

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

	Three months ended	
	March 31,	
	2014	2013
Revenues:		
Product sales.....	\$ 4,356	\$ 4,151
Other revenues.....	165	87
Total revenues.....	<u>4,521</u>	<u>4,238</u>
Operating expenses:		
Cost of sales.....	1,090	744
Research and development.....	1,027	878
Selling, general and administrative.....	1,023	1,158
Other.....	17	16
Total operating expenses.....	<u>3,157</u>	<u>2,796</u>
Operating income.....	1,364	1,442
Interest expense, net.....	259	263
Interest and other income, net.....	99	164
Income before income taxes.....	1,204	1,343
Provision (benefit) for income taxes.....	131	(91)
Net income.....	<u>\$ 1,073</u>	<u>\$ 1,434</u>
Earnings per share:		
Basic.....	\$ 1.42	\$ 1.91
Diluted.....	\$ 1.40	\$ 1.88
Average shares used in calculation of earnings per share:		
Basic.....	757	751
Diluted.....	768	764

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

	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash, cash equivalents and marketable securities.....	\$ 19,802	\$ 19,401
Trade receivables, net.....	2,514	2,697
Inventories.....	2,966	3,019
Other current assets.....	3,020	2,250
Total current assets.....	<u>28,302</u>	<u>27,367</u>
Property, plant and equipment, net.....	5,365	5,349
Intangible assets, net.....	13,566	13,262
Goodwill.....	14,832	14,968
Restricted investments.....	3,414	3,412
Other assets.....	1,525	1,767
Total assets.....	<u>\$ 67,004</u>	<u>\$ 66,125</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 5,698	\$ 5,442
Current portion of long-term debt.....	2,505	2,505
Total current liabilities.....	<u>8,203</u>	<u>7,947</u>
Long-term debt.....	29,519	29,623
Other non-current liabilities.....	6,541	6,459
Stockholders' equity.....	22,741	22,096
Total liabilities and stockholders' equity.....	<u>\$ 67,004</u>	<u>\$ 66,125</u>
Shares outstanding.....	757	755

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

	Three months ended	
	March 31,	
	2014	2013
GAAP cost of sales	\$ 1,090	\$ 744
Adjustments to cost of sales:		
Acquisition-related expenses (a)	(404)	(71)
Stock option expense	(2)	(2)
Total adjustments to cost of sales	<u>(406)</u>	<u>(73)</u>
Adjusted cost of sales	<u>\$ 684</u>	<u>\$ 671</u>
GAAP research and development expenses	\$ 1,027	\$ 878
Adjustments to research and development expenses:		
Acquisition-related expenses (b)	(31)	(22)
Stock option expense	(2)	(5)
Total adjustments to research and development expenses	<u>(33)</u>	<u>(27)</u>
Adjusted research and development expenses	<u>\$ 994</u>	<u>\$ 851</u>
GAAP selling, general and administrative expenses	\$ 1,023	\$ 1,158
Adjustments to selling, general and administrative expenses:		
Acquisition-related expenses (b)	(38)	(10)
Stock option expense	(2)	(4)
Total adjustments to selling, general and administrative expenses	<u>(40)</u>	<u>(14)</u>
Adjusted selling, general and administrative expenses	<u>\$ 983</u>	<u>\$ 1,144</u>
GAAP operating expenses	\$ 3,157	\$ 2,796
Adjustments to operating expenses:		
Adjustments to cost of sales	(406)	(73)
Adjustments to research and development expenses	(33)	(27)
Adjustments to selling, general and administrative expenses	(40)	(14)
Certain charges pursuant to our efforts to improve cost efficiencies in our operations (c)	(15)	-
Other (d)	(2)	(16)
Total adjustments to operating expenses	<u>(496)</u>	<u>(130)</u>
Adjusted operating expenses	<u>\$ 2,661</u>	<u>\$ 2,666</u>
GAAP operating income	\$ 1,364	\$ 1,442
Adjustments to operating expenses	496	130
Adjusted operating income	<u>\$ 1,860</u>	<u>\$ 1,572</u>
GAAP other income/(expense)	\$ (160)	\$ (99)
Adjustments to other income/(expense):		
Non-cash interest expense associated with our convertible notes	-	12
Adjusted other income/(expense)	<u>\$ (160)</u>	<u>\$ (87)</u>
GAAP income before income taxes	\$ 1,204	\$ 1,343
Adjustments to income before income taxes:		
Adjustments to operating expenses	496	130
Non-cash interest expense associated with our convertible notes	-	12
Total adjustments to income before income taxes	<u>496</u>	<u>142</u>
Adjusted income before income taxes	<u>\$ 1,700</u>	<u>\$ 1,485</u>
GAAP provision/(benefit) for income taxes	\$ 131	\$ (91)
Adjustments to provision/(benefit) for income taxes:		
Income tax effect of the above adjustments (e)	131	40
Other income tax adjustments (f)	-	38
Total adjustments to provision/(benefit) for income taxes	<u>131</u>	<u>78</u>
Adjusted provision/(benefit) for income taxes	<u>\$ 262</u>	<u>\$ (13)</u>
GAAP net income	\$ 1,073	\$ 1,434
Adjustments to net income:		
Adjustments to income before income taxes, net of the income tax effect of the above adjustments	365	102
Other income tax adjustments (f)	-	(38)
Total adjustments to net income	<u>365</u>	<u>64</u>
Adjusted net income	<u>\$ 1,438</u>	<u>\$ 1,498</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:

	Three months ended March 31, 2014		Three months ended March 31, 2013	
	GAAP	Adjusted	GAAP	Adjusted
Net income.....	\$ 1,073	\$ 1,438	\$ 1,434	\$ 1,498
Weighted-average shares for diluted EPS.....	768	768	764	764
Diluted EPS.....	<u>\$ 1.40</u>	<u>\$ 1.87</u>	<u>\$ 1.88</u>	<u>\$ 1.96</u>

- (a) The adjustments related primarily to non-cash amortization of intangible assets, including developed product technology rights, acquired in business combinations. The 2014 adjustments also include a \$99 million charge related to the closing of an agreement associated with our 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.
- (c) The adjustments related primarily to severance expenses.
- (d) The 2013 adjustments related primarily 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 months ended March 31, 2014 and 2013, were 26.4% and 28.2%, respectively.
- (f) The adjustments in 2013 related to resolving certain non-routine transfer-pricing and acquisition-related issues with tax authorities.

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

	Three months ended	
	March 31,	
	2014	2013
Operating Cash Flow.....	\$ 1,142	\$ 1,049
Capital Expenditures.....	(172)	(158)
Free Cash Flow.....	<u>\$ 970</u>	<u>\$ 891</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	\$ 6.65	- \$ 6.95
Known adjustments to arrive at Adjusted earnings*:		
Acquisition-related expenses..... (a)	1.24	
Other..... (b)	0.01	
Adjusted diluted EPS guidance	<u>\$ 7.90</u>	<u>- \$ 8.20</u>

* The known adjustments are presented net of their related tax impact which amount to approximately \$0.63 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 include stock option expense, cost savings initiatives and various legal proceedings.

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	11%	- 12%
Tax rate effect of known adjustments discussed above.....	4%	
Adjusted tax rate guidance	<u>15%</u>	<u>- 16%</u>