biogen (Denmark) Manufacturing ApS for the financial year 1 January - 31 December 2017.

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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

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, 28 May 2018
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 2017, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017 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 2017, 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 2018. 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, 28 May 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Torben Jensen state authorised public accountant MNE no.: mne18651	Rikke Lund-Kühl state authorised public accountant MNE no.: mne33507

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	2017	2016	2015	2014	2013
Key figures					
Revenue	1,417,224	1,275,316	1,160,163	1,118,775	1,018,515
Operating profit/loss	168,945	139,650	74,014	125,816	100,863
Net financials	28,922	-13,522	37,148	22,503	-6,889
Profit/loss for the year	170,735	109,185	-124,280	106,279	67,071
Total assets	4,416,378	4,646,497	4,306,788	3,982,469	3,734,713
Investment in property, plant and equipment	163,053	193,078	756,407	417,653	165,635
Equity	3,684,683	3,513,948	3,404,763	3,529,042	3,422,764
Financial ratios					
Operating margin	11.9%	11.0%	6.4%	11.2%	9.9%
Gross margin	17.0%	17.9%	14.3%	19.7%	17.5%
Return on assets	3.7%	3.1%	1.8%	3.3%	2.7%
Solvency ratio	83.4%	75.6%	79.1%	88.6%	91.6%
Return on equity	4.7%	3.2%	-3.6%	3.1%	1.9%
Average number of employees	709	596	608	552	483

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

Management's review

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 2017 shows a net profit of DKK 170.7 million and the balance sheet at 31 December 2017 shows equity of DKK 3,684.7 million.

2017 has been in line with expectations.

During 2017, the Company employed an average of 709 full-time employees, compared to an average of 596 full-time employees in 2016.

The current year's revenue, DKK 1,417.2 million, primarily derives from contract manufacturing fees related to bulk production and assembly, label and packaging of biological products, as well as related quality control activities.

Retained earnings adjustment

Retained earnings is influenced by a Transfer pricing adjustment in regards to agreement between Denmark and Group related companies for the years 2012, 2013 and 2014 of net DKK 84 million. Revenue in the financial highlights have been adjusted accordingly. The adjustments have no effect on the profit/loss for 2016 and 2017.

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 the maturity of costs is 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.

Outlook

The expectation is that the activities in the assembly, label and packaging and associated quality functions will continue at approximately the same level in 2018, although this will be subject to demand-based fluctuations inherent in the pharmaceutical industry.

Management's review

The pharmaceutical production is expected to increase in 2018 due to increased utilization of the Large-Scale Manufacturing facility. Net profit/loss before tax for 2018 is expected to be between DKK 150-170 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 2017, the workforce had increased to 735 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 2017 is expected to be available from June 2018.

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 is 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 43% female and 57% 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 1 January - 31 December

Income statement

Note	DKK'000	2017	2016
2	Revenue	1,417,224	1,275,316
3,4	Production costs	-1,176,146	-1,046,938
	Gross margin	241,078	228,378
3,4	Administrative expenses	-72,133	-88,728
	Operating profit	168,945	139,650
	Other operating income	5	24,947
5	Other operating expenses	0	-11,642
	Profit before net financials	168,950	152,955
6	Financial income	33,348	193
7	Financial expenses	-4,426	-13,715
	Profit before tax	197,872	139,433
8	Tax for the year	-27,137	-30,248
	Profit for the year	170,735	109,185

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Fixed assets		
9	Intangible assets		
	Acquired intangible assets	9,917	12,798
		9,917	12,798
10	Property, plant and equipment		
	Land and buildings	2,059,861	2,177,196
	Other fixtures and fittings, tools and equipment	1,667,445	1,791,490
	Leasehold improvements	2,943	2,341
	Property, plant and equipment in progress	201,518	90,980
		3,931,767	4,062,007
	Total fixed assets	3,941,684	4,074,805
	Non-fixed assets		
	Receivables		
	Receivables from group entities	465,761	547,391
11	Prepayments	4,158	3,141
		469,919	550,532
	Cash	4,775	21,160
	Total non-fixed assets	474,694	571,692
	TOTAL ASSETS	4,416,378	4,646,497

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	390	390
	Retained earnings	3,684,293	3,513,558
	Total equity	3,684,683	3,513,948
	Provisions		
13	Deferred tax	199,579	163,034
	Total provisions	199,579	163,034
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	81,725	104,399
	Payables to group entities	283,474	693,923
	Income taxes payable	9,863	15,467
	Other payables	157,054	155,726
		532,116	969,515
	Total liabilities other than provisions	532,116	969,515
	TOTAL EQUITY AND LIABILITIES	4,416,378	4,646,497

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 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2016	390	3,488,671	3,489,061
	Adjustment of prior years	0	-84,298	-84,298
	Adjusted equity at 1 January 2016	390	3,404,373	3,404,763
17	Transfer, see "Appropriation of profit"	0	109,185	109,185
	Equity at 1 January 2017	390	3,513,558	3,513,948
17	Transfer, see "Appropriation of profit"	0	170,735	170,735
	Equity at 31 December 2017	390	3,684,293	3,684,683

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Biogen (Denmark) Manufacturing ApS for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Retained earnings adjustment

Retained earnings is influenced by a Transfer pricing adjustment in regards to agreement between Denmark and Group related companies for the years 2012, 2013 and 2014 of net DKK 84 million. Revenue in the financial highlights have been adjusted accordingly. The adjustments have no effect on the profit/loss for 2016 and 2017. The adjustment has been adjusted under equity 1 January 2016. In consequence of the adjustment, revenue, assets and equity for the years have been affected by DKK 13.7 million in 2012, DKK 35.6 million in 2013 and DKK 35.0 million in 2014. Reference is also made to the comments in the Management's review.

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).

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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.

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 fixed assets.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

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).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax paya surcharge according to the rates applicable to interest surcharges to the management company.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 fixed 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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

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

Operating margin $$\frac{\text{Operating profit x 100}}{\text{Revenue}}$$

Gross margin ratio $$\frac{\text{Gross margin x 100}}{\text{Revenue}}$$

Return on assets $$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$$

Equity ratio $$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$$

Return on equity $$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$$

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK'000	2017	2016
2	Segment information		
	Breakdown of revenue by geographical segment:		
	USA	991,689	903,578
	Europe	425,535	371,738
		1,417,224	1,275,316
3	Staff costs		
	Wages/salaries	529,705	448,281
	Pensions	45,023	37,200
	Other social security costs	8,832	7,163
		583,560	492,644
	Staff costs are recognised as follows in the financial statements:		
	Production	548,798	446,049
	Administration	34,762	46,595
		583,560	492,644
	Average number of full-time employees	709	596

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

		2017	2016
4	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment		
	Amortisation of intangible assets	4,667	5,114
	Depreciation of property, plant and equipment	291,499	275,736
	Impairment of property, plant and equipment	0	12,132
		296,166	292,982

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. 281,973 and Administrative expenses with t.kr. 14,193.

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 1 January - 31 December

Notes to the financial statements

	DKK'000	2017	2016
6	Financial income		
	Exchange gain	29,643	184
	Interest allowance, corporate income taxes	3,705	0
	Other financial income	0	9
		33,348	193
7	Financial expenses		
	Interest expenses, group entities	1,154	2,090
	Interests, corporate income taxes	0	818
	Exchange losses	2,395	7,864
	Other financial expenses	877	2,943
		4,426	13,715
8	Tax for the year		
	Estimated tax charge for the year	9,863	0
	Deferred tax adjustments in the year	36,545	33,280
	Tax adjustments, prior years	-15,467	0
	Refund in joint taxation	-3,804	-3,032
		27,137	30,248

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 2017	41,674
Transfer from other accounts	1,786
Cost at 31 December 2017	43,460
Impairment losses and amortisation at 1 January 2017	28,876
Amortisation/depreciation in the year	4,667
Impairment losses and amortisation at 31 December 2017	33,543
Carrying amount at 31 December 2017	9,917

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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 2017	2,841,522	2,438,602	10,754	90,980	5,381,858
Additions in the year	4,915	43,686	2,130	163,052	213,783
Disposals in the year	0	-2,343	0	0	-2,343
Transfer from other accounts	0	0	0	-52,514	-52,514
Cost at 31 December 2017	2,846,437	2,479,945	12,884	201,518	5,540,784
Impairment losses and depreciation at 1 January 2017	664,326	647,112	8,413	0	1,319,851
Amortisation/depreciation in the year	122,250	167,721	1,528	0	291,499
Amortisation/depreciation and impairment of disposals in the year	0	-2,333	0	0	-2,333
Impairment losses and depreciation at 31 December 2017	786,576	812,500	9,941	0	1,609,017
Carrying amount at 31 December 2017	2,059,861	1,667,445	2,943	201,518	3,931,767

11 Prepayments

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

DKK'000	2017	2016
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.

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DKK'000	2017	2016
13 Deferred tax		
Deferred tax at 1 January	163,034	129,754
Deferred tax adjustments in the year, recognized in the income statement	36,545	33,280
Deferred tax at 31 December	199,579	163,034

Deferred tax relates to:

Intangible assets	2,182	2,815
Property, plant and equipment	197,397	195,914
Provisions	0	-227
Tax loss	0	-35,468
	199,579	163,034

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	2017	2016
Rent and lease liabilities	4,779	9,425

Rent and lease liabilities concerning contracts which are interminable until 2021 with remaining contract terms of 1-4 years.

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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 Hillerød, 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 Biongen 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	2017	2016
16 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	1,086	1,086
	1,086	1,086
17 Appropriation of profit		
Recommended appropriation of profit		
Retained earnings	170,735	109,185
	170,735	109,185