
(AMGN)
06/30/06

|  |  | 199 | 1997 | 1998 | 199 | 200 | 2001 | 2002 | 2003 | 2004 | 2005 | LAST 5 YEAR AVG. | TREND |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | 1996 | 1997 | 1998 | 199 | 200 |  |  |  |  |  |  | UP | DOWN |
| A | \% Pre-tax Profit on Sales (Net Before Taxes $\div$ Sales) | 43.0 | 42.4 | 44.2 | 45.4 | 45.6 | 48.0 | 39.2 | 37.7 | 37.4 | 40.1 | 40.5 |  | EVEN |
| B | \% Earned on Equity (E/S $\div$ Book Value) | 31.0 | 32.6 | 32.2 | 33.3 | 25.5 | 23.7 | 9.2 | 11.1 | 14.3 | 18.1 | 15.3 | UP |  |

3 PRICE-EARNINGS HISTORY as an indicator of the future

|  | hows how s | fluctuat | d dividends. | block for | lating | earnings into futur |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | RICE | 65.230 |  | GH THIS YEAR |  |  | YEAR | 60.260 |
|  | Year | A | B | $\mathrm{C}$ Earnings |  | $\begin{aligned} & \mathrm{D} \\ & \text { Price Ea } \end{aligned}$ | E | F $\qquad$ <br> Dividend | G <br> \% Payout | H <br> \% High Yield |
|  |  | HIGH | LOW | Share |  | $\begin{aligned} & \mathrm{HIGH} \\ & \mathrm{~A} \div \mathrm{C} \end{aligned}$ | $\begin{aligned} & \text { LOW } \\ & B \div C \end{aligned}$ | Share | $F \div C \times 100$ | $F \div B \times 100$ |
| 1 | 2001 | 75.1 | 45.4 | 1.18 |  | 63.6 | 38.5 | 0.000 | 0.0 | 0.0 |
| 2 | 2002 | 62.9 | 30.6 | 1.31 |  | 48.0 | 23.4 | 0.000 | 0.0 | 0.0 |
| 3 | 2003 | 72.4 | 48.1 | 1.68 |  | 43.1 | 28.6 | 0.000 | 0.0 | 0.0 |
| 4 | 2004 | 66.9 | 52.0 | 2.23 |  | 30.0 | 23.3 | 0.000 | 0.0 | 0.0 |
| 5 | 2005 | 86.9 | 56.2 | 3.03 |  | 28.7 | 18.5 | 0.000 | 0.0 | 0.0 |
| 6 | TOTAL |  | 232.3 |  |  | 149.8 | 93.8 |  | 0.0 |  |
| 7 | AVERAGE |  | 46.5 |  |  | 37.5 | 23.5 |  | 0.0 |  |
| 8 | AVERAGE PRICE EARNINGS RATIO |  |  | 30.5 | 9 | CURRENT PRICE EARNINGS RATIO $\mathbf{2 0 . 5}$ |  |  |  |  |
| 4 Proj. P/E [18.07] Based on Next 4 qtr. EPS [3.61] Current P/E Based on Last 4 qtr. EPS [3.18] EVALUATING RISK and REWARD over the next 5 years | Proj. P/E [18.07] Based on Next 4 qtr. EPS [3.61] Current P/E Based on Last 4 qtr. EPS [3.18]EVALUATING RISK and REWARD over the next 5 years |  |  |  |  |  |  |  |  |  |

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.
A HIGH PRICE -- NEXT 5 YEARS

$$
\text { Avg. High P/E } \frac{37.5}{(30.0} \times \text { Estimate High Earnings/Share } \quad \mathbf{5 . 9 9} \quad=\text { Forecast High Price } \$ \quad 179.7
$$

B LOW PRICE -- NEXT 5 YEARS

| (a) Avg. Low P/E $\frac{23.5}{} \mathbf{1 8 . 0}$ |  | X Estimated Low Earnings/Share |
| :--- | :---: | :---: |
| (3E7 as adj.) | $\mathbf{4 6 . 5}$ |  |
| (b) Avg. Low Price of Last 5 Years $=$ | $(3 B 7)$ |  |
| (c) Recent Severe Market Low Price $=$ |  | $\mathbf{5 2 . 0}$ |

$3.03 \quad 3.18$
$=\$$
57.2
(c) Recent Severe Market Low Price $=$
52.0
(d) Price Dividend Wir Sup


$$
\begin{aligned}
& 0.000 \\
& \hline 0.000
\end{aligned}
$$

Selected Estimate Low Price
$\qquad$ $=$ $\qquad$
$=\$$
46.5
c ZONING
$\begin{array}{ll}\text { (4A1) } & \text { High Forecast Price Minus }\end{array}$
Low Forecast Price Equals
133.2 Range. $1 / 3$ of Range $=$

| 46.5 |
| :---: |
| $(4 \mathrm{~B} 1)$ |
| 33.3 |
| $(4 \mathrm{CD})$ |

(4C2) Lower $1 / 3=$

| (4B1) 46.5 |  |
| :---: | :---: |
|  | 79.8 |
|  | 146.4 | to $\qquad$ (Buy) Note: Ranges changed to 25\%/50\%/25\%

(4C3) Middle $1 / 3=$
146.4
65.230
$\qquad$ (4A1) (Sell)
Present Market Price of

is in the $\qquad$ Buy
$\mathbf{y}_{(4 \mathrm{C} 5)}$ $\qquad$
$\qquad$ Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

| High Price $\quad$ (4A1) 179.7 | Minus Present Price | $\mathbf{6 5 . 2 3 0}$ |  |
| :--- | :--- | :--- | :--- | :--- |
| Present Price $\quad \mathbf{6 5 . 2 3 0}$ | Minus Low Price | (4B1) | $\mathbf{4 6 . 5}$ |

114.5
18.7
$\qquad$ To 1

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)


5-YEAR POTENTIAL This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

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| ANNUAL RATES of change (per sh) | Past <br> 10 Yrs. | Past 5 Yrs. | Est'd '03-'05 to '09.'11 |
| :---: | :---: | :---: | :---: |
| Sales | 18.5\% | 21.5\% | 16.5\% |
| "Cash Flow" | 20.0\% | 20.5\% | 18.0\% |
| Earnings | 19.0\% | 19.0\% | 18.5\% |
| Dividends |  |  |  |
| Book Value | 28.5\% | 37.5\% | 12.5\% |


| Cal- <br> endar | QUARTERLY <br> Mar. 31 |  |  | Jun. 30 | Sep. 30 |
| :---: | :---: | :---: | :--- | :--- | ---: | Dec. 31 | Full |
| ---: | :--- |
| Year |, | Cal- |  |  |
| :---: | :---: | :---: | :---: | :---: |
| endar | Mar. 31 Jun. 30 Sep. 30 Dec. 31 | $\begin{array}{c}\text { Full } \\ \text { Year }\end{array}$ |


| 2003 | .37 | .45 | .46 | .41 | 1.69 |
| ---: | ---: | ---: | ---: | ---: | ---: | ---: |
| 2004 | .52 | .57 | .57 | .53 | 2.19 |
| 2005 | .67 | .77 | .77 | .70 | 2.91 |
| 2006 | .82 | .88 | .90 | .85 | 3.45 |
| 2007 | .95 | 1.05 | 1.05 | 1.00 | 4.05 |


| Cal- | QUARTERLY DIVIDENDS PAID | Full |  |
| :---: | :---: | :---: | :---: | :---: |
| endar | Mar.31 Jun.30 Sep.30 | Dec. 31 | Year |
| 2002 |  |  |  |
| 2003 |  |  |  |
| 2004 | NO CASH DIVIDENDS |  |  |
| 2005 | BEING PAID |  |  |
| 2006 |  |  |  |
|  |  |  |  |

Amgen's R\&D pipeline should support $30 \%-40 \%$ this year, to about $\$ 3.2$ billion. cade's end, as four drugs probably will helping to support $15 \%$ annual share profroll out by then. The first should be it growth to 2009-2011.
panitumumab, an antibody that has been Near-term prospects are favorable. found effective against colorectal cancer in This year started out reasonably well, with clinical trials involving patients who have share net up $22 \%$ on $14 \%$ higher sales. The failed standard therapies. The FDA in- only product that disappointed was Entends to render a decision within the next bre, which saw its market share ease in few months, making a late 2006 debut the rheumatoid arthritis and dermatology likely. We think the drug will eventually markets without direct-to-consumer ads be used for earlier stages of the disease that helped in 2005. Additional promoand for other cancers. Another antibody tional support should put its sales back on nearing the market is denosumab, which a faster growth track, although its volume appears to prevent bone loss related to probably won't reach early expectations. aging and cancer therapy. Clinical trials of Amgen's two big franchises, Aranesp/ this drug account for four of the 11 huge Epogen and Neulasta/ Neupogen, should studies (involving 200 or more treatment make up the difference. Biosimilar compecenters) that Amgen aims to conduct this titors to the initial versions of these drugs year. The two other compounds are AMG probably won't reach Europe until next 531 and AMG 706. These have potential for treating a bleeding disorder and cancer, respectively. The latter, which is an inhibitor of an enzyme associated with various cell signaling pathways, is being tested against metastatic breast and nonsmall cell lung cancers. Overall, Amgen aims to increase its R\&D expenditures by
year, and an Aranesp-like drug is being held at bay stateside by a lawsuit. Moreover, share repurchases financed with debt and cash flow should aid the bottom line.
Wall Street isn't enthused with this issue, as reflected in the dedine in its price. Nonetheless, it has appeal to 2009-2011. Keith A. Markey, Ph.D.

[^0]'94, (10c); '96, 1¢; '97, (9¢); '99, 3¢; '01, (15¢); $\$ 11.63 /$ share.
'02, (\$2.60); '04, (40¢); '05, (2¢). Next earnings (D) In millions, adjusted for stock splits. report due late July. (C) Includes intangibles; in 2005: $\$ 14.2$ billion, $\$ 448$ million.

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PERT Worksheet-A Graph
Company AMGEN, INC.
(AMGN)



[^0]:    A) FY end March 31 of following year through

    1990; thereafter, calendar-year basis.
    (B) Primary EPS through 1996; diluted thereafter. Excludes nonrecurring gains/(losses):

[^1]:    Company's Financial Strength
    Stock's Price Stability
    Price Growth Persistence

