

TABLE 3

BIOGEN INC. AND SUBSIDIARIES
GAAP TO NON-GAAP RECONCILIATION:
NET INCOME ATTRIBUTABLE TO BIOGEN 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, 2017	March 31, 2017	June 30, 2016
GAAP earnings per share - Diluted	\$ 4.07	\$ 3.46	\$ 4.79
Adjustments to GAAP net income attributable to Biogen Inc. (as detailed below)	0.97	1.74	0.42
Non-GAAP earnings per share - Diluted	<u>\$ 5.04</u>	<u>\$ 5.20</u>	<u>\$ 5.21</u>

	For the Six Months Ended	
	June 30, 2017	June 30, 2016
GAAP earnings per share - Diluted	\$ 7.52	\$ 9.21
Adjustments to GAAP net income attributable to Biogen Inc. (as detailed below)	2.72	0.78
Non-GAAP earnings per share - Diluted	<u>\$ 10.24</u>	<u>\$ 9.99</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, 2017	March 31, 2017	June 30, 2016
GAAP net income attributable to Biogen Inc.	\$ 862.8	\$ 747.6	\$ 1,049.8
Adjustments:			
Amortization of acquired intangible assets ^A	117.5	448.5	89.6
Acquired in-process research and development	120.0	—	—
(Gain) loss on fair value remeasurement of contingent consideration	21.2	10.0	10.6
Hemophilia business separation costs	—	19.2	3.7
Restructuring, business transformation and other cost saving initiatives:			
Cambridge manufacturing facility rationalization costs ^B	—	—	15.8
Income tax effect related to reconciling items	(52.4)	(102.4)	(27.1)
Non-GAAP net income attributable to Biogen Inc.	<u>\$ 1,069.1</u>	<u>\$ 1,122.9</u>	<u>\$ 1,142.4</u>

	For the Six Months Ended	
	June 30, 2017	June 30, 2016
GAAP net income attributable to Biogen Inc.	\$ 1,610.4	\$ 2,020.7
Adjustments:		
Amortization of acquired intangible assets ^A	566.0	175.3
Acquired in-process research and development	120.0	—
(Gain) loss on fair value remeasurement of contingent consideration	31.2	12.9
Hemophilia business separation costs	19.2	3.7
Restructuring, business transformation and other cost saving initiatives:		
2015 restructuring charges	—	9.7
Cambridge manufacturing facility rationalization costs ^B	—	15.8
Income tax effect related to reconciling items	(154.8)	(46.3)
Non-GAAP net income attributable to Biogen Inc.	\$ 2,192.0	\$ 2,191.8

2017 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
GAAP net income attributable to Biogen Inc.	\$ 3,700	213	\$ 17.37
Adjustments:			
Amortization of acquired intangible assets ^A	785		
Acquired in-process research and development	120		
(Gain) loss on fair value remeasurement of contingent consideration	75		
Hemophilia business separation costs	20		
Income tax effect related to reconciling items	(200)		
Non-GAAP net income attributable to Biogen Inc.	\$ 4,500	213	\$ 21.13

^A Amortization of acquired intangible assets for the three and six months ended June 30, 2017 includes \$29.4 million and \$383.0 million, respectively, of impairment and amortization charges related to the intangible asset associated with our U.S. and rest of world licenses to Forward Pharma's intellectual property related to TECFIDERA. As we prevailed in the U.S. proceeding in March 2017, we evaluated the recoverability of the U.S. asset acquired from Forward Pharma and recorded an impairment charge to adjust the carrying value of the acquired U.S. asset to fair value reflecting the impact of the developments in the U.S. legal dispute over certain TECFIDERA intellectual property rights. We also continue to amortize the remaining net book value of the U.S. and rest of world licenses in our consolidated statements of income utilizing an economic consumption model.

^B Cambridge manufacturing facility rationalization costs for the six months ended June 30, 2016, reflects \$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.

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 or deconsolidation of variable interest entities for which we are the primary beneficiary. These adjustments include, but are not limited to, charges for in-process research and development, the amortization of certain acquired intangible assets, and charges or credits from the fair value remeasurement of our contingent consideration obligations.

2. Hemophilia business separation costs

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

3. Restructuring, business transformation and other cost saving initiatives

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 changes in anticipated usage, and other costs or credits that management believes do not have a direct correlation to our on-going 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.