

TABLE 3

BIAGEN INC. AND SUBSIDIARIES
GAAP TO NON-GAAP RECONCILIATION:
NET INCOME ATTRIBUTABLE TO BIAGEN INC. AND DILUTED EARNINGS PER SHARE
(unaudited, in millions, except per share amounts)

An itemized reconciliation between diluted earnings per share on a GAAP and Non-GAAP basis is as follows:

	For the Three Months Ended		
	June 30, 2016	March 31, 2016	June 30, 2015
GAAP earnings per share - Diluted	\$ 4.79	\$ 4.43	\$ 3.93
Adjustments to GAAP net income attributable to Biogen Inc. (as detailed below)	0.42	0.36	0.29
Non-GAAP earnings per share - Diluted	<u>\$ 5.21</u>	<u>\$ 4.79</u>	<u>\$ 4.22</u>

	For the Six Months Ended	
	June 30, 2016	June 30, 2015
GAAP earnings per share - Diluted	\$ 9.21	\$ 7.42
Adjustments to GAAP net income attributable to Biogen Inc. (as detailed below)	0.78	0.62
Non-GAAP earnings per share - Diluted	<u>\$ 9.99</u>	<u>\$ 8.04</u>

An itemized reconciliation between net income attributable to Biogen Inc. on a GAAP and Non-GAAP basis is as follows:

	For the Three Months Ended		
	June 30, 2016	March 31, 2016	June 30, 2015
GAAP net income attributable to Biogen Inc.	\$ 1,049.8	\$ 970.9	\$ 927.3
Adjustments:			
Amortization of acquired intangible assets	89.6	85.7	86.8
(Gain) loss on fair value remeasurement of contingent consideration	10.6	2.3	(2.2)
Hemophilia business separation costs	3.7	—	—
Business transformation / optimization:			
2015 restructuring charges	—	9.7	—
Cambridge manufacturing facility rationalization costs ¹	15.8	—	—
Income tax effect related to reconciling items	(27.1)	(19.2)	(17.1)
Non-GAAP net income attributable to Biogen Inc.	<u>\$ 1,142.4</u>	<u>\$ 1,049.4</u>	<u>\$ 994.8</u>

	For the Six Months Ended	
	June 30, 2016	June 30, 2015
GAAP net income attributable to Biogen Inc.	\$ 2,020.7	\$ 1,749.8
Adjustments:		
Amortization of acquired intangible assets	175.3	179.3
(Gain) loss on fair value remeasurement of contingent consideration	12.9	5.6
Hemophilia business separation costs	3.7	—
Business transformation / optimization:		
2015 restructuring charges	9.7	—
Cambridge manufacturing facility rationalization costs ¹	15.8	—
Income tax effect related to reconciling items	(46.3)	(39.7)
Non-GAAP net income attributable to Biogen Inc.	<u>\$ 2,191.8</u>	<u>\$ 1,895.0</u>

2016 Full Year Guidance: GAAP to Non-GAAP Reconciliation

An itemized reconciliation between projected net income attributable to Biogen Inc. and diluted earnings per share on a GAAP and Non-GAAP basis is as follows:

	\$	Shares	Diluted EPS
Projected GAAP net income attributable to Biogen Inc.	\$ 3,990.2	218.7	\$ 18.25
Adjustments:			
Amortization of acquired intangible assets	350.0		
(Gain) loss on fair value remeasurement of contingent consideration	16.0		
Hemophilia business separation costs	28.0		
Business transformation / optimization:			
2015 restructuring charges	10.0		
Cambridge manufacturing facility rationalization costs ¹	40.0		
Income tax effect related to reconciling items	(93.0)		
Projected Non-GAAP net income attributable to Biogen Inc.	<u>\$ 4,341.2</u>	218.7	\$ 19.85

¹Cambridge manufacturing facility rationalization costs reflect \$15.8 million of additional depreciation expense included in cost of sales, excluding amortization of acquired intangible assets in our condensed consolidated statements of income for the three and six months ended June 30, 2016. Full year Cambridge manufacturing facility rationalization costs reflects approximately \$40 million of additional depreciation expected to be recognized during 2016.

Use of Non-GAAP Financial Measures

We supplement our consolidated financial statements presented on a GAAP basis by providing additional measures which may be considered “Non-GAAP” financial measures under applicable SEC rules. We believe that the disclosure of these Non-GAAP financial measures provides additional insight into the ongoing economics of our business and reflects how we manage our business internally, set operational goals and forms the basis of our management incentive programs. These Non-GAAP financial measures are not in accordance with generally accepted accounting principles in the United States and should not be viewed in isolation or as a substitute for reported, or GAAP, net income attributable to Biogen Inc. and diluted earnings per share.

Our “Non-GAAP net income attributable to Biogen Inc.” and “Non-GAAP earnings per share - Diluted” financial measures exclude the following items from “GAAP net income attributable to Biogen Inc.” and “GAAP earnings per share - Diluted”:

1. Purchase accounting and merger-related adjustments

We exclude certain purchase accounting related items associated with the acquisition of businesses, assets and amounts in relation to the consolidation of variable interest entities for which we are the primary beneficiary. These adjustments include charges for in-process research and development, the amortization of certain acquired intangible assets and fair value remeasurement of our contingent consideration obligations.

2. Hemophilia business separation costs

We have excluded costs that are directly associated with the proposed separation of our hemophilia business into an independent, publicly-traded company. These costs represent incremental third party costs attributable solely to hemophilia separation activities.

3. Business transformation / optimization

We exclude costs associated with the company’s execution of certain strategies and initiatives to streamline operations, achieve targeted cost reductions, rationalize manufacturing facilities or refocus R&D activities. These costs may include employee separation costs, retention bonuses, facility closing and exit costs, asset impairment charges or additional depreciation when the expected useful life of certain assets have been shortened due to the changes in anticipated usage, and other costs that management believes do not have a direct correlation to our ongoing or future business operations.

4. Other items

We evaluate other items of income and expense on an individual basis, and consider both the quantitative and qualitative aspects of the item, including (i) its size and nature, (ii) whether or not it relates to our ongoing business operations, and (iii) whether or not we expect it to occur as part of our normal business on a regular basis. We also include an adjustment to reflect the related tax effect of all reconciling items within our reconciliation of our GAAP to Non-GAAP net income attributable to Biogen Inc.