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		
	December 31, 2016	September 30, 2016	December 31, 2015
GAAP earnings per share - Diluted	$ 2.99	$ 4.71	$ 3.77
Adjustments to GAAP net income attributable to Biogen Inc. (as detailed below)	2.05	0.48	0.74
Non-GAAP earnings per share - Diluted	$ 5.04	$ 5.19	$ 4.50

	For the Twelve Months Ended	
	December 31, 2016	December 31, 2015
GAAP earnings per share - Diluted	$ 16.93	$ 15.34
Adjustments to GAAP net income attributable to Biogen Inc. (as detailed below)	3.29	1.67
Non-GAAP earnings per share - Diluted	$ 20.22	$ 17.01

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		
	December 31, 2016	September 30, 2016	December 31, 2015
GAAP net income attributable to Biogen Inc.	$ 649.2	$ 1,032.9	$ 831.6
Adjustments:			
TECFIDERA litigation settlement and license charges[A]	454.8	—	—
Amortization of acquired intangible assets	101.6	96.7	92.0
(Gain) loss on fair value remeasurement of contingent consideration	(4.0)	5.9	24.6
(Gain) loss on deconsolidation of variable interest entities	(4.4)		
Hemophilia business separation costs	12.6	1.8	—
Restructuring, business transformation and other cost saving initiatives:			
Restructuring charges[B]	11.8	11.6	93.4
Cambridge manufacturing facility rationalization costs[C]	17.8	21.2	—
Income tax effect related to reconciling items	(146.2)	(32.4)	(46.9)
Non-GAAP net income attributable to Biogen Inc.	$ 1,093.2	$ 1,137.7	$ 994.7

	For the Twelve Months Ended	
	December 31, 2016	December 31, 2015
GAAP net income attributable to Biogen Inc.	$ 3,702.8	$ 3,547.0
Adjustments:		
TECFIDERA litigation settlement and license charges[A]	454.8	—
Amortization of acquired intangible assets	373.6	365.3
(Gain) loss on fair value remeasurement of contingent consideration	14.8	30.5
(Gain) loss on deconsolidation of variable interest entities	(4.4)	
Hemophilia business separation costs	18.1	—
Restructuring, business transformation and other cost saving initiatives:		
Restructuring charges[B]	33.1	93.4
Cambridge manufacturing facility rationalization costs[C]	54.8	—
Income tax effect related to reconciling items	(224.9)	(104.3)
Non-GAAP net income attributable to Biogen Inc.	$ 4,422.7	$ 3,931.9

[A] Upon effectiveness of our settlement and license agreement with Forward Pharma A/S (Forward Pharma), we have agreed to pay Forward Pharma $1.25 billion in cash. The $455 million pre-tax charge recognized during the three and twelve months ended December 31, 2016, represents the portion of the $1.25 billion cash payment that is attributable to our sales of TECFIDERA during the period April 2014 through December 31, 2016.

[B] Restructuring charges for the twelve months ended December 31, 2016 and 2015 include $8.0 million and $93.4 million, respectively, of costs incurred in connection with our 2015 corporate restructuring. Restructuring charges for the three months ended September 30, 2016 and for the three and twelve months ended December 31, 2016, include charges of $13.2 million, $4.4 million and $17.7 million, respectively, incurred in connection with additional cost savings measures primarily intended to realign our organizational structure in anticipation of the changes in roles and workforce resulting from our decision to spin off our hemophilia business, and to achieve further targeted cost reductions. Restructuring charges for the three and twelve months ended December 31, 2016, also include severance charges of $7.4 million related to employee separation costs as a result of our decision to vacate and cease manufacturing in Cambridge, MA and vacate our warehouse in Somerville, MA.

[C] Cambridge manufacturing facility rationalization costs reflect additional depreciation, the write-down of excess inventory and other direct costs associated with our decision to vacate and cease manufacturing in Cambridge, MA and vacate our warehouse in Somerville, MA. Additional depreciation expense, which totaled $15.7 million, $14.0 million and $45.5 million for the three months ended September 30, 2016 and for the three and twelve months ended December 31, 2016, respectively, is included in cost of sales, excluding amortization of acquired intangible assets in our condensed consolidated statements of income. Also reflected in this amount for the three months ended September 30, 2016 and for the three and twelve months ended December 31, 2016, are charges of $5.5 million, $1.4 million and $6.9 million, respectively, for the write-down of excess inventory, which are included in cost of sales, excluding amortization of acquired intangible assets in our condensed consolidated statements of income.

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
Projected GAAP net income attributable to Biogen Inc.	$ 3,920.0	213.1	$ 18.40
Adjustments:			
TECFIDERA litigation settlement and license charges[D]	190.0		
Amortization of acquired intangible assets	355.0		
(Gain) loss on fair value remeasurement of contingent consideration	80.0		
Hemophilia business separation costs	20.0		
Income tax effect related to reconciling items	(120.0)		
Projected Non-GAAP net income attributable to Biogen Inc.	$ 4,445.0	213.1	$ 20.85

[D] Amount represents the minimum expense that we expect to record in 2017 upon the effectiveness of our settlement and license agreement with Forward Pharma.

Actual charges recorded in 2017 will depend on the outcome of patent office proceedings pending in the U.S. and E.U. If Forward Pharma does not receive a patent in a jurisdiction, we would not be obligated to pay royalties in that jurisdiction and we would likely recognize an immediate impairment charge equal to the remaining value of the cash payment as additional litigation expense. If Forward Pharma receives a patent in either jurisdiction, we would recognize an intangible asset related to a license of intellectual property in that jurisdiction and we may be obligated to pay future royalties. These intangible assets will be amortized utilizing an economic consumption model. Patent proceedings are unpredictable and the outcome of these proceedings is uncertain. Either outcome is expected to result in recognition of GAAP-only charges.

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, including in the fourth quarter of 2016, TECFIDERA litigation settlement and license charges. 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.