

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

	Three months ended	
	March 31,	
	2017	2016
Revenues:		
Product sales.....	\$ 5,199	\$ 5,239
Other revenues.....	265	288
Total revenues.....	<u>5,464</u>	<u>5,527</u>
Operating expenses:		
Cost of sales.....	996	1,018
Research and development.....	769	872
Selling, general and administrative.....	1,064	1,203
Other.....	44	32
Total operating expenses.....	<u>2,873</u>	<u>3,125</u>
Operating income.....	2,591	2,402
Interest expense, net.....	326	294
Interest and other income, net.....	<u>195</u>	<u>150</u>
Income before income taxes.....	2,460	2,258
Provision for income taxes.....	<u>389</u>	<u>358</u>
Net income.....	<u>\$ 2,071</u>	<u>\$ 1,900</u>
Earnings per share:		
Basic.....	\$ 2.81	\$ 2.52
Diluted.....	\$ 2.79	\$ 2.50
Weighted average shares used in calculation of earnings per share:		
Basic.....	737	753
Diluted.....	741	760

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

	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash, cash equivalents and marketable securities.....	\$ 38,398	\$ 38,085
Trade receivables, net.....	3,248	3,165
Inventories.....	2,871	2,745
Other current assets.....	1,939	2,015
Total current assets.....	<u>46,456</u>	<u>46,010</u>
Property, plant and equipment, net.....	4,960	4,961
Intangible assets, net.....	9,922	10,279
Goodwill.....	14,757	14,751
Other assets.....	1,767	1,625
Total assets.....	<u>\$ 77,862</u>	<u>\$ 77,626</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 6,724	\$ 6,801
Current portion of long-term debt.....	<u>3,799</u>	<u>4,403</u>
Total current liabilities.....	10,523	11,204
Long-term debt.....	30,293	30,193
Long-term deferred tax liabilities.....	2,370	2,436
Long-term tax liabilities.....	2,542	2,419
Other noncurrent liabilities.....	1,497	1,499
Stockholders' equity.....	<u>30,637</u>	<u>29,875</u>
Total liabilities and stockholders' equity.....	<u>\$ 77,862</u>	<u>\$ 77,626</u>
Shares outstanding.....	736	738

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

	Three months ended March 31,	
	2017	2016
GAAP cost of sales	\$ 996	\$ 1,018
Adjustments to cost of sales:		
Acquisition-related expenses (a)	(314)	(311)
Total adjustments to cost of sales	(314)	(311)
Non-GAAP cost of sales	<u>\$ 682</u>	<u>\$ 707</u>
GAAP cost of sales as a percentage of product sales	19.2%	19.4%
Acquisition-related expenses (a)	-6.1	-5.9
Non-GAAP cost of sales as a percentage of product sales	<u>13.1%</u>	<u>13.5%</u>
GAAP research and development expenses	\$ 769	\$ 872
Adjustments to research and development expenses:		
Acquisition-related expenses (a)	(19)	(19)
Certain net charges pursuant to our restructuring initiative	(2)	5
Total adjustments to research and development expenses	(21)	(14)
Non-GAAP research and development expenses	<u>\$ 748</u>	<u>\$ 858</u>
GAAP research and development expenses as a percentage of product sales	14.8%	16.6%
Acquisition-related expenses (a)	-0.4	-0.3
Certain net charges pursuant to our restructuring initiative	0.0	0.1
Non-GAAP research and development expenses as a percentage of product sales	<u>14.4%</u>	<u>16.4%</u>
GAAP selling, general and administrative expenses	\$ 1,064	\$ 1,203
Adjustments to selling, general and administrative expenses:		
Acquisition-related expenses (b)	(25)	(101)
Certain net charges pursuant to our restructuring initiative	-	1
Total adjustments to selling, general and administrative expenses	(25)	(100)
Non-GAAP selling, general and administrative expenses	<u>\$ 1,039</u>	<u>\$ 1,103</u>
GAAP selling, general and administrative expenses as a percentage of product sales	20.5%	23.0%
Acquisition-related expenses (b)	-0.5	-1.9
Certain net charges pursuant to our restructuring initiative	0.0	0.0
Non-GAAP selling, general and administrative expenses as a percentage of product sales	<u>20.0%</u>	<u>21.1%</u>
GAAP operating expenses	\$ 2,873	\$ 3,125
Adjustments to operating expenses:		
Adjustments to cost of sales	(314)	(311)
Adjustments to research and development expenses	(21)	(14)
Adjustments to selling, general and administrative expenses	(25)	(100)
Certain net charges pursuant to our restructuring initiative (c)	(37)	(2)
Expense related to various legal proceedings	-	(27)
Acquisition-related adjustments	(7)	(3)
Total adjustments to operating expenses	(404)	(457)
Non-GAAP operating expenses	<u>\$ 2,469</u>	<u>\$ 2,668</u>
GAAP operating income	\$ 2,591	\$ 2,402
Adjustments to operating expenses	404	457
Non-GAAP operating income	<u>\$ 2,995</u>	<u>\$ 2,859</u>
GAAP operating income as a percentage of product sales	49.8%	45.8%
Adjustments to cost of sales	6.1	5.9
Adjustments to research and development expenses	0.4	0.2
Adjustments to selling, general and administrative expenses	0.5	1.9
Certain net charges pursuant to our restructuring initiative (c)	0.7	0.1
Expense related to various legal proceedings	0.0	0.6
Acquisition-related adjustments	0.1	0.1
Non-GAAP operating income as a percentage of product sales	<u>57.6%</u>	<u>54.6%</u>
GAAP income before income taxes	\$ 2,460	\$ 2,258
Adjustments to operating expenses	404	457
Non-GAAP income before income taxes	<u>\$ 2,864</u>	<u>\$ 2,715</u>
GAAP provision for income taxes	\$ 389	\$ 358
Adjustments to provision for income taxes:		
Income tax effect of the above adjustments to operating expenses (d)	119	139
Other income tax adjustments (e)	23	15
Total adjustments to provision for income taxes	142	154
Non-GAAP provision for income taxes	<u>\$ 531</u>	<u>\$ 512</u>
GAAP tax rate as a percentage of income before taxes	15.8%	15.9%
Adjustments to provision for income taxes:		
Income tax effect of the above adjustments to operating expenses (d)	1.9	2.5
Other income tax adjustments (e)	0.8	0.5
Total adjustments to provision for income taxes	2.7	3.0
Non-GAAP tax rate as a percentage of income before taxes	<u>18.5%</u>	<u>18.9%</u>
GAAP net income	\$ 2,071	\$ 1,900
Adjustments to net income:		
Adjustments to income before income taxes, net of the income tax effect	285	318
Other income tax adjustments (e)	(23)	(15)
Total adjustments to net income	262	303
Non-GAAP net income	<u>\$ 2,333</u>	<u>\$ 2,203</u>

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 March 31, 2017		Three months ended March 31, 2016	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Net income.....	\$ 2,071	\$ 2,333	\$ 1,900	\$ 2,203
Weighted-average shares for diluted EPS.....	741	741	760	760
Diluted EPS.....	<u>\$ 2.79</u>	<u>\$ 3.15</u>	<u>\$ 2.50</u>	<u>\$ 2.90</u>

- (a) The adjustments related primarily to non-cash amortization of intangible assets acquired in business combinations.
- (b) For the three months ended March 31, 2017, the adjustments related primarily to non-cash amortization of intangible assets acquired in business combinations. For the three months ended March 31, 2016, the adjustments related primarily to a \$73-million charge resulting from the reacquisition of Prolia[®], XGEVA[®] and Vectibix[®] license agreements in certain markets from Glaxo Group Limited, as well as non-cash amortization of intangible assets acquired in business combinations.
- (c) For the three months ended March 31, 2017, the adjustments related primarily to severance expenses associated with our restructuring initiative.
- (d) 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 ended March 31, 2017 and 2016, were 29.5% and 30.4%, respectively.
- (e) 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	
	March 31,	
	2017	2016
Net cash provided by operating activities.....	\$ 2,385	\$ 1,915
Net cash used in investing activities	(157)	(4,390)
Net cash (used in) provided by financing activities.....	(2,111)	1,227
Increase (decrease) in cash and cash equivalents.....	117	(1,248)
Cash and cash equivalents at beginning of period.....	3,241	4,144
Cash and cash equivalents at end of period.....	<u>\$ 3,358</u>	<u>\$ 2,896</u>

	Three months ended	
	March 31,	
	2017	2016
Net cash provided by operating activities.....	\$ 2,385	\$ 1,915
Capital expenditures.....	(168)	(156)
Free cash flow.....	<u>\$ 2,217</u>	<u>\$ 1,759</u>

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

GAAP diluted EPS guidance	\$	10.64	-	\$	11.32
Known adjustments to arrive at non-GAAP*:					
Acquisition-related expenses..... (a)			1.24		
Restructuring charges.....		0.07	-		0.15
Tax adjustments..... (b)			(0.03)		
Non-GAAP diluted EPS guidance	\$	12.00	-	\$	12.60

* The known adjustments are presented net of their related tax impact which amount to approximately \$0.58 to \$0.61 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 to certain prior period items excluded from non-GAAP earnings.

**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.