

Biogen (Denmark) Manufacturing ApS

Biogen Alle 1, 3400 Hillerød

CVR no. 26 06 07 02

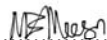
Annual report

for the period 1 January 2019 - 31 March 2020

Approved at the Company's annual general meeting on 30 October 2020

Chairman:

DocuSigned by:



Martin Edward Meeson

Signer Name: Martin Meeson

Signing Reason: I approve this document

Signing Time: 30-Oct-2020 | 08:40:26 PDT

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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 2019 - 31 March 2020.


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 March 2020 and of the results of the Company's operations for the financial year 1 January 2019 - 31 March 2020.

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, 30 October 2020
Executive Board:

DocuSigned by:


DocuSigned by:
Lars Petersen
Signer Name: lars petersen
Signing Reason: I approve this document
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Board of Directors:

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Independent auditor's report

To the shareholders of Biogen (Denmark) Manufacturing ApS

Opinion

We have audited the financial statements of Biogen (Denmark) Manufacturing ApS for the financial year 1 January 2019 - 31 March 2020 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2020, and of the results of the Company's operations for the financial year 1 January 2019 - 31 March 2020 in accordance with the Danish Financial Statements Act.

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 rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 that 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 judgement and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the company 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.

Independent auditor's report

- ▶ 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.

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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 30 October 2020

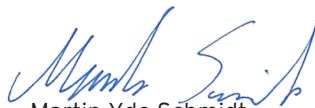
KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Niels Vendelbo
State Authorised Public Accountant
mne34532



Martin Yde Schmidt
State Authorised Public Accountant
mne42821

Management's review

Company details

Name	Biogen (Denmark) Manufacturing ApS
Address, Postal code, City	Biogen Alle 1, 3400 Hillerød
CVR no.	26 06 07 02
Established	1 June 2001
Registered office	Hillerød
Financial year	1 January 2019 - 31 March 2020
Website	http://www.fujifilm Diosynth.com
Telephone	+45 77 41 60 00
Board of Directors	Martin Edward Meeson, Chairman Masato Yamamoto Takatoshi Ishikawa Lars Petersen
Executive Board	Lars Petersen, COO
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28, 2100 Copenhagen Ø

Management's review

Financial highlights

DKK'000	2019/20 15 months	2018 12 months	2017 12 months	2016 12 months	2015 12 months
Key figures					
Revenue	2,039,469	1,417,166	1,417,224	1,275,316	1,160,163
Gross profit	65,121	214,188	241,078	228,378	166,171
Net financials	10,972	4,453	28,922	-13,522	37,148
Profit/loss for the year	-176,316	253,501	170,735	109,185	-124,280
Balance sheet					
Total assets	5,508,130	4,540,602	4,416,378	4,646,497	4,306,788
Investment in property, plant and equipment	103,646	132,947	163,053	193,078	756,407
Equity	3,761,868	3,938,184	3,684,683	3,513,948	3,404,763
Financial ratios					
Operating margin	-11.6%	22.4%	11.9%	11.0 %	6.4 %
Gross margin	3.2%	15.1%	17.0%	17.9%	14.3%
Return on assets	-2.5%	3.2%	3.7%	3.1%	1.8%
Equity ratio	68.3%	86.7%	83.4%	75.6%	79.1%
Return on equity	-4.6%	6.7%	4.7%	3.2%	-3.6%
Average number of employees					
	746	747	709	596	608

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. 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 has completed a change of ownership during 2019. The company was up to 31 July 2019 part of the US-based Biogen Inc. working with development, manufacturing and marketing of innovative therapies within neurology and other therapeutic areas.

On 1 August 2019 the company was acquired by FUJIFILM Corporation based in Tokyo, Japan. The acquisition included transition of all employees at Hillerød. The company is now acting as a Contract Development and Manufacturing Organization ("CDMO") as part of the FUJIFILM Diosynth Biotechnologies Group.

Financial review

The Company's income statement for the year covers the period 1 January 2019 to 31 March 2020. The company has changed accounting period as part of the acquisition as FUJIFILM Corporation financial year runs from 1 April to 31 March. The income statement shows a net loss of DKK 176 million and the balance sheet at 31 March 2020 shows equity of DKK 3,762 million.

The company stated in the 2018 annual report an expected net profit before tax of DKK120-150 million. This outlook was not considering the impact of transition from Biogen Inc. to FUJIFILM Corporation. The financial year 2019/20 considering the impact from transition has been in line with expectations.

During the period, the Company employed an average of 746 full-time employees, compared to an average of 747 full-time employees in 2018.

The current period's revenue, DKK 2,039 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.

Biogen ownership

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. Neither is the company profit/loss significantly impacted from foreign exchange risk as the majority of costs is in local currency and recharging within the company is in local currency as well.

FUJIFILM ownership

The company risk management is coordinated with FUJIFILM Corporation Europe Treasury. The company has no risk from usage and management of financial instruments. However the company's profit/loss is impacted from foreign exchange risk as the majority of sales is charged in USD and the majority of the costs is in local currency. Risk mitigation measures are being evaluated for future manufacturing operations and financial periods.

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.

Management's review

Biogen ownership

The company was under the Biogen ownership acting as an internal manufacturing production entity supplying to Biogen Inc. and its partners. The company was part of the knowledge resource network within Biogen, which had similar manufacturing capabilities in the US.

FUJIFILM ownership

The company is under the FUJIFILM ownership part of a global Contract Development and Manufacturing Organization in the Biopharmaceutical industry. The company offers its manufacturing capabilities to external clients in need of large scale manufacturing capacity, capabilities, quality analytical services as well as assembly, label and packaging services.

Recognition and measurement uncertainties

The company has changed accounting policies for recognition of the revenue during the financial period. The change is due to both a change in ownership and the operating model and the implementation of IFRS 15 as the basis of interpretation under the Danish Financial Statements Act. Before and after the change in accounting policies revenue is recognised over time, but the accounting and calculations have changed. The change in accounting policies does not have any implication on the comparative figures.

Biogen ownership

The company was under the Biogen ownership acting as an internal manufacturing production entity supplying to Biogen Inc. and its partners based on cost-plus agreements. Revenue was recognised over time following the production method.

FUJIFILM ownership

The company is now operating under terms and conditions based on individual commercial contracts with the clients. The revenue recognition is recognised over time as the performance obligations are completed.

Unusual matters

None

Events after the balance sheet date

On the 11th of March 2020 the World Health Organization declared the Coronavirus (Covid-19) to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the Company's 31 March financial statements, the Coronavirus outbreak and the related impacts are not significant. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operation or cash flows in the future.

Since the end of the financial period 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 the financial period 2020/21, 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 of manufacturing activity in 2020/21 financial period (1 April 2020 to 31 March 2021). Net profit before tax for the financial period 2020/21 is expected to be between DKK 115-180 million.

Management's review

FUJIFILM Corporation announced in June 2020 plans to expand the large-scale biologics manufacturing site with an investment of USD 928 million to enhance the position as leading CDMO for mammalian pharmaceuticals.

Statutory CSR report

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

Our commitment is grounded in the FUJIFILM Code of Conduct, the FUJIFILM Healthcare Code of Conduct 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 FUJIFILM Code of Conduct

The FUJIFILM Code of Conduct provides guidance on making ethical decisions. 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.

Risk and Opportunity Assessment

Biogen (Denmark) Manufacturing are aware of the impact of the company on society, people and environment. The company has evaluated both risks and opportunities based on the UN Sustainable Developments Goals. It is an expectation that companies participate in building a sustainable society and The Company therefore base long-term and mid-term plans on improvements on the UN Sustainable Developments Goals.

		Opportunity	Risk	UN SDG
Environment	Address Climate Change	X	X	SDG 6, SDG 12
	Promote Recycling of Resources	X		SDG 13
Health	Promote a Healthy Work Place	X		SDG 3
Work Style	Create Environments that Lead to a Motivated Workplace	X		SDG 5, SDG 8
	Develop Diverse Human Resources	X	X	
Supply Chain	Strengthen CSR Foundations Across the Entire Supply Chain	X	X	SDG 12

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.

Management's review

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.

FUJIFILM at group level is a science-based company and employ science in the 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 addressing climate change and energy issues toward a non-carbon society. For additional information FUJIFILM Sustainable Value Plan 2030 is available at <https://holdings.fujifilm.com/en/sustainability>

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/ISO45001 Health and Safety Management.

Employees are responsible for knowing and adhering to FUJIFILM Diosynth Biotechnologies 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 2019 was 3.2 per million work hours.

The Company continues the engagement in Hillerod Symbiose where the Company collaborates with the local community and other industrial companies to identify and implement environmental improvements locally. In 2019 the Hillerod Symbiose entered an agreement on collaboration to design a steam plant that will produce steam for the Company based on renewable energy sources instead of natural gas. The decision to enter a supply agreement on steam based on renewable energy sources will be based on the final report from the design phase. Reducing the environmental footprint also includes energy saving projects.

EHS is included in several sections of the FUJIFILM Code of Conduct and all employees in the Company has been trained in the FUJIFILM Code of Conduct in 2019 as part of the transition.

Antibribery and Anticorruption

The Company has as part of the FUJIFILM Code of Conduct and supporting 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.

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

Antibribery and Anticorruption is included as a section of the FUJIFILM Code of Conduct. In 2019 all employees have been trained in the FUJIFILM Code of Conduct as part of the transition.

Management's review

Human rights

The Company respects fundamental human rights and believes that every individual deserves to be treated fairly and with dignity. The Company is committed to supporting internationally recognized fundamental human rights activities and initiatives. The FUJIFILM Human Rights position is in accordance with the United Nations' Universal Declaration of Human Rights, its Articles and principles. As a responsible organization, the Company 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. The Company strives to uphold human rights in all our business activities.

Fair working conditions and Human Rights are included as a section of the FUJIFILM Code of Conduct. In 2019 all employees have been trained in the Code of Conduct as part of the transition.

During 2019, the Company had employed an average of 760 full-time employees, of which a number of employees is of non-Danish origin. The Company also employed a number of employees with disabilities.

Community

We recognize our responsibility to conduct business in a way that protects and improves our environment and the local community. As we manufacture 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.

The company positively impact the communities where we live and work through our community programs such as sponsorships to local sports events and participation in Hillerød Symbiose - a partnership of local industries, public companies and authorities.

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.

Corporate, Environmental, and Social Responsibility

FUJIFILM Corporation has established a Sustainable Value Plan 2030 on Corporate Social Responsibility that ensures top management commitment and accountability. The Sustainable Value Plan 2030 is based upon the UN Sustainable Development Goals and sets targets for the sustainability effort in FUJIFILM.

Additional information on global strategies, commitments and efforts regarding social responsibility and sustainability are published at <https://holdings.fujifilm.com/en/sustainability>.

Account of the gender composition of Management

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

The company strives to have an equal representation of genders at all levels. The company wants to be an attractive employer and a workplace with focus on diversity including gender equality.

At the end of financial year 2019/2020 the board consists of 4 male directors. The company's target is to have at least one female board member on the board within the next 2 years. The company recognizes that the target for the board is hard to achieve.

In the company the upper management level (director+) currently consists of 40% females and 60% 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 2019 - 31 March 2020

Income statement

Note	DKK'000	2019/20 15 months	2018 12 months
2	Revenue	2,039,469	1,417,166
3,4	Production costs	-1,974,348	-1,202,978
	Gross profit	65,121	214,188
3,4	Administrative expenses	-191,182	-70,582
	Operating profit/loss	-126,061	143,606
5	Other operating income	0	184,205
6	Other operating expenses	-110,943	-10,228
	Profit/loss before net financials	-237,004	317,583
7	Financial income	28,214	7,879
8	Financial expenses	-17,242	-3,426
	Profit/loss before tax	-226,032	322,036
9	Tax for the year	49,716	-68,535
	Profit/loss for the year	-176,316	253,501

Financial statements 1 January 2019 - 31 March 2020

Balance sheet

Note	DKK'000	2019/20	2018
	ASSETS		
	Fixed assets		
10	Intangible assets		
	Acquired intangible assets	92,214	10,524
	Knowhow and Customer Rights	458,008	0
	Intangible assets in progress	90,435	0
		<u>640,657</u>	<u>10,524</u>
11	Property, plant and equipment		
	Land and buildings	1,860,758	2,006,881
	Fixtures and fittings, other plant and equipment	1,541,649	1,695,952
	Leasehold improvements	0	1,297
	Property, plant and equipment in progress	56,620	56,198
		<u>3,459,027</u>	<u>3,760,328</u>
	Total fixed assets	<u>4,099,684</u>	<u>3,770,852</u>
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	409,082	0
		<u>409,082</u>	<u>0</u>
	Receivables		
	Trade receivables	557,217	0
	Work in progress	345,824	0
	Receivables from group enterprises	0	578,611
	Joint taxation contribution receivable	0	8,748
	Other receivables	31,791	0
12	Prepayments	15,076	3,446
		<u>949,908</u>	<u>590,805</u>
	Cash	<u>49,456</u>	<u>178,945</u>
	Total non-fixed assets	<u>1,408,446</u>	<u>769,750</u>
	TOTAL ASSETS	<u><u>5,508,130</u></u>	<u><u>4,540,602</u></u>

Financial statements 1 January 2019 - 31 March 2020

Balance sheet

Note	DKK'000	<u>2019/20</u>	<u>2018</u>
	EQUITY AND LIABILITIES		
	Equity		
13	Share capital	390	390
	Retained earnings	<u>3,761,478</u>	<u>3,937,794</u>
	Total equity	<u>3,761,868</u>	<u>3,938,184</u>
	Provisions		
14	Deferred tax	<u>181,871</u>	<u>236,083</u>
	Total provisions	<u>181,871</u>	<u>236,083</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	280,920	80,779
	Payables to group enterprises	1,143,954	98,926
	Corporation tax payable	457	0
	Other payables	<u>139,060</u>	<u>186,630</u>
		<u>1,564,391</u>	<u>366,335</u>
	Total liabilities other than provisions	<u>1,564,391</u>	<u>366,335</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>5,508,130</u></u>	<u><u>4,540,602</u></u>

- 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
- 19 Appropriation of profit/loss

Financial statements 1 January 2019 - 31 March 2020

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2018	390	3,684,293	3,684,683
19	Transfer, see "Appropriation of profit/loss"	0	253,501	253,501
	Equity at 1 January 2019	390	3,937,794	3,938,184
19	Transfer, see "Appropriation of profit/loss"	0	-176,316	-176,316
	Equity at 31 March 2020	390	3,761,478	3,761,868

Financial statements 1 January 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies

The annual report of Biogen (Denmark) Manufacturing ApS for 2019/20 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

The company has changed accounting policies for recognition of the revenue during the financial period. The change is due to both a change in ownership and the operating model and the implementation of IFRS 15 as the basis of interpretation under the Danish Financial Statements Act.

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 Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company.

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 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

The Company has from 2019/20 chosen to apply IFRS 15 (Revenue from Contracts with Customers), which replaces IAS 11/IAS 18 as the basis for interpretation for revenue recognition. The change is due to change in ownership and the subsequent change in the operating model.

Revenue includes service fees for biologic bulk production and assembly, labelling and products to be distributed to group enterprises under Biogen ownership and to external clients under FUJIFILM ownership. Service fees are recognised exclusive of VAT.

Revenue is recognised over time as the company has a right to payment for services performed and materials used in production.

The change in accounting policies has no impact to the financial statement as applying both standards revenue is recognised over time. For this reason comparative information has not been restated.

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

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

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

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:

Knowhow and Customer Rights	4 years
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
Fixtures and fittings, other plant and equipment	6-20 years
Leasehold improvements	3-5 years
Computer hardware	3-5 years

Financial statements 1 January 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

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.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges 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.

Balance sheet

Intangible assets

Knowhow and Customer rights are amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Knowhow and Customer rights are amortised on a straight-line basis over the amortisation period, which is 4 years. The amortisation period is based on the expected length of the inherent contracts.

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.

Financial statements 1 January 2019 - 31 March 2020

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".

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

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.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management.

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 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

Work in progress

Work in progress is measured at sales value of the work carried out. The sales value is measured on the basis of the level of completion at the balance sheet date and the expected income from the work in progress.

If the sales value cannot be calculated reliably, the sales value is measured at expenses incurred or net realisation value, if lower.

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 taxes 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

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Financial statements 1 January 2019 - 31 March 2020

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

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

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
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	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Financial statements 1 January 2019 - 31 March 2020

Notes to the financial statements

DKK'000	2019/20 15 months	2018 12 months
2 Segment information		
Breakdown of revenue by geographical segment:		
USA	882,343	1,021,441
Europe	668,835	395,725
Asia	488,291	0
	<u>2,039,469</u>	<u>1,417,166</u>
3 Staff costs		
Wages/salaries	701,466	543,585
Pensions	58,682	46,807
Other social security costs	11,481	9,151
	<u>771,629</u>	<u>599,543</u>
 Staff costs are recognised as follows in the financial statements:		
Production	690,968	564,834
Administration	80,661	34,709
	<u>771,629</u>	<u>599,543</u>
 Average number of full-time employees	<u>746</u>	<u>747</u>
 By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.		
4 Amortisation/depreciation of intangible assets and property, plant and equipment		
Amortisation of intangible assets	119,432	4,504
Depreciation of property, plant and equipment	387,766	299,117
	<u>507,198</u>	<u>303,621</u>
 Amortisation/depreciation of intangible assets and property, plant and equipment are recognised in the income statement under the following items, Production costs with DKK 475,080 thousand and Administrative expenses with DKK 32,118 thousand.		
5 Other operating income		
Adjustment to Fixed Asset Write-Off	<u>0</u>	<u>184,205</u>
	<u>0</u>	<u>184,205</u>
6 Other operating expenses		
Other operating expenses mainly include costs related to the change of ownership from Biogen Inc. to FUJIFILM Corporation, cost for transition services and support from Biogen Inc. and write off for fixed assets.		

Financial statements 1 January 2019 - 31 March 2020

Notes to the financial statements

DKK'000	2019/20 15 months	2018 12 months
7 Financial income		
Interest receivable, group entities	4,964	0
Exchange adjustments	175	0
Exchange gain	23,075	7,625
Other financial income	0	254
	<u>28,214</u>	<u>7,879</u>
8 Financial expenses		
Interest expenses, group entities	1,128	36
Exchange adjustments	9,868	0
Exchange losses	5,580	727
Other financial expenses	666	2,663
	<u>17,242</u>	<u>3,426</u>
9 Tax for the year		
Estimated tax charge for the year	4,496	40,525
Deferred tax adjustments in the year	-54,212	36,504
Tax adjustments, prior years	0	-4,825
Refund in joint taxation	0	-3,669
	<u>-49,716</u>	<u>68,535</u>

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

10 Intangible assets

DKK'000	Acquired intangible assets	Knowhow and Customer Rights	Intangible assets in progress	Total
Cost at 1 January 2019	48,571	0	0	48,571
Additions	0	549,610	200,000	749,610
Disposals	-12,429	0	0	-12,429
Transferred	109,565	0	-109,565	0
Cost at 31 March 2020	<u>145,707</u>	<u>549,610</u>	<u>90,435</u>	<u>785,752</u>
Impairment losses and amortisation at 1 January 2019	38,047	0	0	38,047
Amortisation for the year	27,830	91,602	0	119,432
Amortisation and impairment losses of disposals for the year	<u>-12,384</u>	<u>0</u>	<u>0</u>	<u>-12,384</u>
Impairment losses and amortisation at 31 March 2020	<u>53,493</u>	<u>91,602</u>	<u>0</u>	<u>145,095</u>
Carrying amount at 31 March 2020	<u>92,214</u>	<u>458,008</u>	<u>90,435</u>	<u>640,657</u>

Financial statements 1 January 2019 - 31 March 2020

Notes to the financial statements

11 Property, plant and equipment

DKK'000	Land and buildings	Fixtures and fittings, other plant and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
Cost at 1 January 2019	2,917,348	2,681,115	12,884	56,198	5,667,545
Adjustment to opening balance	11,288	26,915	0	0	38,203
Additions in the year	0	0	0	103,646	103,646
Disposals in the year	0	-42,178	0	-13,726	-55,904
Transferred	12,456	77,042	0	-89,498	0
Cost at 31 March 2020	2,941,092	2,742,894	12,884	56,620	5,753,490
Impairment losses and depreciation at 1 January 2019	910,467	985,163	11,587	0	1,907,217
Adjustment to opening balance	11,288	26,915	0	0	38,203
Amortisation/depreciation in the year	158,610	227,859	1,297	0	387,766
Amortisation/depreciation and impairment of disposals in the year	0	-38,723	0	0	-38,723
Transferred	-31	31	0	0	0
Impairment losses and depreciation at 31 March 2020	1,080,334	1,201,245	12,884	0	2,294,463
Carrying amount at 31 March 2020	1,860,758	1,541,649	0	56,620	3,459,027

12 Prepayments

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

DKK'000	2019/20	2018
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 2019 - 31 March 2020

Notes to the financial statements

DKK'000	2019/20	2018
14 Deferred tax		
Deferred tax at 1 January	236,083	199,579
Deferred tax adjustments in the year, recognized in the income statement	-54,212	36,504
Deferred tax at 31 March	181,871	236,083
Deferred tax relates to:		
Intangible assets	20,352	2,315
Property, plant and equipment	240,385	233,796
Tax loss	-78,866	0
Other taxable temporary differences	0	-28
	181,871	236,083

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

Until 31 July 2019, the Company is jointly taxed with Biogen (Denmark) A/S, which acts as management company, and for the period 1 August 2019 - 31 March 2020, the Company is jointly taxed with FUJIFILM NORDIC DANMARK (FILIAL AF FUJIFILM NORDIC AB, SVERIGE), which acts as management company, and is jointly and severally liable 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	2019/20	2018
Rent and lease liabilities	5,638	10,974

Rent and lease liabilities concerning contracts which are interminable until 2024 with remaining contract terms of 1-4 years.

16 Collateral

The Company has not provided any security or other collateral in assets at 31 March 2020.

Financial statements 1 January 2019 - 31 March 2020

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>
Fujifilm Holdings Corporation	9-7-3, AKASAKA, TOKYO MIDTOWN WEST, MINATO- KU, TOKYO, Japan 107- 0052	Participating interest
FUJIFILM Diosynth Biotechnologies Holdings Denmark ApS	Bløgen 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>
Fujifilm Holdings Corporation	9-7-3, AKASAKA, TOKYO MIDTOWN WEST, MINATO- KU, TOKYO, Japan 107- 0052	The consolidated accounts of Fujifilm Holdings Corporation can be obtained by written application to 9- 7-3, AKASAKA, TOKYO MIDTOWN WEST, MINATO- KU, TOKYO, Japan 107- 0052

Related party transactions

Biogen (Denmark) Manufacturing ApS was engaged in the below related party transactions:

DKK'000		<u>2019/20</u>
Sales of Service		860,593
Purchase of Service		388,070
Total Intercompany		1,248,663
DKK'000		<u>2019/20</u> 15 months
		<u>2018</u> 12 months
18 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	1,500	1,111
	<u>1,500</u>	<u>1,111</u>
19 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	-176,316	253,501
	<u>-176,316</u>	<u>253,501</u>