

Biogen (Denmark) Manufacturing ApS

Biogen Allé 1, 3400 Hillerød

CVR no. 26 06 07 02

Annual report 2018

Approved at the Company's annual general meeting on 28 May 2019

Chairman:


.....
Hanna Ylijokuri

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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 2018.

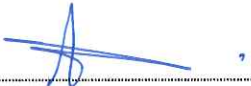
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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 2019
Executive Board:



Lars Petersen

Board of Directors:


Inga Birgitte Thygesen
Chairman
Allan Frank Fischer
Petersen
Lars Petersen

Independent auditor's report

To the shareholder 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 2018, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018 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 2018, which comprise 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 Management's Review.

Our opinion on the financial statements does not cover 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. We did not identify any material misstatement in Management's Review.

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.

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.

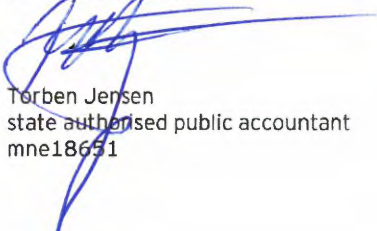
Independent auditor's report


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 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31


Torben Jensen
state authorised public accountant
mne18651


Rikke Lund-Kühl
state authorised public accountant
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 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|------------------|------------------|------------------|------------------|------------------|
| Key figures | | | | | |
| Revenue | 1,417,166 | 1,417,224 | 1,275,316 | 1,160,163 | 1,118,775 |
| Operating profit/loss | 143,606 | 168,945 | 139,650 | 74,014 | 125,816 |
| Net financials | 4,453 | 28,922 | -13,522 | 37,148 | 22,503 |
| Profit/loss for the year | 253,501 | 170,735 | 109,185 | -124,280 | 106,279 |
| Total assets | | | | | |
| Investment in property, plant and equipment | 132,947 | 163,053 | 193,078 | 756,407 | 417,653 |
| Equity | 3,938,184 | 3,684,683 | 3,513,948 | 3,404,763 | 3,529,042 |
| Financial ratios | | | | | |
| Operating margin | 22.4% | 11.9% | 12.0% | -19.3 % | 14.3 % |
| Gross margin | 15.1% | 17.0% | 17.9% | 14.3% | 19.7% |
| Return on assets | 3.2% | 3.7% | 3.1% | 1.8% | 3.3% |
| Equity ratio | 86.7% | 83.4% | 75.6% | 79.1% | 88.6% |
| Return on equity | 6.7% | 4.7% | 3.2% | -3.6% | 3.1% |
| Average number of employees | 747 | 709 | 596 | 608 | 552 |

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 activities and mission

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.

Business review

The Company's income statement for the year ended 31 December 2018 shows a net profit of DKK 253,5 million and the balance sheet at 31 December 2018 shows equity of DKK 3.938,2 million.

2018 has been in line with expectations.

During 2018, the Company employed an average of 747 full-time employees, compared to an average of 709 full-time employees in 2017.

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.

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 a central treasury department. Biogen (Denmark) Manufacturing ApS has no risk from usage and management of financial instruments. Either 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

None

Events after the balance sheet date

On 12 March 2019 Biogen announced plans to sell the large-scale biologics manufacturing site in Hillerød to FUJIFILM Corporation. The plan also includes transition of all employees at Hillerød. The transaction is expected to close in the second half of 2019. After closing of the transaction, FUJIFILM will own and operate the Hillerød site and it will become a part of FUJIFILM Diosynth Biotechnologies, a Contract Development and Manufacturing Organization ("CDMO").

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 2019, although this will be subject to demand-based fluctuations inherent in the pharmaceutical industry.

The large-scale biologics manufacturing is expected to continue at approximately the same level in 2019. Net profit/loss before tax for 2019 is expected to be between DKK 120-150 million.

Management's review

Statutory statement on Corporate Social Responsibility in accordance with section 99a of the Danish Financial Statements Act

Our Business Model

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

Our Guiding Principles

Biogen's commitment is grounded in the Code of Business Conduct (also referred to as Values in Action), the Sustainability Policy and other related policies and position statements. These principles and policies outline our focus on ethical business conduct, compliance, accountability and transparency and other topics.

Our Code of Business Conduct (Values in Action)

The Code of Business Conduct provides guidance on making ethical decisions while conducting business on behalf of Biogen. The Code helps employees apply core values to specific situations in the day-to-day actions. The Code serves as the company baseline standard and as a guide to other written standards, such as policies, procedures, and functional guidance. The code is referring to additional information on several topics in the Global Policies.

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.

For additional information on global strategies, commitments and efforts regarding social responsibility and sustainability are published in the Biogen Annual Report available at <https://www.biogencsr.com/>

Supply Chain Responsibility

Our Code of Business Conduct, Human Rights Position Statement and Anti-Slavery and Human Trafficking Statement establish the principles and practices for our ethical business, which we expect all of our suppliers, business partners and employees to follow. In addition, our commitment to inclusive sourcing and procurement practices is represented in our supplier diversity program.

Environmental, Health and Safety Policy

Our Environmental, Health and Safety Policy Statement sets forth our commitment to provide and maintain a healthy and safe work environment and to minimize the impact of our business operations and products on the environment.

Biogen at group level is a science-based company and employ science in our approach to resource use and in our day-to-day business operations. The goal is to mitigate any negative impacts and, where feasible, create positive ones - for example, by becoming a carbon neutral company and embracing green chemistry. For additional information Biogen Annual report is available at <https://www.biogencsr.com/>

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 use of energy, discharge of waste water from production equipment and disposal of materials used in the production unit, labelling & packaging or laboratory. We have established and maintained effective procedures and systems to adhere to the principles of this Policy and track progress against our EHS strategy. The EHS Management Systems are certified on international recognized standards - ISO14001 Environmental Management, ISO50001 Energy Management and OHSAS18001 Health and Safety Management.

Management's review

Employees are responsible for knowing and adhering to Biogen's EHS Policy. All employees are expected to act responsibly and follow EHS policies and procedures in order to protect themselves, their co-workers, the community, the environment and the company. As necessary, all employees are required to attend safety classes specifically tailored to their lines of work. The Company emphasizes a proactive safety culture involving employees in mitigation of identified risks at the work place as this will affect the lost time injury rate positively. The lost time injury rate for 2018 was 3.1 per million work hours.

Among the achievements in EHS is the completion of a project to substitute a carcinogenic substance used in the laboratories with a non-carcinogenic substance. The Company is engaged in Hillerød Symbiose where the Company collaborates with the local community and other Industrial companies to identify and implement environmental improvements locally. In 2018 the Hillerød Symbiose finalized the collaboration efforts on wastewater where neutralization of wastewater no longer is necessary. This saves the Company 400 tons of chemicals per year. Reducing the environmental footprint also includes energy saving projects. In 2018 the Company has carried out projects on energy savings that has saved energy corresponding to 100 households use of energy per year.

EHS is included in several sections of the Values in Action - Code of Business Conduct. In 2018 all employees have been trained in the Code of Business Conduct as part of an annual training cycle.

Antibribery and Anticorruption

Biogen has as part of the Global Corporate Compliance Policies an Antibribery and Anticorruption policy, which sets forth a commitment to preventing and detecting bribery and corruption of all types, and set the basic standards for interactions with all third parties, including commercial counterparts, healthcare professionals, government employees and government entities.

- Biogen is committed to doing business with integrity and complying with applicable legal and ethical standards.
- Biogen adheres to the international and national pharmaceutical industry codes, applicable in the countries where we do business.
- Biogen conducts business fairly and transparently.

Antibribery and Anticorruption is included as a section of the Values in Action - Code of Business Conduct. In 2018 all employees have been trained in the Code of Business Conduct as part of an annual training cycle. All new suppliers have been thoroughly checked to ensure that our suppliers are compliant with our policies.

Human rights

Biogen respects fundamental human rights and believes that every individual deserves to be treated fairly and with dignity. Biogen is committed to supporting internationally recognized fundamental human rights activities and initiatives. The Biogen Human Rights position is in accordance with the United Nations' Universal Declaration of Human Rights, its Articles and principles. As a responsible organization, Biogen respects the human rights of all people with whom we interact, including our patients, customers, employees and third parties who work as our external business partners. Biogen strives to uphold human rights in all our business activities.

In every country where we operate, Biogen follows all laws, regulations and international conventions related to human rights, including the International Labour Office Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy and the Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises.

Management's review

Fair working conditions and Human Rights are included as a section of the Values in Action - Code of Business Conduct. In 2018 all employees have been trained in the Code of Business Conduct as part of an annual training cycle. All new suppliers have been thoroughly checked to ensure that our suppliers are compliant with our policies.

In Biogen at group level, 22 percent of Biogen's U.S. management (director-level and above) were ethnic or racial minorities in 2018. High potential mid-career underrepresented minorities participate in The Partnership, Inc.'s BioDiversity Fellows Program, supporting our efforts to build our talent pipeline with a rich and diverse mix of leaders. Additionally, Biogen remains committed to taking actions to ensure all employees feel supported in the workplace. Biogen scored 100% on the 2018 Disability Equality Index (DEI), putting Biogen among America's best places to work for disability inclusion. For five consecutive years, Biogen have been recognized as the 'Best Place to Work' for LGBTQ Equality in the U.S. by the Human Rights Campaign, scoring 100% on the 2018 Corporate Equity Index. Biogen was also recognized in 2018 by Forbes Magazine for our leadership in diversity & inclusion. For additional information Biogen Annual report is available at <https://www.biogencsr.com/>

During 2018, Hillerød had employed an average of 735 full-time employees, of which a number of employees is of non-Danish origin.

Community

The foundation of Biogen's philosophy - Caring Deeply - can be seen in the ways we engage with the communities where we work. We recognize our responsibility to conduct business in a way that protects and improves our environment and the community. As we discover, manufacture and market our products, we will continue to work to minimize our environmental impact in all our processes. We strive to minimize our use of natural resources, reduce waste, and mitigate our impact on climate change. We proactively assess environmental risks and opportunities to continuously improve our performance.

At group level Biogen is committed to Community Engagement and in 2018 the STAR Initiative, Food for Free Initiative, Biogen Foundation and Community Lab can be highlighted. For additional information Biogen Annual report is available at <https://www.biogencsr.com/>

We have not identified any operations with significant potential or actual negative impact on local communities. At our major locations, Biogen has 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 such as sponsorships to local sports events and participation in Care Deeply Day where employees work voluntarily in support to local charities.

Our production of pharmaceutical drugs for treatment of diseases with few treatments available and our interest in the community have increased our opportunities for attracting skilled and diversified labor. Community engagement is included as a section of the Values in Action - Code of Business Conduct. In 2018 all employees have been trained in the Code of Business Conduct as part of an annual training cycle.

Statutory statement on gender composition in accordance with section 99b of the Danish Financial Statements Act

The supervisory board consists of 2 males (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 that an equal representation of genders will be continued.

The site leadership team currently consists of 38% females and 62% males and the gender composition is therefore considered to be equal. The expectation going forward is that an equal representation of genders will be continued.

Financial statements 1 January - 31 December

Income statement

| Note | DKK'000 | 2018 | 2017 |
|------|-------------------------------------|----------------|----------------|
| 2 | Revenue | 1,417,166 | 1,417,224 |
| 3.4 | Production costs | -1,202,978 | -1,176,146 |
| | Gross margin | 214,188 | 241,078 |
| 3.4 | Administrative expenses | -70,582 | -72,133 |
| | Operating profit | 143,606 | 168,945 |
| 5 | Other operating income | 184,205 | 5 |
| 6 | Other operating expenses | -10,228 | 0 |
| | Profit before net financials | 317,583 | 168,950 |
| 7 | Financial income | 7,879 | 33,348 |
| 8 | Financial expenses | -3,426 | -4,426 |
| | Profit before tax | 322,036 | 197,872 |
| 9 | Tax for the year | -68,535 | -27,137 |
| | Profit for the year | 253,501 | 170,735 |

Financial statements 1 January - 31 December

Balance sheet

| Note | DKK'000 | 2018 | 2017 |
|------|--|------------------|------------------|
| | ASSETS | | |
| | Fixed assets | | |
| 10 | Intangible assets | | |
| | Acquired intangible assets | 10,524 | 9,917 |
| | | <u>10,524</u> | <u>9,917</u> |
| 11 | Property, plant and equipment | | |
| | Land and buildings | 2,006,880 | 2,059,861 |
| | Other fixtures and fittings, tools and equipment | 1,695,952 | 1,667,445 |
| | Leasehold improvements | 1,297 | 2,943 |
| | Property, plant and equipment in progress | 56,198 | 201,518 |
| | | <u>3,760,327</u> | <u>3,931,767</u> |
| | Total fixed assets | <u>3,770,851</u> | <u>3,941,684</u> |
| | Non-fixed assets | | |
| | Receivables | | |
| | Receivables from group entities | 578,611 | 465,761 |
| | Joint taxation contribution receivable | 8,748 | 0 |
| 12 | Prepayments | 3,446 | 4,158 |
| | | <u>590,805</u> | <u>469,919</u> |
| | Cash | <u>178,945</u> | <u>4,775</u> |
| | Total non-fixed assets | <u>769,750</u> | <u>474,694</u> |
| | TOTAL ASSETS | <u>4,540,601</u> | <u>4,416,378</u> |

Financial statements 1 January - 31 December

Balance sheet

| Note | DKK'000 | 2018 | 2017 |
|------|--|------------------|------------------|
| | EQUITY AND LIABILITIES | | |
| | Equity | | |
| 13 | Share capital | 390 | 390 |
| | Retained earnings | 3,937,794 | 3,684,293 |
| | Total equity | 3,938,184 | 3,684,683 |
| | Provisions | | |
| 14 | Deferred tax | 236,083 | 199,579 |
| | Total provisions | 236,083 | 199,579 |
| | Liabilities other than provisions | | |
| | Current liabilities other than provisions | | |
| | Trade payables | 80,778 | 81,725 |
| | Payables to group entities | 98,926 | 283,474 |
| | Joint taxation contribution payable | 0 | 9,863 |
| | Other payables | 186,630 | 157,054 |
| | | 366,334 | 532,116 |
| | Total liabilities other than provisions | 366,334 | 532,116 |
| | TOTAL EQUITY AND LIABILITIES | 4,540,601 | 4,416,378 |

- 1 Accounting policies
- 15 Contractual obligations and contingencies, etc.
- 16 Collateral
- 17 Related parties
- 18 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 2017 | 390 | 3,513,558 | 3,513,948 |
| | Adjusted equity at 1 January 2017 | 390 | 3,513,558 | 3,513,948 |
| 19 | Transfer, see "Appropriation of profit" | 0 | 170,735 | 170,735 |
| | Equity at 1 January 2018 | 390 | 3,684,293 | 3,684,683 |
| 19 | Transfer, see "Appropriation of profit" | 0 | 253,501 | 253,501 |
| | Equity at 31 December 2018 | 390 | 3,937,794 | 3,938,184 |

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Biogen (Denmark) Manufacturing ApS for 2018 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.

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

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

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

The Company has chosen IAS 18 as interpretation for revenue recognition.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Amortisation/depreciation

The item comprises amortisation/depreciation 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 |
|----------|-----------|

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 group entities. 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 pay a surcharge according to the rates applicable to interest surcharges to the management company.

Financial statements 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 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.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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 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

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

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 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

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

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

| DKK'000 | 2018 | 2017 |
|--|------------------|------------------|
| 2 Segment information | | |
| Breakdown of revenue by geographical segment: | | |
| USA | 1,021,441 | 991,689 |
| Europe | 395,725 | 425,535 |
| | <u>1,417,166</u> | <u>1,417,224</u> |
| 3 Staff costs | | |
| Wages/salaries | 543,585 | 529,705 |
| Pensions | 46,807 | 45,023 |
| Other social security costs | 9,151 | 8,832 |
| | <u>599,543</u> | <u>583,560</u> |
| Staff costs are recognised as follows in the financial statements: | | |
| Production | 564,834 | 548,798 |
| Administration | 34,709 | 34,762 |
| | <u>599,543</u> | <u>583,560</u> |
| Average number of full-time employees | <u>747</u> | <u>709</u> |

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

Financial statements 1 January - 31 December

Notes to the financial statements

| DKK'000 | 2018 | 2017 |
|--|----------------|----------------|
| 4 Amortisation/depreciation of Intangible assets and property, plant and equipment | | |
| Amortisation of intangible assets | 4,504 | 4,667 |
| Depreciation of property, plant and equipment | 299,117 | 291,499 |
| | <u>303,621</u> | <u>296,166</u> |
| <p>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. 285.849 and Administrative expenses with t.kr. 13.268.</p> | | |
| 5 Other operating income | | |
| Adjustment to Fixed Asset Write-Off | 184,205 | 0 |
| Gain on the sale of property, plant and equipment | 0 | 5 |
| | <u>184,205</u> | <u>5</u> |
| 6 Other operating expenses | | |
| <p>Other operating expenses include losses on the sale of property, plant and equipment and currency adjustment of fixed asset write-off and other operating equipment.</p> | | |
| 7 Financial income | | |
| Exchange gain | 7,625 | 29,643 |
| Other financial income | 254 | 3,705 |
| | <u>7,879</u> | <u>33,348</u> |
| 8 Financial expenses | | |
| Interest expenses, group entities | 36 | 1,154 |
| Exchange losses | 727 | 2,395 |
| Other financial expenses | 2,663 | 877 |
| | <u>3,426</u> | <u>4,426</u> |
| 9 Tax for the year | | |
| Estimated tax charge for the year | 40,525 | 9,863 |
| Deferred tax adjustments in the year | 36,504 | 36,545 |
| Tax adjustments, prior years | -4,825 | -15,467 |
| Refund in joint taxation | -3,669 | -3,804 |
| | <u>68,535</u> | <u>27,137</u> |

Estimated tax for the year does consist of DKKt 40,525 concerning adjustment to Fixed Asset Write-Off.

Financial statements 1 January - 31 December

Notes to the financial statements

10 Intangible assets

| DKK'000 | Acquired Intangible assets |
|--|-------------------------------|
| Cost at 1 January 2018 | 43,460 |
| Additions in the year | 5,111 |
| Cost at 31 December 2018 | 48,571 |
| Impairment losses and amortisation at 1 January 2018 | 33,543 |
| Amortisation/depreciation in the year | 4,504 |
| Impairment losses and amortisation at 31 December 2018 | 38,047 |
| Carrying amount at 31 December 2018 | 10,524 |

11 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 2018 | 2,846,437 | 2,479,945 | 12,884 | 201,518 | 5,540,784 |
| Additions in the year | 70,910 | 202,246 | 0 | 132,947 | 406,103 |
| Disposals in the year | 0 | -1,076 | 0 | -278,267 | -279,343 |
| Cost at 31 December 2018 | 2,917,347 | 2,681,115 | 12,884 | 56,198 | 5,667,544 |
| Impairment losses and depreciation at 1 January 2018 | 786,576 | 812,500 | 9,941 | 0 | 1,609,017 |
| Amortisation/depreciation in the year | 123,891 | 173,580 | 1,646 | 0 | 299,117 |
| Reversal of amortisation/depreciation and impairment of disposals | 0 | -917 | 0 | 0 | -917 |
| Impairment losses and depreciation at 31 December 2018 | 910,467 | 985,163 | 11,587 | 0 | 1,907,217 |
| Carrying amount at 31 December 2018 | 2,006,880 | 1,695,952 | 1,297 | 56,198 | 3,760,327 |

12 Prepayments

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

| DKK'000 | 2018 | 2017 |
|---|------------|------------|
| 13 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 1 January - 31 December

Notes to the financial statements

| DKK'000 | 2018 | 2017 |
|--|----------------|----------------|
| 14 Deferred tax | | |
| Deferred tax at 1 January | 199,579 | 163,034 |
| Deferred tax adjustments in the year, recognized in the income statement | 36,504 | 36,545 |
| Deferred tax at 31 December | 236,083 | 199,579 |
| Deferred tax relates to: | | |
| Intangible assets | 2,315 | 2,182 |
| Property, plant and equipment | 233,796 | 197,397 |
| Other taxable temporary differences | -28 | 0 |
| | 236,083 | 199,579 |

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

15 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 | 2018 | 2017 |
|----------------------------|--------|-------|
| Rent and lease liabilities | 10,974 | 4,779 |

Rent and lease liabilities concerning contracts which are interminable until 2023 with remaining contract terms of 1-5 years.

16 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2018.

Financial statements 1 January - 31 December

Notes to the financial statements

17 Related parties

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

Parties exercising control

| <u>Related party</u> | <u>Domicile</u> | <u>Basis for control</u> |
|--|--|--------------------------|
| 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

| <u>Parent</u> | <u>Domicile</u> | <u>Requisitioning of the parent company's consolidated financial statements</u> |
|---------------|---|---|
| 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 | <u>2018</u> | <u>2017</u> |
|--|----------------|----------------|
| 18 Fee to the auditors appointed by the Company in general meeting | | |
| Statutory audit | 1,111 | 1,086 |
| | <u>1,111</u> | <u>1,086</u> |
| 19 Appropriation of profit | | |
| Recommended appropriation of profit | | |
| Retained earnings | 253,501 | 170,735 |
| | <u>253,501</u> | <u>170,735</u> |