

Amgen Inc.
Condensed Consolidated Statements of Income - GAAP
(In millions, except per share data)
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Revenues:				
Product sales.....	\$ 4,949	\$ 4,595	\$ 9,305	\$ 8,746
Other revenues.....	231	84	396	171
Total revenues.....	<u>5,180</u>	<u>4,679</u>	<u>9,701</u>	<u>8,917</u>
Operating expenses:				
Cost of sales.....	1,081	785	2,171	1,529
Research and development.....	1,018	967	2,045	1,845
Selling, general and administrative.....	1,136	1,256	2,159	2,414
Other.....	43	121	60	137
Total operating expenses.....	<u>3,278</u>	<u>3,129</u>	<u>6,435</u>	<u>5,925</u>
Operating income.....	1,902	1,550	3,266	2,992
Interest expense, net.....	282	241	541	504
Interest and other income, net.....	138	96	237	260
Income before income taxes.....	1,758	1,405	2,962	2,748
Provision for income taxes.....	211	147	342	56
Net income.....	<u>\$ 1,547</u>	<u>\$ 1,258</u>	<u>\$ 2,620</u>	<u>\$ 2,692</u>
Earnings per share:				
Basic.....	\$ 2.04	\$ 1.67	\$ 3.46	\$ 3.58
Diluted.....	\$ 2.01	\$ 1.65	\$ 3.41	\$ 3.52
Average shares used in calculation of earnings per share:				
Basic.....	759	752	758	752
Diluted.....	768	764	768	764

Amgen Inc.
Condensed Consolidated Balance Sheets - GAAP
(In millions)
(Unaudited)

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Assets		
Current assets:		
Cash, cash equivalents and marketable securities.....	\$ 26,188	\$ 19,401
Trade receivables, net.....	2,697	2,697
Inventories.....	2,954	3,019
Other current assets.....	2,489	2,250
Total current assets.....	<u>34,328</u>	<u>27,367</u>
Property, plant and equipment, net.....	5,371	5,349
Intangible assets, net.....	13,499	13,262
Goodwill.....	14,844	14,968
Restricted investments.....	-	3,412
Other assets.....	1,492	1,767
Total assets.....	<u>\$ 69,534</u>	<u>\$ 66,125</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 5,366	\$ 5,442
Current portion of long-term debt.....	2,500	2,505
Total current liabilities.....	<u>7,866</u>	<u>7,947</u>
Long-term debt.....	30,828	29,623
Other non-current liabilities.....	6,458	6,459
Stockholders' equity.....	24,382	22,096
Total liabilities and stockholders' equity.....	<u>\$ 69,534</u>	<u>\$ 66,125</u>
Shares outstanding.....	759	755

Amgen Inc.
GAAP to Adjusted Reconciliations
(In millions)
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2014	2013	2014	2013
GAAP cost of sales	\$ 1,081	\$ 785	\$ 2,171	\$ 1,529
Adjustments to cost of sales:				
Acquisition-related expenses (a)	(290)	(70)	(694)	(141)
Stock option expense	(2)	(1)	(4)	(3)
Total adjustments to cost of sales	<u>(292)</u>	<u>(71)</u>	<u>(698)</u>	<u>(144)</u>
Adjusted cost of sales	<u>\$ 789</u>	<u>\$ 714</u>	<u>\$ 1,473</u>	<u>\$ 1,385</u>
GAAP research and development expenses	\$ 1,018	\$ 967	\$ 2,045	\$ 1,845
Adjustments to research and development expenses:				
Acquisition-related expenses (b)	(38)	(20)	(69)	(42)
Stock option expense	(1)	(3)	(3)	(8)
Total adjustments to research and development expenses	<u>(39)</u>	<u>(23)</u>	<u>(72)</u>	<u>(50)</u>
Adjusted research and development expenses	<u>\$ 979</u>	<u>\$ 944</u>	<u>\$ 1,973</u>	<u>\$ 1,795</u>
GAAP selling, general and administrative expenses	\$ 1,136	\$ 1,256	\$ 2,159	\$ 2,414
Adjustments to selling, general and administrative expenses:				
Acquisition-related expenses (b)	(42)	(16)	(80)	(26)
Stock option expense	(1)	(3)	(3)	(7)
Total adjustments to selling, general and administrative expenses	<u>(43)</u>	<u>(19)</u>	<u>(83)</u>	<u>(33)</u>
Adjusted selling, general and administrative expenses	<u>\$ 1,093</u>	<u>\$ 1,237</u>	<u>\$ 2,076</u>	<u>\$ 2,381</u>
GAAP operating expenses	\$ 3,278	\$ 3,129	\$ 6,435	\$ 5,925
Adjustments to operating expenses:				
Adjustments to cost of sales	(292)	(71)	(698)	(144)
Adjustments to research and development expenses	(39)	(23)	(72)	(50)
Adjustments to selling, general and administrative expenses	(43)	(19)	(83)	(33)
Certain charges pursuant to our efforts to improve cost efficiencies in our operations (c)	(23)	(11)	(38)	(11)
Expense resulting from changes in the estimated fair values of the contingent consideration obligations related to prior year business combinations	(14)	(110)	(15)	(111)
Other (d)	(6)	-	(7)	(15)
Total adjustments to operating expenses	<u>(417)</u>	<u>(234)</u>	<u>(913)</u>	<u>(364)</u>
Adjusted operating expenses	<u>\$ 2,861</u>	<u>\$ 2,895</u>	<u>\$ 5,522</u>	<u>\$ 5,561</u>
GAAP operating income	\$ 1,902	\$ 1,550	\$ 3,266	\$ 2,992
Adjustments to operating expenses	417	234	913	364
Adjusted operating income	<u>\$ 2,319</u>	<u>\$ 1,784</u>	<u>\$ 4,179</u>	<u>\$ 3,356</u>
GAAP other income/(expense)	\$ (144)	\$ (145)	\$ (304)	\$ (244)
Adjustments to other income/(expense):				
Non-cash interest expense associated with our convertible notes	-	-	-	12
Adjusted other income/(expense)	<u>\$ (144)</u>	<u>\$ (145)</u>	<u>\$ (304)</u>	<u>\$ (232)</u>
GAAP income before income taxes	\$ 1,758	\$ 1,405	\$ 2,962	\$ 2,748
Adjustments to income before income taxes:				
Adjustments to operating expenses	417	234	913	364
Non-cash interest expense associated with our convertible notes	-	-	-	12
Total adjustments to income before income taxes	<u>417</u>	<u>234</u>	<u>913</u>	<u>376</u>
Adjusted income before income taxes	<u>\$ 2,175</u>	<u>\$ 1,639</u>	<u>\$ 3,875</u>	<u>\$ 3,124</u>
GAAP provision for income taxes	\$ 211	\$ 147	\$ 342	\$ 56
Adjustments to provision for income taxes:				
Income tax effect of the above adjustments (e)	148	48	279	88
Other income tax adjustments (f)	(7)	-	(7)	38
Total adjustments to provision for income taxes	<u>141</u>	<u>48</u>	<u>272</u>	<u>126</u>
Adjusted provision for income taxes	<u>\$ 352</u>	<u>\$ 195</u>	<u>\$ 614</u>	<u>\$ 182</u>
GAAP net income	\$ 1,547	\$ 1,258	\$ 2,620	\$ 2,692
Adjustments to net income:				
Adjustments to income before income taxes, net of the income tax effect of the above adjustments	269	186	634	288
Other income tax adjustments (f)	7	-	7	(38)
Total adjustments to net income	<u>276</u>	<u>186</u>	<u>641</u>	<u>250</u>
Adjusted net income	<u>\$ 1,823</u>	<u>\$ 1,444</u>	<u>\$ 3,261</u>	<u>\$ 2,942</u>

Amgen Inc.
GAAP to Adjusted Reconciliations
(In millions, except per share data)
(Unaudited)

The following table presents the computations for GAAP and Adjusted diluted EPS. Dilutive securities used to compute Adjusted diluted EPS were computed assuming that we do not expense stock options.

	Three months ended June 30, 2014		Three months ended June 30, 2013	
	GAAP	Adjusted	GAAP	Adjusted
Net income.....	\$ 1,547	\$ 1,823	\$ 1,258	\$ 1,444
Weighted-average shares for diluted EPS.....	768	768	764	763
Diluted EPS.....	\$ 2.01	\$ 2.37	\$ 1.65	\$ 1.89

	Six months ended June 30, 2014		Six months ended June 30, 2013	
	GAAP	Adjusted	GAAP	Adjusted
Net income.....	\$ 2,620	\$ 3,261	\$ 2,692	\$ 2,942
Weighted-average shares for diluted EPS.....	768	768	764	764
Diluted EPS.....	\$ 3.41	\$ 4.25	\$ 3.52	\$ 3.85

- (a) The adjustments related primarily to non-cash amortization of intangible assets, including developed product technology rights, acquired in business combinations. For the six months ended June 30, 2014, the adjustments also included a \$99-million charge related to the termination of a supply contract with F. Hoffmann-La Roche Ltd. as a result of acquiring the licenses to filgrastim and pegfilgrastim effective January 1, 2014.
- (b) The adjustments related primarily to non-cash amortization of intangible assets acquired in business combinations and also included other acquisition-related expenses.
- (c) The adjustments related primarily to severance expenses.
- (d) The 2014 adjustments related primarily to various acquisition-related expenses. The 2013 adjustments related to various legal proceedings.
- (e) The tax effect of the adjustments between our GAAP and Adjusted results takes into account the tax treatment and related tax rate(s) that apply to each adjustment in the applicable tax jurisdiction(s). Generally, this results in a tax impact at the U.S. marginal tax rate for certain adjustments, including the majority of amortization of intangible assets, whereas the tax impact of other adjustments, including stock option expense, depends on whether the amounts are deductible in the tax jurisdictions where the expenses are incurred or the asset is located and the applicable tax rate(s) in those jurisdictions. Due to these factors, the effective tax rates for the adjustments to our GAAP income before income taxes, for the three and six months ended June 30, 2014 and 2013, were 35.5% and 30.6%, respectively, compared with 20.5% and 23.4% for the corresponding periods of the prior year.
- (f) The adjustments in 2014 related to certain prior period items excluded from adjusted earnings. The adjustments in 2013 related to resolving certain non-routine transfer-pricing and acquisition-related matters with tax authorities.

Amgen Inc.
Reconciliations of Free Cash Flow
(In millions)
(Unaudited)

	Three months ended	
	June 30,	
	2014	2013
Operating Cash Flow.....	\$ 2,227	\$ 1,600
Capital Expenditures.....	(173)	(159)
Free Cash Flow.....	<u>\$ 2,054</u>	<u>\$ 1,441</u>

**Reconciliation of GAAP EPS Guidance to Adjusted
EPS Guidance for the Year Ending December 31, 2014**
(Unaudited)

	<u>2014</u>		
GAAP diluted EPS guidance	\$ 6.38	-	\$ 6.67
Known adjustments to arrive at Adjusted earnings*:			
Acquisition-related expenses..... (a)		1.32	
Other..... (b)		0.04	
Tax adjustments..... (c)		0.01	
Restructuring charges..... (d)	0.36	-	0.45
Adjusted diluted EPS guidance	<u>\$ 8.20</u>	-	<u>\$ 8.40</u>

* The known adjustments are presented net of their related tax impact which amount to approximately \$0.84 per share in the aggregate.

- (a) The adjustments relate primarily to non-cash amortization of intangible assets acquired in prior year business combinations.
- (b) The adjustments relate primarily to cost savings initiatives and also include stock option expense and various legal proceedings.
- (c) The adjustments related to certain prior period items excluded from adjusted earnings.
- (d) Estimated 2014 impact of restructuring charges announced on July 29, 2014.

**Reconciliation of GAAP Tax Rate Guidance to Adjusted
Tax Rate Guidance for the Year Ending December 31, 2014**
(Unaudited)

	<u>2014</u>		
GAAP tax rate guidance	8%	-	9%
Tax rate effect of known adjustments discussed above.....		7%	
Adjusted tax rate guidance	<u>15%</u>	-	<u>16%</u>