

AMGEN INC
Form 8-K
October 23, 2012

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, 2012

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.)

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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)
- .. 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, 2012, Amgen Inc. (the Company) issued a press release announcing its unaudited results of operations for the three and nine months ended September 30, 2012 and its unaudited financial position as of September 30, 2012. 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-U.S. Generally Accepted Accounting Principles (non-GAAP) financial measures as defined in Regulation G promulgated by the Securities and Exchange Commission with respect to September 30, 2012 and 2011 and for the three and nine months ended September 30, 2012 and 2011. 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).

As of September 30, 2012

As of September 30, 2012, the Company reported a non-GAAP financial measure for total outstanding debt which excluded the impact of bifurcating the debt and equity components of its convertible notes as required by U.S. accounting standards for these securities commencing in 2009. The Company believes that excluding this impact provides a supplemental measure of financial condition that will facilitate comparisons before, during and after its convertible notes are outstanding.

Three and nine months ended September 30, 2012

For the three and nine months ended September 30, 2012, the Company's adjustments to GAAP financial measures relate to amounts associated with:

the incremental expense resulting from accelerating depreciation as a result of our transaction with Boehringer Ingelheim (BI) involving our Fremont, California manufacturing facility (the 2012 BI Transaction Expense);

the impact of expensing stock options;

acquisition-related expenses;

certain charges related to R&D pursuant to our continuing efforts to improve cost efficiencies in our operations (the 2012 R&D Cost-Savings Initiatives Expense);

the non-cash amortization of product technology rights acquired in a prior year business combination (the Product Technology Rights Amortization);

certain charges pursuant to our continuing efforts to improve cost efficiencies in our operations (the 2012 Cost-Savings Initiatives Expense);

the write-off of a non-key contract asset acquired in a business combination (the 2012 Acquisition-related Asset Write-off);

the expense resulting from changes in the estimated fair values of the contingent consideration obligations related to a prior year business combination (the Contingent Consideration Costs);

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expenses related to various legal proceedings (the 2012 Legal Expense);

the non-cash interest expense associated with our convertible notes (the Non-Cash Interest Expense); and

the tax effect of the adjustments above in 2012 (the 2012 Tax Effect).

For the three and nine months ended September 30, 2012, the Company reported non-GAAP financial results for cost of sales (excludes amortization of certain acquired intangible assets) (COS) expense, research and development (R&D) expense, selling, general and administrative (SG&A) expense, and weighted average shares used in the calculation of adjusted diluted earnings per share:

COS expense, R&D expense and SG&A expense were adjusted to exclude the effects of expensing stock options and the acquisition-related expenses;

COS expense was also adjusted to exclude the 2012 BI Transaction Expense;

R&D expense was also adjusted to exclude the 2012 R&D Cost-Savings Initiatives Expense; and

weighted average shares used in the calculation of adjusted diluted earnings per share were adjusted to exclude the related effects of expensing stock options.

The Company believes that excluding the impact of expensing stock options and the related effects of expensing stock options provides supplemental measures of profitability that will facilitate comparisons between periods before and during when such expenses are incurred. The Company believes that excluding the 2012 BI Transaction Expense, the acquisition-related expenses and the 2012 R&D Cost-Savings Initiatives Expense provides supplemental measures of profitability that will facilitate comparisons before, during and after such expenses are incurred.

For the three and nine months ended September 30, 2012, the Company reported non-GAAP adjusted operating expenses, adjusted operating income, adjusted provision for income taxes, adjusted net income and adjusted earnings per share excluding, where applicable:

the foregoing expense amounts and the related effects of expensing stock options on weighted average shares used in the calculation of adjusted diluted earnings per share for the reasons discussed above;

the Product Technology Rights Amortization;

the 2012 Cost-Savings Initiatives Expense;

the 2012 Acquisition-related Asset Write-off;

the Contingent Consideration Costs;

the 2012 Legal Expense;

the Non-Cash Interest Expense; and

the 2012 Tax Effect.

The Company believes that excluding the Product Technology Rights 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. The Company believes that excluding the 2012 Cost-Savings Initiatives Expense and the 2012 Legal Expense provides supplemental measures of profitability that will facilitate comparisons between periods in which such items did not occur. The Company believes that excluding the 2012 Acquisition-related Asset Write-off, the Contingent Consideration Costs and the Non-Cash Interest Expense provides supplemental measures of profitability that will facilitate comparisons before, during and after such expenses are incurred. The Company believes that excluding the 2012 Tax Effect provides a supplemental measure of profitability that will facilitate comparisons before, during and after the related adjustments have occurred.

As of September 30, 2011

As of September 30, 2011, the Company reported a non-GAAP financial measure for total outstanding debt which excluded the impact of bifurcating the debt and equity components of its convertible notes as required by U.S. accounting standards for these securities commencing in 2009. The Company believes that excluding this impact provides a supplemental measure of financial condition that will facilitate comparisons before, during and after its convertible notes are outstanding.

Three and nine months ended September 30, 2011

For the three and nine months ended September 30, 2011, the Company's adjustments to GAAP financial measures relate to amounts associated with:

the incremental expense resulting from accelerating depreciation and/or accruing losses for facility operating leases as a result of our transaction with BI involving our Fremont, California manufacturing facility (the 2011 BI Transaction Expense);

the impact of expensing stock options;

acquisition-related expenses;

the reversal of previously accrued expenses for bonuses and stock-based compensation awards, which were forfeited as a result of the employees' termination pursuant to our continuing efforts to improve cost efficiencies in our operations (the 2011 Expense Reversal Due To Cost Savings Initiatives);

the Product Technology Rights Amortization;

certain charges pursuant to our continuing efforts to improve cost efficiencies in our operations (the 2011 Cost-Savings Initiatives Expense);

the Contingent Consideration Costs;

expenses related to various legal proceedings (the 2011 Legal Expense);

the Non-Cash Interest Expense;

the tax effect of the adjustments above in 2011 (the 2011 Tax Effect); and

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the income tax benefit related to certain prior period charges excluded from adjusted earnings (the 2011 Prior Period Charges Tax Benefit).

For the three and nine months ended September 30, 2011, the Company reported non-GAAP financial results for COS expense, R&D expense, SG&A expense, and weighted average shares used in the calculation of adjusted diluted earnings per share:

COS expense, R&D expense and SG&A expense were adjusted to exclude the effects of expensing stock options;

R&D expense and SG&A expense were also adjusted to exclude the acquisition-related expenses;

COS expense was also adjusted to exclude the 2011 BI Transaction Expense;

R&D expense was also adjusted to exclude the 2011 Expense Reversal Due to Cost Savings Initiatives; and

weighted average shares used in the calculation of adjusted diluted earnings per share were adjusted to exclude the related effects of expensing stock options.

For the nine months ended September 30, 2011, COS expense was also adjusted to exclude the acquisition-related expenses.

The Company believes that excluding the impact of expensing stock options and the related effects of expensing stock options provides supplemental measures of profitability that will facilitate comparisons between periods before and during when such expenses are incurred. The Company believes that excluding the 2011 BI Transaction Expense, the acquisition-related expenses and the 2011 Expense Reversal Due To Cost Savings Initiatives provides supplemental measures of profitability that will facilitate comparisons before, during and after such expenses are incurred.

For the three and nine months ended September 30, 2011, the Company reported non-GAAP adjusted operating expenses, adjusted operating income, adjusted provision for income taxes, adjusted net income and adjusted earnings per share excluding, where applicable:

the foregoing expense amounts and the related effects of expensing stock options on weighted average shares used in the calculation of adjusted diluted earnings per share for the reasons discussed above;

the Product Technology Rights Amortization;

the 2011 Cost-Savings Initiatives Expense;

the Contingent Consideration Costs;

the 2011 Legal Expense;

the Non-Cash Interest Expense;

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the 2011 Tax Effect; and

the 2011 Prior Period Charges Tax Benefit.

The Company believes that excluding the Product Technology Rights 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. The Company believes that excluding the 2011 Cost-Savings Initiatives Expense, the 2011 Legal Expense and the 2011 Prior Period Charges Tax Benefit provides supplemental measures of profitability that will facilitate comparisons between periods in which such items did not occur. The Company believes that excluding the Contingent Consideration Costs and the Non-Cash Interest Expense provides supplemental measures of profitability that will facilitate comparisons before, during and after such expenses are incurred. The Company believes that excluding the 2011 Tax Effect provides a supplemental measure of profitability that will facilitate comparisons before, during and after the related adjustments have occurred.

For the three months ended September 30, 2011 and 2012, the Company reported Free Cash Flow (FCF) which is a non-GAAP financial measure. FCF is computed by subtracting capital expenditures from cash flow from operations, each as determined in accordance with GAAP and as reflected in the statement of cash flows. The Company believes that FCF provides a further measure of the Company's liquidity. The Company uses this measure internally and believes that providing FCF to investors facilitates additional analysis.

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 for the three and nine months ended September 30, 2012 and 2011, as a convenience to investors.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press Release dated October 23, 2012

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, 2012

By: /s/ Jonathan M. Peacock

Name: Jonathan M. Peacock

Title: Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit

Number	Document Description
99.1	Press release dated October 23, 2012