

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Revenues:				
Product sales.....	\$ 4,647	\$ 4,201	\$ 13,393	\$ 12,302
Other revenues.....	101	118	272	542
Total revenues.....	<u>4,748</u>	<u>4,319</u>	<u>13,665</u>	<u>12,844</u>
Operating expenses:				
Cost of sales.....	788	775	2,317	2,277
Research and development.....	989	880	2,834	2,442
Selling, general and administrative.....	1,249	1,131	3,663	3,441
Other.....	34	110	171	195
Total operating expenses.....	<u>3,060</u>	<u>2,896</u>	<u>8,985</u>	<u>8,355</u>
Operating income.....	1,688	1,423	4,680	4,489
Interest expense, net.....	257	271	761	762
Interest and other income, net.....	72	111	332	359
Income before income taxes.....	1,503	1,263	4,251	4,086
Provision for income taxes.....	135	156	191	529
Net income.....	<u>\$ 1,368</u>	<u>\$ 1,107</u>	<u>\$ 4,060</u>	<u>\$ 3,557</u>
Earnings per share:				
Basic.....	\$ 1.81	\$ 1.44	\$ 5.40	\$ 4.57
Diluted.....	\$ 1.79	\$ 1.41	\$ 5.31	\$ 4.51
Average shares used in calculation of earnings per share:				
Basic.....	754	771	752	779
Diluted.....	766	783	764	789

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

	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash, cash equivalents and marketable securities.....	\$ 22,558	\$ 24,061
Receivable from sale of investments.....	560	-
Trade receivables, net.....	2,670	2,518
Inventories.....	2,838	2,744
Other current assets.....	<u>2,049</u>	<u>1,886</u>
Total current assets.....	30,675	31,209
Property, plant and equipment, net.....	5,283	5,326
Intangible assets, net.....	3,682	3,968
Goodwill.....	12,572	12,662
Restricted investments.....	3,411	-
Other assets.....	<u>1,450</u>	<u>1,133</u>
Total assets.....	<u>\$ 57,073</u>	<u>\$ 54,298</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 4,832	\$ 5,696
Current portion of long-term debt.....	<u>11</u>	<u>2,495</u>
Total current liabilities.....	4,843	8,191
Long-term debt.....	27,178	24,034
Other non-current liabilities.....	3,324	3,013
Stockholders' equity.....	<u>21,728</u>	<u>19,060</u>
Total liabilities and stockholders' equity.....	<u>\$ 57,073</u>	<u>\$ 54,298</u>
Shares outstanding.....	754	756

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
GAAP cost of sales	\$ 788	\$ 775	\$ 2,317	\$ 2,277
Adjustments to cost of sales:				
Stock option expense (a)	(3)	(3)	(6)	(9)
Acquisition-related expenses (b)	(70)	(77)	(211)	(218)
Certain charges pursuant to our efforts to improve cost efficiencies in our operations related to accelerated depreciation of a manufacturing facility	-	(21)	-	(42)
Total adjustments to cost of sales	<u>(73)</u>	<u>(101)</u>	<u>(217)</u>	<u>(269)</u>
Adjusted cost of sales	<u>\$ 715</u>	<u>\$ 674</u>	<u>\$ 2,100</u>	<u>\$ 2,008</u>
GAAP research and development expenses	\$ 989	\$ 880	\$ 2,834	\$ 2,442
Adjustments to research and development expenses:				
Stock option expense (a)	(2)	(5)	(10)	(17)
Acquisition-related expenses (c)	(21)	(14)	(63)	(34)
Certain charges pursuant to our efforts to improve cost efficiencies in our operations related to a lease abandonment	-	(12)	-	(12)
Total adjustments to research and development expenses	<u>(23)</u>	<u>(31)</u>	<u>(73)</u>	<u>(63)</u>
Adjusted research and development expenses	<u>\$ 966</u>	<u>\$ 849</u>	<u>\$ 2,761</u>	<u>\$ 2,379</u>
GAAP selling, general and administrative expenses	\$ 1,249	\$ 1,131	\$ 3,663	\$ 3,441
Adjustments to selling, general and administrative expenses:				
Stock option expense (a)	(3)	(6)	(10)	(20)
Acquisition-related expenses (d)	(28)	(15)	(54)	(55)
Total adjustments to selling, general and administrative expenses	<u>(31)</u>	<u>(21)</u>	<u>(64)</u>	<u>(75)</u>
Adjusted selling, general and administrative expenses	<u>\$ 1,218</u>	<u>\$ 1,110</u>	<u>\$ 3,599</u>	<u>\$ 3,366</u>
GAAP operating expenses	\$ 3,060	\$ 2,896	\$ 8,985	\$ 8,355
Adjustments to operating expenses:				
Adjustments to cost of sales	(73)	(101)	(217)	(269)
Adjustments to research and development expenses	(23)	(31)	(73)	(63)
Adjustments to selling, general and administrative expenses	(31)	(21)	(64)	(75)
Expense resulting from changes in the estimated fair values of the contingent consideration obligations related to a prior year business combination	-	(2)	(111)	(5)
Write-off of a non-key contract asset acquired in a prior year business combination	-	(19)	-	(19)
Certain charges pursuant to our efforts to improve cost efficiencies in our operations (e)	(35)	(36)	(46)	(106)
Benefit/(Expense) related to various legal proceedings	1	(53)	(14)	(65)
Total adjustments to operating expenses	<u>(161)</u>	<u>(263)</u>	<u>(525)</u>	<u>(602)</u>
Adjusted operating expenses	<u>\$ 2,899</u>	<u>\$ 2,633</u>	<u>\$ 8,460</u>	<u>\$ 7,753</u>
GAAP operating income	\$ 1,688	\$ 1,423	\$ 4,680	\$ 4,489
Adjustments to operating expenses	161	263	525	602
Adjusted operating income	<u>\$ 1,849</u>	<u>\$ 1,686</u>	<u>\$ 5,205</u>	<u>\$ 5,091</u>
GAAP other income/(expense)	\$ (185)	\$ (160)	\$ (429)	\$ (403)
Non-cash interest expense associated with our convertible notes	-	35	12	104
Bridge financing costs associated with the Onyx business combination	22	-	22	-
Total adjustments to other income/(expense)	<u>22</u>	<u>35</u>	<u>34</u>	<u>104</u>
Adjusted other income/(expense)	<u>\$ (163)</u>	<u>\$ (125)</u>	<u>\$ (395)</u>	<u>\$ (299)</u>
GAAP income before income taxes	\$ 1,503	\$ 1,263	\$ 4,251	\$ 4,086
Adjustments to income before income taxes:				
Adjustments to operating expenses	161	263	525	602
Adjustments to other income/(expense)	22	35	34	104
Total adjustments to income before income taxes	<u>183</u>	<u>298</u>	<u>559</u>	<u>706</u>
Adjusted income before income taxes	<u>\$ 1,686</u>	<u>\$ 1,561</u>	<u>\$ 4,810</u>	<u>\$ 4,792</u>
GAAP provision for income taxes	\$ 135	\$ 156	\$ 191	\$ 529
Adjustments to provision for income taxes:				
Income tax effect of the above adjustments (f)	60	94	148	232
Other income tax adjustments (g)	10	-	48	-
Total adjustments to provision for income taxes	<u>70</u>	<u>94</u>	<u>196</u>	<u>232</u>
Adjusted provision for income taxes	<u>\$ 205</u>	<u>\$ 250</u>	<u>\$ 387</u>	<u>\$ 761</u>
GAAP net income	\$ 1,368	\$ 1,107	\$ 4,060	\$ 3,557
Adjustments to net income:				
Adjustments to income before income taxes, net of the tax effect of the above adjustments	123	204	411	474
Other income tax adjustments (g)	(10)	-	(48)	-
Total adjustments to net income	<u>113</u>	<u>204</u>	<u>363</u>	<u>474</u>
Adjusted net income	<u>\$ 1,481</u>	<u>\$ 1,311</u>	<u>\$ 4,423</u>	<u>\$ 4,031</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 September 30, 2013		Three months ended September 30, 2012	
	GAAP	"Adjusted"	GAAP	"Adjusted"
Income (Numerator):				
Net income for basic and diluted EPS.....	\$ 1,368	\$ 1,481	\$ 1,107	\$ 1,311
Shares (Denominator):				
Weighted-average shares for basic EPS.....	754	754	771	771
Effect of dilutive securities.....	12	11 (*)	12	12 (*)
Weighted-average shares for diluted EPS.....	766	765	783	783
Diluted EPS	\$ 1.79	\$ 1.94	\$ 1.41	\$ 1.67
	Nine months ended September 30, 2013		Nine months ended September 30, 2012	
	GAAP	"Adjusted"	GAAP	"Adjusted"
Income (Numerator):				
Net income for basic and diluted EPS.....	\$ 4,060	\$ 4,423	\$ 3,557	\$ 4,031
Shares (Denominator):				
Weighted-average shares for basic EPS.....	752	752	779	779
Effect of dilutive securities.....	12	12 (*)	10	10 (*)
Weighted-average shares for diluted EPS.....	764	764	789	789
Diluted EPS	\$ 5.31	\$ 5.79	\$ 4.51	\$ 5.11

(*) Dilutive securities used to compute "Adjusted" diluted EPS for the three and nine months ended September 30, 2013 and 2012, were computed under the treasury stock method assuming that we do not expense stock options.

- (a) For the three and nine months ended September 30, 2013, the total pre-tax expense for employee stock options was \$8 million and \$26 million, respectively, compared with \$14 million and \$46 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 September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
"Adjusted" diluted EPS, excluding stock option expense.....	\$ 1.94	\$ 1.67	\$ 5.79	\$ 5.11
Impact of stock option expense (net of tax).....	(0.01)	(0.01)	(0.02)	(0.04)
"Adjusted" diluted EPS, including stock option expense.....	\$ 1.93	\$ 1.66	\$ 5.77	\$ 5.07

- (b) The adjustments related to non-cash amortization of product technology rights acquired in a prior year business combination. The adjustments in 2012 also included \$7 million of other costs.
- (c) The adjustments in 2013 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 non-cash amortization of intangible assets acquired in prior year business combinations as well as \$15 million of transaction costs associated with the Onyx business combination which closed in the fourth quarter of 2013. For the three months ended September 30, 2012, the adjustments related primarily to non-cash amortization of intangible assets. For the nine months ended September 30, 2012, the adjustments related primarily to transaction costs as well as non-cash amortization of intangible assets.
- (e) The adjustments in 2013 related primarily to severance expenses. The adjustments in 2012 related primarily to lease abandonment costs.
- (f) 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 and non-cash interest expense associated with our convertible notes, 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 nine months ended September 30, 2013, were 32.8% and 26.5%, respectively, compared with 31.5% and 32.9% for the corresponding periods of the prior year.
- (g) The income tax impact from 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.

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	
	September 30,	
	2013	2012
Cash Flows from Operations.....	\$ 1,807	\$ 1,723
Capital Expenditures.....	(175)	(173)
Free Cash Flow.....	\$ 1,632	\$ 1,550

Reconciliation of GAAP EPS Guidance to "Adjusted"
EPS Guidance for the Year Ending December 31, 2013
(Unaudited)

	2013	
GAAP diluted EPS guidance.....	\$ 6.79	\$ 6.89
Known adjustments to arrive at "Adjusted" earnings*:		
Acquisition-related expenses..... (a)	0.53	
Charges associated with cost savings initiatives.....	0.04	
Stock option expense.....	0.02	
Expense related to various legal proceedings.....	0.02	
Non-cash interest expense associated with our convertible notes.....	0.01	
Other tax adjustments..... (b)	(0.06)	
"Adjusted" diluted EPS guidance	\$ 7.35	\$ 7.45

* The known adjustments are presented net of their related tax impact which amount to approximately \$0.25 per share in the aggregate.

- (a) To exclude acquisition-related expenses related primarily to non-cash amortization of intangible assets and expense resulting from changes in the estimated fair values of the contingent consideration obligations related to prior year business combinations.
- (b) To exclude the income tax impact from 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.

On October 1, 2013, we acquired Onyx Pharmaceuticals. Many of the adjustments from this transaction have not been determined. As a result, we expect significantly more adjustments in the fourth quarter that are not included in the table above.

Reconciliation of GAAP Tax Rate Guidance to "Adjusted"
Tax Rate Guidance for the Year Ending December 31, 2013
(Unaudited)

	2013 with PR excise tax credit		2013 without PR excise tax credit	
GAAP tax rate guidance.....	6%	7%	11%	12%
Tax rate effect of known adjustments discussed above.....	3%		2%	
"Adjusted" tax rate guidance	9%	10%	13%	14%