

AMGEN INC
Form 8-K
February 02, 2005

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)

January 27, 2005

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.)

Amgen Inc.

91320-1799

One Amgen Center Drive

Edgar Filing: AMGEN INC - Form 8-K

Thousand Oaks, CA
(Address of principal executive offices)

(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)
 - .. 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 January 27, 2005, Amgen Inc. (the Company) issued a press release announcing its results of operations and financial condition for the three and twelve months ended December 31, 2004. 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 and twelve months ended December 31, 2004 and December 31, 2003. Reconciliations for such historical non-GAAP financial measures are attached to the press release set forth as Exhibit 99.1 attached hereto. Further, in its web cast of its earnings presentation on January 27, 2005 (the Earnings Web Cast), the Company also included certain historical non-GAAP financial measures with respect to the twelve months ended December 31, 2004, 2003, 2002 and 2001. Reconciliations for such historical non-GAAP financial measures are set forth as Exhibit 99.2 attached hereto. The Company believes that its presentation of historical non-GAAP financial measures provides useful supplementary information to 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 twelve months ended December 31, 2004

For the three and twelve months ended December 31, 2004, the Company's adjustments to GAAP financial measures relate to amounts associated with the Company's acquisitions of Tularik Inc. (Tularik) in August 2004 (the Tularik Acquisition) and Immunex Corporation (Immunex) in July 2002 (the Immunex Acquisition).

For the twelve months ended December 31, 2004, the Company's adjustments to GAAP financial measures also relate to amounts associated with the Company's share of the loss incurred relating to the settlement of a patent litigation between the Company and Genentech, Inc. (the Genentech Settlement).

For the three months ended December 31, 2004, the Company reported non-GAAP financial results for research and development (R&D) and selling, general and administrative (SG&A) expense. R&D and SG&A expense were each adjusted to exclude incremental compensation provided to certain Tularik employees for a limited period, principally related to non-cash compensation expense associated with stock options assumed in the acquisition and amounts payable primarily under the Tularik short-term retention plan for the applicable period. The Company believes that excluding such incremental compensation provides a supplemental measure that will facilitate comparisons between periods before, during and after such expenses are incurred.

For the twelve months ended December 31, 2004, the Company reported non-GAAP financial results for the following operating expenses: cost of sales, R&D and SG&A which were each adjusted to exclude incremental compensation payable to certain Immunex employees for a limited period, principally under the Immunex short-term retention plan (Immunex Short-Term Retention Plan Compensation) for the applicable period. The Company believes that excluding such incremental compensation provides a supplemental measure that will facilitate comparisons between periods before, during and after such expenses are incurred. R&D and SG&A expense for the twelve months ended December 31, 2004 were also adjusted to exclude the expenses related to the Tularik Acquisition identified above and for the reasons discussed above. SG&A expense was further adjusted for this period to exclude the impact to the Company of its share of a third party reimbursement received by Kirin Amgen, Inc. related to the Genentech Settlement. The Company believes that excluding the amount related to the Genentech Settlement provides a supplemental measure that will facilitate comparisons between periods in which such item did not occur.

Edgar Filing: AMGEN INC - Form 8-K

For the three months ended December 31, 2004, the Company reported non-GAAP adjusted net income and adjusted earnings per share, excluding the foregoing operating expense amounts for this period for the reasons discussed above, as well as excluding the ongoing, non-cash amortization of acquired intangible assets associated with the Immunex Acquisition (primarily Enbrel®) (the Intangible Assets Amortization). The Company believes that excluding the 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 twelve months ended December 31, 2004, the Company reported (or, with respect to operating income, disclosed in its Earnings Web Cast) non-GAAP adjusted net income, adjusted earnings per share and adjusted operating income, also excluding the foregoing operating expense amounts and excluding the Intangible Assets Amortization for the reasons discussed above and the non-cash expense associated with writing off the acquired in-process research and development related to the Tularik Acquisition (the Tularik IPR&D Write-off). The Company believes that excluding the Tularik IPR&D Write-off provides a supplemental measure that will facilitate comparisons between periods in which such item did not occur.

Three and twelve months ended December 31, 2003

For the three and twelve months ended December 31, 2003, the Company's adjustments to GAAP financial measures relate to amounts associated with the Immunex Acquisition.

For the twelve months ended December 31, 2003, the Company's adjustments to GAAP financial measures also relate to the Genentech Settlement, the recovery of certain cost and expenses associated with the Company's arbitration with Johnson & Johnson for breach of the license agreement with the Company (the Cost Recovery) and a cash contribution to the Amgen Foundation (the 2003 Foundation Contribution).

For the three and twelve months ended December 31, 2003, the Company reported non-GAAP financial results for the following operating expenses: cost of sales, R&D, and SG&A, which were each adjusted to exclude the Immunex Short-Term Retention Plan Compensation. The Company believes that excluding such incremental compensation provides a supplemental measure that will facilitate comparisons between periods before, during and after such expenses are incurred.

For the three months ended December 31, 2003, the Company reported non-GAAP adjusted net income and adjusted earnings per share, excluding the foregoing operating expense amounts for the reasons discussed above, as well as excluding the Intangible Assets Amortization. The Company believes that excluding the 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 twelve months ended December 31, 2003, the Company also reported (or, with respect to operating income, disclosed in its Earnings Web Cast) non-GAAP adjusted net income, adjusted earnings per share and adjusted operating income, that exclude all of the items identified above as being excluded in the three months ended December 31, 2003 for the reasons discussed above. For the twelve months ended December 31, 2003, the non-GAAP financial results the Company reported (or, with respect to operating income, disclosed in its Earnings Web Cast) for adjusted net income, adjusted earnings per share and adjusted operating income also exclude the Genentech Settlement, the Cost Recovery and the 2003 Foundation Contribution. The Company believes that excluding the Genentech Settlement, the Cost Recovery and the 2003 Foundation Contribution provides a supplemental measure that will facilitate comparisons between periods in which such items did not occur.

Twelve months ended December 31, 2002

For the twelve months ended December 31, 2002, the Company disclosed in its Earnings Web Cast non-GAAP adjusted operating income that excludes amounts associated with the Immunex Acquisition (the Immunex Short-Term Retention Plan Compensation, the non-cash expense related to valuing the inventory acquired from Immunex at fair value and the external, incremental consulting and systems integration costs directly associated with integration of Immunex in connection with the Immunex Acquisition, collectively, the Immunex Expenses), the non-cash expense associated with writing off the acquired in-process research and development related to the Immunex Acquisition (the

Edgar Filing: AMGEN INC - Form 8-K

Immunex IPR&D Write-Off), the benefit related to the recovery of certain amounts previously provided for in connection with terminating collaboration agreements with various third parties (the Termination Benefit), the benefit associated with a legal award related to an arbitration proceeding with Johnson & Johnson (the Legal Award) and a cash contribution to the Amgen Foundation (the 2002 Foundation Contribution). The Company believes that excluding the Immunex

Expenses, the Immunex IPR&D Write-Off, the Termination Benefit, the Legal Award and the 2002 Foundation Contribution provides a supplemental measure that will facilitate comparisons between periods before, during and after such expenses and costs are incurred. Further, these amounts also exclude the Intangible Asset Amortization. The Company believes that excluding the Intangible Asset 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 same period, the Company also disclosed in its Earnings Web Cast non-GAAP adjusted earnings per share that exclude all of the items identified above as being excluded for the reasons discussed above. As a result, the adjusted earnings per share reflects the avoidance of interest expense incurred, net of tax, and the issuance of common stock from the assumed conversion of the Company's 30-year zero coupon senior convertible notes using the if-converted method of calculating earnings per share and the impact of dilutive stock options under the treasury stock method of calculating earnings per share. The impact of the assumed conversion of the convertible notes and the impact of stock options were not included in the GAAP loss per share as these impacts were anti-dilutive. The Company believes that reflecting the impact of these items is appropriate given their dilutive impact to adjusted earnings per share.

Twelve months ended December 31, 2001

For the twelve months ended December 31, 2001, the Company also disclosed in its Earnings Web Cast non-GAAP adjusted operating income and adjusted earnings per share that exclude amounts associated with non-recurring expenses primarily related to the costs of terminating collaboration agreements with various third parties (principally Praecis Pharmaceuticals, Guilford Pharmaceuticals and certain academic institutions) and the write-off of certain inventory. The Company believes that excluding the non-recurring expenses related to the termination of such collaboration agreements and the write-off of inventory provides a supplemental measure 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.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits.

99.1 Press Release dated January 27, 2005

99.2 Reconciliations provided in connection with January 27, 2005 Earnings Web Cast

SIGNATURES

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

AMGEN INC.

Date: February 2, 2005

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 January 27, 2005
99.2	Reconciliations provided in connection with January 27, 2005 Earnings Web Cast