

AMGEN INC
Form 8-K
October 23, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

October 23, 2006

AMGEN INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction

of Incorporation)

000-12477
(Commission

File Number)

95-3540776
(IRS Employer

Identification No.)

One Amgen Center Drive

Thousand Oaks, CA
(Address of principal executive offices)

91320-1799
(Zip Code)

Registrant's telephone number, including area code

805-447-1000

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

.. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Edgar Filing: AMGEN INC - Form 8-K

- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 2.02. Results of Operations and Financial Condition

On October 23, 2006, Amgen Inc. (the Company) issued a press release announcing its unaudited results of operations and financial condition for the three and nine months ended September 30, 2006. The full text of the press release is set forth in Exhibit 99.1 attached hereto.

In its press release the Company included certain historical non-GAAP financial measures as defined in Regulation G promulgated by the Securities and Exchange Commission with respect to the three months and nine months ended September 30, 2006 and September 30, 2005. Reconciliations for such historical non-GAAP financial measures are attached to the press release set forth as Exhibit 99.1 attached hereto. The Company believes that its presentation of historical non-GAAP financial measures provides useful supplementary information to and facilitates additional analysis by investors. These historical non-GAAP financial measures are in addition to, not a substitute for, or superior to, measures of financial performance prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

Three and nine months ended September 30, 2006

For the three and nine months ended September 30, 2006, the Company's adjustments to GAAP financial measures relate to amounts associated with the impact of expensing stock options in accordance with Statement of Financial Accounting Standards No. 123R (SFAS No. 123R) and with the Company's acquisitions of Abgenix, Inc. (Abgenix) in April 2006 (the Abgenix Acquisition), Tularik Inc. (Tularik) in August 2004 (the Tularik Acquisition) and Immunex Corporation (Immunex) in July 2002 (the Immunex Acquisition).

For the three and nine months ended September 30, 2006, the Company reported non-GAAP financial results for cost of sales (COS) expense, research and development (R&D) expense, selling, general and administrative (SG&A) expense and diluted shares used in the calculation of adjusted earnings per share. COS expense, R&D expense and SG&A expense were adjusted to exclude the effects of expensing stock options in accordance with SFAS No. 123R. Diluted shares used in the calculation of adjusted diluted earnings per were also adjusted to exclude the effects of adopting SFAS No. 123R. The Company believes that excluding the impact of expensing stock options and the related effect of adopting SFAS No. 123R will facilitate comparisons between periods before, during and after such expenses are incurred.

For the three months ended September 30, 2006, R&D expense was also adjusted to exclude the ongoing, non-cash amortization of the intangible asset, XenoMouse® technology, associated with the Abgenix Acquisition (the Abgenix Intangible Asset Amortization). The Company believes that excluding the Abgenix Intangible Asset Amortization treats the asset as if the Company had developed it internally in the past, and thus provides a supplemental measure of profitability in which the Company's acquired intellectual property is treated in a comparable manner to its internally developed intellectual property.

For the three months ended September 30, 2006, the Company reported non-GAAP adjusted provision for income taxes, adjusted net income and adjusted earnings per share, excluding (i) the foregoing expense amounts for this period for the reasons discussed above, (ii) the non-cash amortization of acquired intangible assets associated with the Immunex Acquisition (primarily Enbrel®) (the Immunex Intangible Assets Amortization) and (iii) the impairment of a non-ENBREL related intangible asset previously acquired in the Immunex Acquisition (the Immunex Intangible Asset Impairment). The Company believes that excluding the Immunex Intangible Assets Amortization and the Immunex Intangible Asset Impairment treats those assets as if the Company had developed them internally in the past, and thus provides a supplemental measure of profitability in which the Company's acquired intellectual property is treated in a comparable manner to its internally developed intellectual property.

For the nine months ended September 30, 2006, the Company reported non-GAAP financial results for COS expense, R&D expense and SG&A expense that exclude the items identified above as being excluded in the three months ended September 30, 2006 for the reasons discussed above. R&D expense was also adjusted to exclude the incremental compensation provided to certain Abgenix employees associated with their retention and to exclude incremental compensation provided to certain Tularik employees associated with their retention for the applicable

period. Also for the same period, SG&A expense was also adjusted to exclude incremental compensation provided to certain Abgenix employees associated with their retention for the applicable period. The Company believes that excluding Abgenix and Tularik incremental compensation provides supplemental measures that will facilitate comparisons between periods before, during and after such expenses are incurred.

For the nine months ended September 30, 2006, the Company reported non-GAAP adjusted provision for income taxes, adjusted net income and adjusted earnings per share that exclude all of the items identified above as being excluded in the three and nine months ended September 30, 2006, for the reasons discussed above, and the non-cash expense associated with writing off the acquired in-process research and development related to the Abgenix Acquisition (the Abgenix IPR&D Write-off). The Company believes that excluding the Abgenix IPR&D Write-off provides a supplemental measure that will facilitate comparisons between periods in which such item did not occur.

Three and nine months ended September 30, 2005

For the three months ended September 30, 2005, the Company's adjustments to GAAP financial measures relate to amounts associated with the write-off of the cost of a semi-completed manufacturing asset that will not be used due to a change in manufacturing strategy (the Manufacturing Charge), the Tularik Acquisition and the Immunex Intangible Assets Amortization.

For the nine months ended September 30, 2005, the Company's adjustments to GAAP financial measures also relate to amounts associated with legal settlements incurred, net of amounts previously accrued, primarily related to settling a patent legal proceeding (the Settlement Amounts), the net gain realized upon the Company's termination of a manufacturing agreement with Genentech, Inc. (Genentech) for the production of Enbrel® at Genentech's manufacturing facility in South San Francisco (the Genentech Termination) and the amounts associated with the pro rata portion of the debt issuance costs (the Convertible Notes Expense) that were immediately charged to interest expense as a result of certain holders of the Company's 30-year zero coupon senior convertible notes due in 2032 (the Convertible Notes) exercising their March 1, 2005 put option and the related Convertible Notes being repaid in cash.

For the three months ended September 30, 2005, the Company reported non-GAAP financial results for COS expense and R&D expense. COS expense was adjusted to exclude the Manufacturing Charge and R&D expense was adjusted to exclude incremental compensation provided to certain Tularik employees associated with their retention for the applicable period. The Company believes that excluding the Manufacturing Charge provides a supplemental measure that will facilitate comparisons between periods in which such item did not occur and that excluding such incremental compensation provides a supplemental measure that will facilitate comparisons between periods before, during and after such expense is incurred.

For the three months ended September 30, 2005, the Company reported non-GAAP adjusted provision for income taxes, adjusted net income and adjusted earnings per share, excluding (i) the foregoing expense amounts for this period for the reasons discussed above and (ii) the Immunex Intangible Assets Amortization. The Company believes that excluding the Immunex Intangible Assets Amortization treats those assets as if the Company had developed them internally in the past, and thus provides a supplemental measure of profitability in which the Company's acquired intellectual property is treated in a comparable manner to its internally developed intellectual property.

For the nine months ended September 30, 2005, the Company reported non-GAAP financial results for COS expense and R&D expense that exclude the items identified above as being excluded in the three months ended September 30, 2005, for the reasons discussed above. Also for this period, the Company reported non-GAAP adjusted interest and other income (expense), net, adjusted to exclude the net gain realized upon the Genentech Termination and the Convertible Notes Expense. The Company believes that excluding the net gain upon the Genentech Termination and the Convertible Notes Expense provide supplemental measures that will facilitate comparisons between periods in which such items did not occur.

For the nine months ended September 30, 2005, the Company reported non-GAAP adjusted provision for income taxes, adjusted net income and adjusted earnings per share that exclude all of the items identified above as being excluded in the three months ended September 30, 2005, for the reasons discussed above, and also excluded the Settlement Amounts, the net gain realized upon the Genentech Termination and the Convertible Notes Expense. The Company believes that excluding the Settlement Amounts, the net gain realized upon the Genentech Termination and the Convertible Notes Expense provide supplemental measures that will facilitate comparisons between periods in which such items did not occur.

The Company uses the foregoing non-GAAP financial measures in connection with its own budgeting and financial planning.

Due to the differing treatments of expensing stock options for the purpose of presenting adjusted earnings per share within and across industries, the Company also reported non-GAAP adjusted earnings per share including the impact of expensing stock options in accordance with SFAS No. 123R for the three and nine months ended September 30, 2006 and September 30, 2005, as a convenience to investors.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits.

99.1 Press Release dated October 23, 2006

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMGEN INC.

Date: October 23, 2006

By: /s/ Richard Nanula
Name: Richard Nanula
Title: Executive Vice President

and Chief Financial Officer

EXHIBIT INDEX

Exhibit

Number	Document Description
99.1	Press release dated October 23, 2006