

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

	Three months ended December 31,		Years ended December 31,	
	2016	2015	2016	2015
Revenues:				
Product sales.....	\$ 5,663	\$ 5,329	\$ 21,892	\$ 20,944
Other revenues.....	302	207	1,099	718
Total revenues.....	<u>5,965</u>	<u>5,536</u>	<u>22,991</u>	<u>21,662</u>
Operating expenses:				
Cost of sales.....	1,067	1,071	4,162	4,227
Research and development.....	1,078	1,093	3,840	4,070
Selling, general and administrative.....	1,323	1,416	5,062	4,846
Other.....	12	(77)	133	49
Total operating expenses.....	<u>3,480</u>	<u>3,503</u>	<u>13,197</u>	<u>13,192</u>
Operating income.....	2,485	2,033	9,794	8,470
Interest expense, net.....	328	284	1,260	1,095
Interest and other income, net.....	126	164	629	603
Income before income taxes.....	2,283	1,913	9,163	7,978
Provision for income taxes.....	348	113	1,441	1,039
Net income.....	<u>\$ 1,935</u>	<u>\$ 1,800</u>	<u>\$ 7,722</u>	<u>\$ 6,939</u>
Earnings per share:				
Basic.....	\$ 2.61	\$ 2.39	\$ 10.32	\$ 9.15
Diluted.....	\$ 2.59	\$ 2.37	\$ 10.24	\$ 9.06
Weighted average shares used in calculation of earnings per share:				
Basic.....	742	754	748	758
Diluted.....	748	761	754	766

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

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Assets		
Current assets:		
Cash, cash equivalents and marketable securities.....	\$ 38,085	\$ 31,382
Trade receivables, net.....	3,165	2,995
Inventories.....	2,745	2,435
Other current assets.....	2,015	1,703
Total current assets.....	<u>46,010</u>	<u>38,515</u>
Property, plant and equipment, net.....	4,961	4,907
Intangible assets, net.....	10,279	11,641
Goodwill.....	14,751	14,787
Other assets.....	1,625	1,599
Total assets.....	<u>\$ 77,626</u>	<u>\$ 71,449</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 6,801	\$ 6,417
Current portion of long-term debt.....	4,403	2,247
Total current liabilities.....	<u>11,204</u>	<u>8,664</u>
Long-term debt.....	30,193	29,182
Long-term deferred tax liability.....	2,436	2,239
Long-term tax liability.....	2,419	1,973
Other noncurrent liabilities.....	1,499	1,308
Stockholders' equity.....	29,875	28,083
Total liabilities and stockholders' equity.....	<u>\$ 77,626</u>	<u>\$ 71,449</u>
Shares outstanding.....	738	754

Amgen Inc.
GAAP to Non-GAAP Reconciliations
(In millions)
(Unaudited)

	Three months ended		Years ended	
	December 31,		December 31,	
	2016	2015	2016	2015
GAAP cost of sales	\$ 1,067	\$ 1,071	\$ 4,162	\$ 4,227
Adjustments to cost of sales:				
Acquisition-related expenses (a)	(314)	(297)	(1,248)	(1,142)
Certain net charges pursuant to our restructuring initiative	-	(10)	(1)	(52)
Total adjustments to cost of sales	(314)	(307)	(1,249)	(1,194)
Non-GAAP cost of sales	\$ 753	\$ 764	\$ 2,913	\$ 3,033
GAAP cost of sales as a percentage of product sales	18.8%	20.1%	19.0%	20.2%
Acquisition-related expenses (a)	-5.5	-5.6	-5.7	-5.5
Certain net charges pursuant to our restructuring initiative	0.0	-0.2	0.0	-0.2
Non-GAAP cost of sales as a percentage of product sales	13.3%	14.3%	13.3%	14.5%
GAAP research and development expenses	\$ 1,078	\$ 1,093	\$ 3,840	\$ 4,070
Adjustments to research and development expenses:				
Acquisition-related expenses (a)	(20)	(20)	(78)	(89)
Certain net charges pursuant to our restructuring initiative	(2)	(16)	(7)	(64)
Total adjustments to research and development expenses	(22)	(36)	(85)	(153)
Non-GAAP research and development expenses	\$ 1,056	\$ 1,057	\$ 3,755	\$ 3,917
GAAP research and development expenses as a percentage of product sales	19.0%	20.5%	17.5%	19.4%
Acquisition-related expenses (a)	-0.4	-0.4	-0.3	-0.4
Certain net charges pursuant to our restructuring initiative	0.0	-0.3	0.0	-0.3
Non-GAAP research and development expenses as a percentage of product sales	18.6%	19.8%	17.2%	18.7%
GAAP selling, general and administrative expenses	\$ 1,323	\$ 1,416	\$ 5,062	\$ 4,846
Adjustments to selling, general and administrative expenses:				
Acquisition-related expenses (b)	(26)	(46)	(180)	(130)
Certain net charges pursuant to our restructuring initiative	-	(21)	(5)	(56)
Total adjustments to selling, general and administrative expenses	(26)	(67)	(185)	(186)
Non-GAAP selling, general and administrative expenses	\$ 1,297	\$ 1,349	\$ 4,877	\$ 4,660
GAAP selling, general and administrative expenses as a percentage of product sales	23.4%	26.6%	23.1%	23.1%
Acquisition-related expenses (b)	-0.5	-0.9	-0.8	-0.6
Certain net charges pursuant to our restructuring initiative	0.0	-0.4	0.0	-0.3
Non-GAAP selling, general and administrative expenses as a percentage of product sales	22.9%	25.3%	22.3%	22.2%
GAAP operating expenses	\$ 3,480	\$ 3,503	\$ 13,197	\$ 13,192
Adjustments to operating expenses:				
Adjustments to cost of sales	(314)	(307)	(1,249)	(1,194)
Adjustments to research and development expenses	(22)	(36)	(85)	(153)
Adjustments to selling, general and administrative expenses	(26)	(67)	(185)	(186)
Certain net charges pursuant to our restructuring initiative (c)	(9)	99	(24)	58
Expense related to various legal proceedings	-	(18)	(105)	(91)
Acquisition-related adjustments (d)	(3)	(4)	(4)	(16)
Total adjustments to operating expenses	(374)	(333)	(1,652)	(1,582)
Non-GAAP operating expenses	\$ 3,106	\$ 3,170	\$ 11,545	\$ 11,610
GAAP operating income	\$ 2,485	\$ 2,033	\$ 9,794	\$ 8,470
Adjustments to operating expenses	374	333	1,652	1,582
Non-GAAP operating income	\$ 2,859	\$ 2,366	\$ 11,446	\$ 10,052
GAAP operating income as a percentage of product sales	43.9%	38.1%	44.7%	40.4%
Adjustments to cost of sales	5.5	5.8	5.7	5.7
Adjustments to research and development expenses	0.4	0.7	0.3	0.7
Adjustments to selling, general and administrative expenses	0.5	1.3	0.8	0.9
Certain net charges pursuant to our restructuring initiative (c)	0.2	-1.9	0.2	-0.3
Expense related to various legal proceedings	0.0	0.3	0.6	0.4
Acquisition-related adjustments (d)	0.0	0.1	0.0	0.0
Non-GAAP operating income as a percentage of product sales	50.5%	44.4%	52.3%	47.8%
GAAP income before income taxes	\$ 2,283	\$ 1,913	\$ 9,163	\$ 7,978
Adjustments to operating expenses	374	333	1,652	1,582
Non-GAAP income before income taxes	\$ 2,657	\$ 2,246	\$ 10,815	\$ 9,560
GAAP provision for income taxes	\$ 348	\$ 113	\$ 1,441	\$ 1,039
Adjustments to provision for income taxes:				
Income tax effect of the above adjustments to operating expenses (e)	113	92	525	496
Other income tax adjustments (f)	36	56	64	71
Total adjustments to provision for income taxes	149	148	589	567
Non-GAAP provision for income taxes	\$ 497	\$ 261	\$ 2,030	\$ 1,606
GAAP tax rate as a percentage of income before taxes	15.2%	5.9%	15.7%	13.0%
Adjustments to provision for income taxes:				
Income tax effect of the above adjustments to operating expenses (e)	2.1	3.2	2.5	3.0
Other income tax adjustments (f)	1.4	2.5	0.6	0.8
Total adjustments to provision for income taxes	3.5	5.7	3.1	3.8
Non-GAAP tax rate as a percentage of income before taxes	18.7%	11.6%	18.8%	16.8%
GAAP net income	\$ 1,935	\$ 1,800	\$ 7,722	\$ 6,939
Adjustments to net income:				
Adjustments to income before income taxes, net of the income tax effect	261	241	1,127	1,086
Other income tax adjustments (f)	(36)	(56)	(64)	(71)
Total adjustments to net income	225	185	1,063	1,015
Non-GAAP net income	\$ 2,160	\$ 1,985	\$ 8,785	\$ 7,954

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

The following table presents the computations for GAAP and non-GAAP diluted EPS.

	Three months ended December 31, 2016		Three months ended December 31, 2015	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Net income.....	\$ 1,935	\$ 2,160	\$ 1,800	\$ 1,985
Weighted-average shares for diluted EPS.....	748	748	761	761
Diluted EPS.....	<u>\$ 2.59</u>	<u>\$ 2.89</u>	<u>\$ 2.37</u>	<u>\$ 2.61</u>
	Year ended December 31, 2016		Year ended December 31, 2015	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Net income.....	\$ 7,722	\$ 8,785	\$ 6,939	\$ 7,954
Weighted-average shares for diluted EPS.....	754	754	766	766
Diluted EPS.....	<u>\$ 10.24</u>	<u>\$ 11.65</u>	<u>\$ 9.06</u>	<u>\$ 10.38</u>

- (a) The adjustments related primarily to non-cash amortization of intangible assets acquired in business combinations.
- (b) For the three months and years ended December 31, 2016 and 2015, the adjustments related primarily to non-cash amortization of intangible assets acquired in business combinations. For the year ended December 31, 2016, the adjustments also included a \$73-million charge resulting from the reacquisition of Prolia[®], XGEVA[®] and Vectibix[®] license agreements in certain markets from Glaxo Group Limited.
- (c) For the three months and year ended December 31, 2016, the adjustments related primarily to asset-related charges from our site closures. For the three months ended December 31, 2015, the adjustments related primarily to a gain recognized on the sale of assets related to our site closures. The adjustments for the year ended December 31, 2015, related primarily to gains recognized on the sale of assets related to our site closures, partially offset by severance expenses.
- (d) The adjustments related primarily to the impairment of non-key contract assets acquired as part of a business combination and the change in fair values of contingent consideration.
- (e) The tax effect of the adjustments between our GAAP and non-GAAP 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 restructuring expense, depends on whether the amounts are deductible in the respective tax jurisdictions 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 months and year ended December 31, 2016 were 30.2% and 31.8% respectively compared with 27.6% and 31.4% for the corresponding periods of the prior year.
- (f) The adjustments related to certain acquisition items and prior period items excluded from non-GAAP earnings.

Amgen Inc.
Reconciliations of Cash Flows
(In millions)
(Unaudited)

	Three months ended December 31,		Years ended December 31,	
	2016	2015	2016	2015
Net cash provided by operating activities.....	\$ 3,100	\$ 2,073 (a)	\$ 10,354	\$ 9,731 (a)
Net cash used in investing activities	(1,222)	(233)	(8,658)	(5,547)
Net cash used in financing activities.....	(2,122)	(922)	(2,599)	(3,771)
(Decrease) increase in cash and cash equivalents.....	(244)	918	(903)	413
Cash and cash equivalents at beginning of period.....	3,485	3,226	4,144	3,731
Cash and cash equivalents at end of period.....	\$ 3,241	\$ 4,144	\$ 3,241	\$ 4,144

	Three months ended December 31,		Years ended December 31,	
	2016	2015	2016	2015
Net cash provided by operating activities.....	\$ 3,100	\$ 2,073 (a)	\$ 10,354	\$ 9,731 (a)
Capital expenditures.....	(227)	(205)	(738)	(594)
Free cash flow.....	\$ 2,873	\$ 1,868	\$ 9,616	\$ 9,137

(a) Restated to include \$13 million and \$654 million for the three months and year ended December 31, 2015, respectively, which was previously included in Net cash used in financing activities, as a result of the adoption of Accounting Standards Update 2016-09, *Improvements to Employee Share-Based Payment Accounting*.

**Reconciliation of GAAP EPS Guidance to Non-GAAP
EPS Guidance for the Year Ending December 31, 2017
(Unaudited)**

GAAP diluted EPS guidance	\$	10.45	-	\$	11.31
Known adjustments to arrive at non-GAAP*:					
Acquisition-related expenses.....	(a)		1.22		
Restructuring charges.....		0.07	-		0.13
Non-GAAP diluted EPS guidance	\$	11.80	-	\$	12.60

* The known adjustments are presented net of their related tax impact which amount to approximately \$0.61 to \$0.64 per share, in the aggregate.

(a) The adjustments relate primarily to non-cash amortization of intangible assets acquired in prior year business combinations.

**Reconciliation of GAAP Tax Rate Guidance to Non-GAAP
Tax Rate Guidance for the Year Ending December 31, 2017
(Unaudited)**

	<u>2017</u>		
GAAP tax rate guidance	16.0%	-	18.0%
Tax rate effect of known adjustments discussed above.....	1.5%	-	2.5%
Non-GAAP tax rate guidance	18.5%	-	19.5%

Amgen Inc.
International Sales Performance Adjusted for Foreign Exchange

Amgen has presented international sales performance excluding the impact of foreign exchange. This measure adjusts for the translation effect of changes in average foreign exchange rates between the current period and the corresponding period in the prior year. Amgen's calculation to adjust for the impact of foreign exchange results in prior period weighted-average, foreign exchange rates being applied to current period product sales. Amgen believes that excluding the impact of foreign exchange enhances an investor's overall understanding of the financial performance and prospects for the future of Amgen's core business activities by facilitating comparisons of results of core business operations among current, past and future periods.