

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Revenues:				
Product sales.....	\$ 5,453	\$ 5,516	\$ 16,226	\$ 16,229
Other revenues.....	320	295	821	797
Total revenues.....	<u>5,773</u>	<u>5,811</u>	<u>17,047</u>	<u>17,026</u>
Operating expenses:				
Cost of sales.....	990	1,027	3,010	3,095
Research and development.....	877	990	2,519	2,762
Selling, general and administrative.....	1,170	1,244	3,443	3,739
Other.....	297	23	347	121
Total operating expenses.....	<u>3,334</u>	<u>3,284</u>	<u>9,319</u>	<u>9,717</u>
Operating income.....	2,439	2,527	7,728	7,309
Interest expense, net.....	325	325	972	932
Interest and other income, net.....	267	216	627	503
Income before income taxes.....	2,381	2,418	7,383	6,880
Provision for income taxes.....	360	401	1,140	1,093
Net income.....	<u>\$ 2,021</u>	<u>\$ 2,017</u>	<u>\$ 6,243</u>	<u>\$ 5,787</u>
Earnings per share:				
Basic.....	\$ 2.78	\$ 2.70	\$ 8.52	\$ 7.70
Diluted.....	\$ 2.76	\$ 2.68	\$ 8.46	\$ 7.63
Weighted average shares used in calculation of earnings per share:				
Basic.....	728	747	733	752
Diluted.....	733	753	738	758

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

	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
	(Unaudited)	
Assets		
Current assets:		
Cash, cash equivalents and marketable securities.....	\$ 41,351	\$ 38,085
Trade receivables, net.....	3,404	3,165
Inventories.....	2,927	2,745
Other current assets.....	<u>2,070</u>	<u>2,015</u>
Total current assets.....	49,752	46,010
Property, plant and equipment, net.....	4,914	4,961
Intangible assets, net.....	8,873	10,279
Goodwill.....	14,776	14,751
Other assets.....	<u>2,016</u>	<u>1,625</u>
Total assets.....	<u>\$ 80,331</u>	<u>\$ 77,626</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 6,194	\$ 6,801
Short-term borrowings and current portion of long-term debt.....	<u>1,999</u>	<u>4,403</u>
Total current liabilities.....	8,193	11,204
Long-term debt.....	33,777	30,193
Long-term deferred tax liabilities.....	2,131	2,436
Long-term tax liabilities.....	2,733	2,419
Other noncurrent liabilities.....	1,268	1,499
Stockholders' equity.....	<u>32,229</u>	<u>29,875</u>
Total liabilities and stockholders' equity.....	<u>\$ 80,331</u>	<u>\$ 77,626</u>
Shares outstanding.....	727	738

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
GAAP cost of sales	\$ 990	\$ 1,027	\$ 3,010	\$ 3,095
Adjustments to cost of sales:				
Acquisition-related expenses (a)	(255)	(311)	(883)	(934)
Certain net charges pursuant to our restructuring initiative	-	(1)	-	(1)
Total adjustments to cost of sales	<u>(255)</u>	<u>(312)</u>	<u>(883)</u>	<u>(935)</u>
Non-GAAP cost of sales	<u>\$ 735</u>	<u>\$ 715</u>	<u>\$ 2,127</u>	<u>\$ 2,160</u>
GAAP cost of sales as a percentage of product sales	18.2%	18.6%	18.6%	19.1%
Acquisition-related expenses (a)	-4.7	-5.6	-5.5	-5.8
Certain net charges pursuant to our restructuring initiative	0.0	0.0	0.0	0.0
Non-GAAP cost of sales as a percentage of product sales	<u>13.5%</u>	<u>13.0%</u>	<u>13.1%</u>	<u>13.3%</u>
GAAP research and development expenses	\$ 877	\$ 990	\$ 2,519	\$ 2,762
Adjustments to research and development expenses:				
Acquisition-related expenses (a)	(19)	(20)	(57)	(58)
Certain net charges pursuant to our restructuring initiative	-	(7)	(5)	(5)
Total adjustments to research and development expenses	<u>(19)</u>	<u>(27)</u>	<u>(62)</u>	<u>(63)</u>
Non-GAAP research and development expenses	<u>\$ 858</u>	<u>\$ 963</u>	<u>\$ 2,457</u>	<u>\$ 2,699</u>
GAAP research and development expenses as a percentage of product sales	16.1%	17.9%	15.5%	17.0%
Acquisition-related expenses (a)	-0.4	-0.4	-0.4	-0.4
Certain net charges pursuant to our restructuring initiative	0.0	0.0	0.0	0.0
Non-GAAP research and development expenses as a percentage of product sales	<u>15.7%</u>	<u>17.5%</u>	<u>15.1%</u>	<u>16.6%</u>
GAAP selling, general and administrative expenses	\$ 1,170	\$ 1,244	\$ 3,443	\$ 3,739
Adjustments to selling, general and administrative expenses:				
Acquisition-related expenses (b)	(22)	(26)	(79)	(154)
Certain net charges pursuant to our restructuring initiative	(1)	(1)	(1)	(5)
Other	-	-	(3)	-
Total adjustments to selling, general and administrative expenses	<u>(23)</u>	<u>(27)</u>	<u>(83)</u>	<u>(159)</u>
Non-GAAP selling, general and administrative expenses	<u>\$ 1,147</u>	<u>\$ 1,217</u>	<u>\$ 3,360</u>	<u>\$ 3,580</u>
GAAP selling, general and administrative expenses as a percentage of product sales	21.5%	22.6%	21.2%	23.0%
Acquisition-related expenses (b)	-0.5	-0.5	-0.5	-0.9
Certain net charges pursuant to our restructuring initiative	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Non-GAAP selling, general and administrative expenses as a percentage of product sales	<u>21.0%</u>	<u>22.1%</u>	<u>20.7%</u>	<u>22.1%</u>
GAAP operating expenses	\$ 3,334	\$ 3,284	\$ 9,319	\$ 9,717
Adjustments to operating expenses:				
Adjustments to cost of sales	(255)	(312)	(883)	(935)
Adjustments to research and development expenses	(19)	(27)	(62)	(63)
Adjustments to selling, general and administrative expenses	(23)	(27)	(83)	(159)
Certain net charges pursuant to our restructuring initiative (c)	(10)	(5)	(56)	(15)
Expense related to various legal proceedings	-	-	-	(105)
Acquisition-related adjustments (d)	(287)	(18)	(291)	(1)
Total adjustments to operating expenses	<u>(594)</u>	<u>(389)</u>	<u>(1,375)</u>	<u>(1,278)</u>
Non-GAAP operating expenses	<u>\$ 2,740</u>	<u>\$ 2,895</u>	<u>\$ 7,944</u>	<u>\$ 8,439</u>
GAAP operating income	\$ 2,439	\$ 2,527	\$ 7,728	\$ 7,309
Adjustments to operating expenses	594	389	1,375	1,278
Non-GAAP operating income	<u>\$ 3,033</u>	<u>\$ 2,916</u>	<u>\$ 9,103</u>	<u>\$ 8,587</u>
GAAP operating income as a percentage of product sales	44.7%	45.8%	47.6%	45.0%
Adjustments to cost of sales	4.7	5.6	5.5	5.8
Adjustments to research and development expenses	0.4	0.4	0.4	0.4
Adjustments to selling, general and administrative expenses	0.5	0.5	0.5	0.9
Certain net charges pursuant to our restructuring initiative (c)	0.1	0.2	0.3	0.1
Expense related to various legal proceedings	0.0	0.0	0.0	0.6
Acquisition-related adjustments (d)	5.2	0.4	1.8	0.1
Non-GAAP operating income as a percentage of product sales	<u>55.6%</u>	<u>52.9%</u>	<u>56.1%</u>	<u>52.9%</u>
GAAP income before income taxes	\$ 2,381	\$ 2,418	\$ 7,383	\$ 6,880
Adjustments to operating expenses	594	389	1,375	1,278
Non-GAAP income before income taxes	<u>\$ 2,975</u>	<u>\$ 2,807</u>	<u>\$ 8,758</u>	<u>\$ 8,158</u>
GAAP provision for income taxes	\$ 360	\$ 401	\$ 1,140	\$ 1,093
Adjustments to provision for income taxes:				
Income tax effect of the above adjustments to operating expenses (e)	204	127	440	412
Other income tax adjustments (f)	12	3	36	28
Total adjustments to provision for income taxes	<u>216</u>	<u>130</u>	<u>476</u>	<u>440</u>
Non-GAAP provision for income taxes	<u>\$ 576</u>	<u>\$ 531</u>	<u>\$ 1,616</u>	<u>\$ 1,533</u>
GAAP tax rate as a percentage of income before taxes	15.1%	16.6%	15.4%	15.9%
Adjustments to provision for income taxes:				
Income tax effect of the above adjustments to operating expenses (e)	3.9	2.2	2.6	2.6
Other income tax adjustments (f)	0.4	0.1	0.5	0.3
Total adjustments to provision for income taxes	<u>4.3</u>	<u>2.3</u>	<u>3.1</u>	<u>2.9</u>
Non-GAAP tax rate as a percentage of income before taxes	<u>19.4%</u>	<u>18.9%</u>	<u>18.5%</u>	<u>18.8%</u>
GAAP net income	\$ 2,021	\$ 2,017	\$ 6,243	\$ 5,787
Adjustments to net income:				
Adjustments to income before income taxes, net of the income tax effect	390	262	935	866
Other income tax adjustments (f)	(12)	(3)	(36)	(28)
Total adjustments to net income	<u>378</u>	<u>259</u>	<u>899</u>	<u>838</u>
Non-GAAP net income	<u>\$ 2,399</u>	<u>\$ 2,276</u>	<u>\$ 7,142</u>	<u>\$ 6,625</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 September 30, 2017		Three months ended September 30, 2016	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Net income.....	\$ 2,021	\$ 2,399	\$ 2,017	\$ 2,276
Weighted-average shares for diluted EPS.....	733	733	753	753
Diluted EPS.....	<u>\$ 2.76</u>	<u>\$ 3.27</u>	<u>\$ 2.68</u>	<u>\$ 3.02</u>
	Nine months ended September 30, 2017		Nine months ended September 30, 2016	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Net income.....	\$ 6,243	\$ 7,142	\$ 5,787	\$ 6,625
Weighted-average shares for diluted EPS.....	738	738	758	758
Diluted EPS.....	<u>\$ 8.46</u>	<u>\$ 9.68</u>	<u>\$ 7.63</u>	<u>\$ 8.74</u>

- (a) The adjustments related primarily to non-cash amortization of intangible assets acquired in business combinations.
- (b) The adjustments related primarily to non-cash amortization of intangible assets acquired in business combinations. For the nine months ended September 30, 2016, the adjustment 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 nine months ended September 30, 2017, the adjustment related primarily to severance expenses associated with our restructuring initiative.
- (d) For the three and nine months ended September 30, 2017, the adjustments related primarily to net charges associated with the discontinuance of the internal development of AMG 899.
- (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 and nine months ended September 30, 2017, were 34.3% and 32.0%, respectively, compared with 32.6% and 32.2% for the corresponding periods of the prior year.
- (f) The adjustments related to certain acquisition items and prior period items excluded from GAAP earnings.

Reconciliations of Cash Flows
(In millions)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net cash provided by operating activities.....	\$ 3,454	\$ 2,662	\$ 8,165	\$ 7,254
Net cash used in investing activities	(1,976)	(2,389)	(3,946)	(7,436)
Net cash (used in) provided by financing activities.....	(1,107)	582	(4,460)	(477)
Increase (decrease) in cash and cash equivalents.....	371	855	(241)	(659)
Cash and cash equivalents at beginning of period.....	2,629	2,630	3,241	4,144
Cash and cash equivalents at end of period.....	\$ 3,000	\$ 3,485	\$ 3,000	\$ 3,485

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net cash provided by operating activities.....	\$ 3,454	\$ 2,662	\$ 8,165	\$ 7,254
Capital expenditures.....	(158)	(167)	(511)	(511)
Free cash flow.....	\$ 3,296	\$ 2,495	\$ 7,654	\$ 6,743

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

GAAP diluted EPS guidance	\$	10.96	-	\$	11.20
Known adjustments to arrive at non-GAAP*:					
Acquisition-related expenses.....	(a)		1.49		
Restructuring charges.....		0.06	-		0.10
Tax adjustments.....	(b)		(0.05)		
Non-GAAP diluted EPS guidance	\$	12.50	-	\$	12.70

* The known adjustments are presented net of their related tax impact which amount to approximately \$0.72 per share, in the aggregate.

- (a) The adjustments relate primarily to non-cash amortization of intangible assets acquired in prior year business combinations, as well as charges associated with the discontinuance of the internal development of AMG 899.
- (b) The adjustments relate to certain prior period items excluded from GAAP earnings.

Our GAAP diluted EPS guidance does not include the effect of non-GAAP adjustments triggered by events that may occur subsequent to this press release such as acquisitions, asset impairments, litigation and changes in the fair value of our contingent consideration.

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

	2017		
GAAP tax rate guidance	15.5%	-	16.5%
Tax rate effect of known adjustments discussed above.....		2.5%	
Non-GAAP tax rate guidance	18.0%	-	19.0%

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.