

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

	Three months ended		Years ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Revenues:				
Product sales.....	\$ 4,799	\$ 4,337	\$ 18,192	\$ 16,639
Other revenues.....	212	84	484	626
Total revenues.....	<u>5,011</u>	<u>4,421</u>	<u>18,676</u>	<u>17,265</u>
Operating expenses:				
Cost of sales.....	1,029	922	3,346	3,199
Research and development.....	1,249	938	4,083	3,380
Selling, general and administrative.....	1,521	1,373	5,184	4,814
Other.....	25	100	196	295
Total operating expenses.....	<u>3,824</u>	<u>3,333</u>	<u>12,809</u>	<u>11,688</u>
Operating income.....	1,187	1,088	5,867	5,577
Interest expense, net.....	261	291	1,022	1,053
Interest and other income, net.....	88	126	420	485
Income before income taxes.....	1,014	923	5,265	5,009
Provision for income taxes.....	(7)	135	184	664
Net income.....	<u>\$ 1,021</u>	<u>\$ 788</u>	<u>\$ 5,081</u>	<u>\$ 4,345</u>
Earnings per share:				
Basic.....	\$ 1.35	\$ 1.03	\$ 6.75	\$ 5.61
Diluted.....	\$ 1.33	\$ 1.01	\$ 6.64	\$ 5.52
Average shares used in calculation of earnings per share:				
Basic.....	754	763	753	775
Diluted.....	766	778	765	787

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

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Assets		
Current assets:		
Cash, cash equivalents and marketable securities.....	\$ 19,401	\$ 24,061
Trade receivables, net.....	2,697	2,518
Inventories.....	3,019	2,744
Other current assets.....	2,250	1,886
Total current assets.....	<u>27,367</u>	<u>31,209</u>
Property, plant and equipment, net.....	5,349	5,326
Intangible assets, net.....	13,262	3,968
Goodwill.....	14,968	12,662
Restricted investments.....	3,413	-
Other assets.....	1,766	1,133
Total assets.....	<u>\$ 66,125</u>	<u>\$ 54,298</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 5,442	\$ 5,696
Current portion of long-term debt.....	2,505	2,495
Total current liabilities.....	<u>7,947</u>	<u>8,191</u>
Long-term debt.....	29,623	24,034
Other noncurrent liabilities.....	6,459	3,013
Stockholders' equity.....	22,096	19,060
Total liabilities and stockholders' equity.....	<u>\$ 66,125</u>	<u>\$ 54,298</u>
Shares outstanding.....	755	756

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

	Three months ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
GAAP cost of sales	\$ 1,029	\$ 922	\$ 3,346	\$ 3,199
Adjustments to cost of sales:				
Stock option expense (a)	(3)	(3)	(9)	(12)
Acquisition-related expenses (b)	(256)	(74)	(467)	(292)
Certain charges pursuant to our efforts to improve cost efficiencies in our operations related to accelerated depreciation of certain manufacturing facilities	-	(118)	-	(160)
Total adjustments to cost of sales	<u>(259)</u>	<u>(195)</u>	<u>(476)</u>	<u>(464)</u>
Adjusted cost of sales	<u>\$ 770</u>	<u>\$ 727</u>	<u>\$ 2,870</u>	<u>\$ 2,735</u>
GAAP research and development expenses	\$ 1,249	\$ 938	\$ 4,083	\$ 3,380
Adjustments to research and development expenses:				
Stock option expense (a)	(2)	(5)	(12)	(22)
Acquisition-related expenses (c)	(79)	(16)	(142)	(50)
Certain charges pursuant to our efforts to improve cost efficiencies in our operations related to lease abandonment	-	-	-	(12)
Total adjustments to research and development expenses	<u>(81)</u>	<u>(21)</u>	<u>(154)</u>	<u>(84)</u>
Adjusted research and development expenses	<u>\$ 1,168</u>	<u>\$ 917</u>	<u>\$ 3,929</u>	<u>\$ 3,296</u>
GAAP selling, general and administrative expenses	\$ 1,521	\$ 1,373	\$ 5,184	\$ 4,814
Adjustments to selling, general and administrative expenses:				
Stock option expense (a)	(3)	(5)	(13)	(25)
Acquisition-related expenses (d)	(212)	(17)	(266)	(72)
Total adjustments to selling, general and administrative expenses	<u>(215)</u>	<u>(22)</u>	<u>(279)</u>	<u>(97)</u>
Adjusted selling, general and administrative expenses	<u>\$ 1,306</u>	<u>\$ 1,351</u>	<u>\$ 4,905</u>	<u>\$ 4,717</u>
GAAP operating expenses	\$ 3,824	\$ 3,333	\$ 12,809	\$ 11,688
Adjustments to operating expenses:				
Adjustments to cost of sales	(259)	(195)	(476)	(464)
Adjustments to research and development expenses	(81)	(21)	(154)	(84)
Adjustments to selling, general and administrative expenses	(215)	(22)	(279)	(97)
Expense resulting from changes in the estimated fair values of the contingent consideration obligations related to a prior year business combination	(2)	(26)	(113)	(31)
Acquisition-related expenses (e)	2	(6)	2	(25)
Certain charges pursuant to our efforts to improve cost efficiencies in our operations (f)	(25)	(69)	(71)	(175)
Benefit/(Expense) related to various legal proceedings	-	1	(14)	(64)
Total adjustments to operating expenses	<u>(580)</u>	<u>(338)</u>	<u>(1,105)</u>	<u>(940)</u>
Adjusted operating expenses	<u>\$ 3,244</u>	<u>\$ 2,995</u>	<u>\$ 11,704</u>	<u>\$ 10,748</u>
GAAP operating income	\$ 1,187	\$ 1,088	\$ 5,867	\$ 5,577
Adjustments to operating expenses	580	338	1,105	940
Adjusted operating income	<u>\$ 1,767</u>	<u>\$ 1,426</u>	<u>\$ 6,972</u>	<u>\$ 6,517</u>
GAAP other income/(expense)	\$ (173)	\$ (165)	\$ (602)	\$ (568)
Adjustments to other income/(expense):				
Non-cash interest expense associated with our convertible notes	-	36	12	140
Bridge financing costs associated with the Onyx business combination	-	-	22	-
Total adjustments to other income/(expense)	<u>-</u>	<u>36</u>	<u>34</u>	<u>140</u>
Adjusted other income/(expense)	<u>\$ (173)</u>	<u>\$ (129)</u>	<u>\$ (568)</u>	<u>\$ (428)</u>
GAAP income before income taxes	\$ 1,014	\$ 923	\$ 5,265	\$ 5,009
Adjustments to income before income taxes:				
Adjustments to operating expenses	580	338	1,105	940
Non-cash interest expense associated with our convertible notes	-	36	12	140
Bridge financing costs associated with the Onyx business combination	-	-	22	-
Total adjustments to income before income taxes	<u>580</u>	<u>374</u>	<u>1,139</u>	<u>1,080</u>
Adjusted income before income taxes	<u>\$ 1,594</u>	<u>\$ 1,297</u>	<u>\$ 6,404</u>	<u>\$ 6,089</u>
GAAP provision for income taxes	\$ (7)	\$ 135	\$ 184	\$ 664
Adjustments to provision for income taxes:				
Income tax effect of the above adjustments (g)	228	97	376	329
Other income tax adjustments (h)	(18)	(23)	30	(23)
Total adjustments to provision for income taxes	<u>210</u>	<u>74</u>	<u>406</u>	<u>306</u>
Adjusted provision for income taxes	<u>\$ 203</u>	<u>\$ 209</u>	<u>\$ 590</u>	<u>\$ 970</u>
GAAP net income	\$ 1,021	\$ 788	\$ 5,081	\$ 4,345
Adjustments to net income:				
Adjustments to income before income taxes, net of the tax effect of the above adjustments	352	277	763	751
Other income tax adjustments (h)	18	23	(30)	23
Total adjustments to net income	<u>370</u>	<u>300</u>	<u>733</u>	<u>774</u>
Adjusted net income	<u>\$ 1,391</u>	<u>\$ 1,088</u>	<u>\$ 5,814</u>	<u>\$ 5,119</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, computed under the treasury stock method. "Adjusted" EPS presented below excludes stock option expense:

	Three months ended December 31, 2013		Three months ended December 31, 2012	
	GAAP	"Adjusted"	GAAP	"Adjusted"
Income (Numerator):				
Net income for basic and diluted EPS.....	\$ 1,021	\$ 1,391	\$ 788	\$ 1,088
Shares (Denominator):				
Weighted-average shares for basic EPS.....	754	754	763	763
Effect of dilutive securities*.....	12	12	15	15
Weighted-average shares for diluted EPS.....	766	766	778	778
Diluted EPS	\$ 1.33	\$ 1.82	\$ 1.01	\$ 1.40
	Year ended December 31, 2013		Year ended December 31, 2012	
	GAAP	"Adjusted"	GAAP	"Adjusted"
Income (Numerator):				
Net income for basic and diluted EPS.....	\$ 5,081	\$ 5,814	\$ 4,345	\$ 5,119
Shares (Denominator):				
Weighted-average shares for basic EPS.....	753	753	775	775
Effect of dilutive securities*.....	12	12	12	11
Weighted-average shares for diluted EPS.....	765	765	787	786
Diluted EPS	\$ 6.64	\$ 7.60	\$ 5.52	\$ 6.51

* Dilutive securities used to compute "Adjusted" diluted EPS were computed assuming that we do not expense stock options.

- (a) For the three months and year ended December 31, 2013, the total pre-tax expense for employee stock options was \$8 million and \$34 million, respectively, compared with \$13 million and \$59 million for the corresponding periods of the prior year.

"Adjusted" diluted EPS including the impact of stock option expense were as follows:

	Three months ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
"Adjusted" diluted EPS, excluding stock option expense.....	\$ 1.82	\$ 1.40	\$ 7.60	\$ 6.51
Impact of stock option expense (net of tax).....	(0.01)	(0.01)	(0.03)	(0.06)
"Adjusted" diluted EPS, including stock option expense.....	\$ 1.81	\$ 1.39	\$ 7.57	\$ 6.45

- (b) The adjustments related primarily to non-cash amortization of developed product technology rights acquired in business combinations, including \$176 million in 2013 related to Onyx.
- (c) For the three months ended December 31, 2013, the adjustments related primarily to charges associated with the Onyx business combination, which included the acceleration of Onyx unvested equity compensation (Onyx equity compensation). The three months and year ended December 31, 2013, also included adjustments related primarily to non-cash amortization of intangible assets acquired in prior year business combinations. The adjustments in 2012 related primarily to non-cash amortization of intangible assets as well as retention and severance expenses.
- (d) The adjustments in 2013 related primarily to the Onyx equity compensation. Both 2013 and 2012 included non-cash amortization of intangible assets acquired in prior year business combinations as well as business combination transaction costs.
- (e) The adjustments in 2012 related primarily to the write-off of a non-key intangible asset acquired in a prior year business combination.
- (f) The adjustments in 2013 and the three months ended December 31, 2012, related primarily to severance expenses. For the year ended December 31, 2012, the adjustments related primarily to severance expenses and lease abandonment costs.
- (g) 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 months and year ended December 31, 2013, were 39.3% and 33.0%, respectively, compared with 25.9% and 30.5% for the corresponding periods of the prior year.
- (h) For the three months ended December 31, 2013, the adjustments related primarily to certain prior period items excluded from adjusted earnings. For the year ended December 31, 2013, the adjustments related to resolving certain non-routine transfer-pricing and acquisition-related issues with tax authorities as well as the impact related to certain prior period items excluded from adjusted earnings. The adjustments in 2012 related to certain prior period items excluded from adjusted earnings.

Note: The 2012 expenses related to amortization of certain acquired intangible assets within operating expenses have been reclassified to conform to the current year presentation.

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

	Three months ended December 31,		Years ended December 31,	
	2013	2012	2013	2012
Cash Flows from Operations.....	\$ 1,835	\$ 812	\$ 6,291	\$ 5,882
Capital Expenditures.....	(201)	(200)	(693)	(689)
Free Cash Flow.....	\$ 1,634	\$ 612	\$ 5,598	\$ 5,193

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

	2014	
GAAP diluted EPS guidance	\$ 6.89	\$ 7.19
Known adjustments to arrive at "Adjusted" earnings*:		
Acquisition-related expenses..... (a)	1.00	
Stock option expense.....	0.01	
"Adjusted" diluted EPS guidance	\$ 7.90	\$ 8.20

* The known adjustments are presented net of their related tax impact which amount to approximately \$0.56 per share in the aggregate.

(a) To exclude acquisition-related expenses related primarily to non-cash amortization of intangible assets acquired in prior year business combinations.

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

	2014	
GAAP tax rate guidance	11%	12%
Tax rate effect of known adjustments discussed above.....	4%	
"Adjusted" tax rate guidance	15%	16%