

## Stock Selection Guide ®

The most widely used aid to good investment judgment

Company AMGEN, INC.			Da	te <u>06/</u>	30/06		
Prepared by MG	D	Data taken from NAIC Dat					
Where traded NASDAQ Major product/service Biotechnolo							
CAPITALIZATION Outstanding Amounts Reference							
Preferred(\$M)	0.0	% Ir	siders	% Inst	itution		
Common(M Shares)	1,178.0		9.7	76	.2		
Debt(\$M) 8,961.0	% to Tot.Cap.	31.3	% Potent	ial Dil.	None		



7

**AVERAGE** 

		1006	1007	1000	1999	2000	2001	2002	2003	2004	2005	LAST 5	TREND	
		1996	199/	1990	1999	2000	2001	2002	2003	2004	2005	YEAR AVG.	UP	DOWN
P	% Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	43.0	42.4	44.2	45.4	45.6	48.0	39.2	37.7	37.4	40.1	40.5		EVEN
E	% Earned on Equity (E/S ÷ 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	

## PRICE-EARNINGS HISTORY as an indicator of the future

46.5

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices. 65.230 HIGH THIS YEAR 60.260 86,920 PRESENT PRICE LOW THIS YEAR Α В С D Ε F G Н **PRICE Earnings** Price Earnings Ratio Dividend Year % Payout % High Yield HIGH Per F ÷ C X 100 F ÷ B X 100 HIGH LOW Share Share B - C1 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 72.4 2003 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 56.2 3.03 28.7 18.5 0.000 0.0 86.9 0.0 6 **TOTAL** 232.3 149.8 93.8 0.0

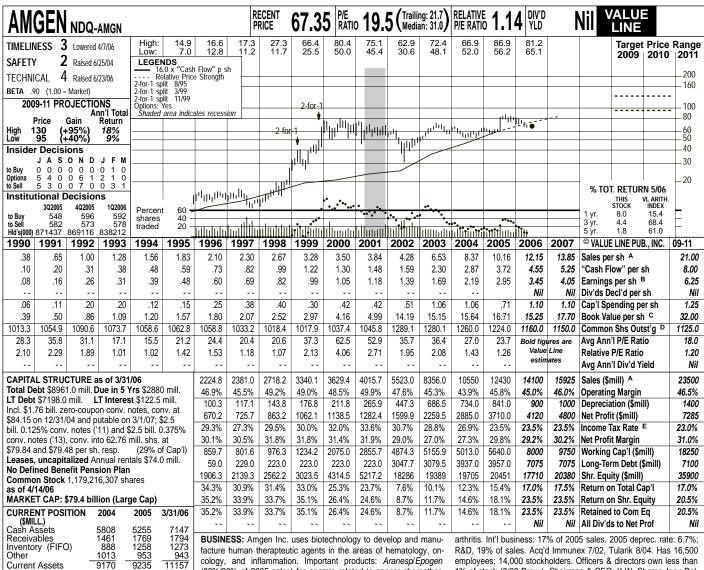
Proj. P/E [18.07] Based on Next 4 qtr. EPS [3.61] Current P/E Based on Last 4 qtr. EPS [3.18] **EVALUATING RISK and REWARD over the next 5 years** PEG=134

37.5

23.5

0.0

8 AVERAGE PRICE EARNINGS RATIO 9 **CURRENT PRICE EARNINGS RATIO** 20.5 30.5 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 Avg. High P/E 37.5 30.0 X Estimate High Earnings/Share 5.99 = Forecast High Price \$ (3D7 as adj.) (4A1) **B LOW PRICE -- NEXT 5 YEARS** 23.5 3.03 (a) Avg. Low P/E 18.0 X Estimated Low Earnings/Share 3.18 57.2 (3E7 as adj.) (b) Avg. Low Price of Last 5 Years = 46.5 (3B7) (c) Recent Severe Market Low Price = 52.0 0.000 Present Divd. (d) Price Dividend Will Support 0.000 (H) High Yield Selected Estimate Low Price C ZONING 179.7 133.2 Range. 1/3 of Range = 33.3 46.5 High Forecast Price Minus Low Forecast Price Equals (4A1) (4C2) Lower 1/3 = 46.5 79.8 (4B1) (Buy) Note: Ranges changed to 25%/50%/25% (4C3) Middle 1/3 = 79.8 146.4 (Maybe) (4C4) Upper 1/3 = 146.4 179.7 (4A1) (Sell) 65.230 Buv Present Market Price of is in the Range (4C5) D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss) High Price (4A1) 179.7 Minus Present Price 65.230 114.5 6.1 To 1 46.5 65,230 Present Price Minus Low Price (4B1) 18.7 E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.) High Price (4A1) 179.7 175.5 275.5 2.755 ) X 100 = ( % Appreciation 65.230 Present Market Price (4E) Relative Value: 67.2% Proj. Relative Value: 59.3% 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. Note: Results are expressed as a simple rate; use the table below to convert to a compound rate. 0.000 A Present Full Year's Dividend \$ 0.000 0.0 X 100 = Present Yield or % Returned on Purchase Price Present Price of Stock 65.230 (5A) **B AVERAGE YIELD OVER NEXT 5 YEARS** 4.65 Avg. Earnings Per Share Next 5 Years X Avg. % Payout (3G7) 0.0 0.0 0.0 Present Price \$ 65.230 C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS P.A.R. Tot. Ret. (4E) 175.5 5 Year Appreciation Potential Average Yield 0.0% 0.0% 35.1 Average Yield (5B) \_ \_ \_ Annual Appreciation 17.1% 22.5% 0.0 Average Total Annual Return Over the Next 5 Years % Compd Ann Rate of Ret 17.1% 22.5% 35.1



cology, and inflammation. Important products: Aranesp/Epogen (26%/20% of 2005 sales) for anemia related to cancer chemotherapy and chronic kidney failure; Neulasta/Neupogen (18%/10%), a stimulator of the immune system, and Enbrel (21%) for rheumatoid employees; 14,000 stockholders. Officers & directors own less than 1% of stock (3/06 Proxy). Chairman & CEO: K.W. Sharer. Inc.: Delaware. Address: One Amgen Center Dr., Thousand Oaks, CA 91320. Telephone: 805-447-1000. Internet: www.amgen.com

Past ANNUAL RATES Past Est'd '03-'05 of change (per sh) 5 Yrs. to '09-'11 Sales "Cash Flow" 18.5% 21.5% 20.5% 16.5% 20.0% Earnings Dividends Book Value 19.0% 19.0% 18.5% 28.5% 37.5% 12 5%

507 1173

4157

Accts Payable Debt Due

Current Liab.

442 1763 3178

5383

596

2999

3595

Cal-	QUA	Full							
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year				
2003	1761	2041	2207	2346	8356				
2004	2343	2585	2713	2909	10550				
2005	2833	3172	3154	3271	12430				
2006	3217	3500	3625	3758	14100				
2007	3700	3950	4050	4225	15925				
Cal-	EAF	EARNINGS PER SHARE A B							
endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year				
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-	QUA	RTERLY D	IVIDENDS	PAID	Full				
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year				
2002									
2003	NO 0								
2004									
2005									
2006									

Amgen's R&D pipeline should support decent profit growth through decade's end, as four drugs probably will roll out by then. The first should be panitumumab, an antibody that has been found effective against colorectal cancer in clinical trials involving patients who have failed standard therapies. The FDA intends to render a decision within the next few months, making a late 2006 debut likely. We think the drug will eventually be used for earlier stages of the disease and for other cancers. Another antibody nearing the market is denosumab, which appears to prevent bone loss related to aging and cancer therapy. Clinical trials of this drug account for four of the 11 huge studies (involving 200 or more treatment centers) that Amgen aims to conduct this year. The two other compounds are AMG 531 and AMG 706. These have potential for treating a bleeding disorder and can-cer, 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

30%-40% this year, to about \$3.2 billion. We think the investment will pay off by helping to support 15% annual share profit growth to 2009-2011.

Near-term prospects are favorable. This year started out reasonably well, with share net up 22% on 14% higher sales. The only product that disappointed was Enbrel, which saw its market share ease in the rheumatoid arthritis and dermatology markets without direct-to-consumer ads that helped in 2005. Additional promotional support should put its sales back on a faster growth track, although its volume probably won't reach early expectations. Amgen's two big franchises, *Aranesp*. Epogen and Neulasta/Neupogen, should make up the difference. Biosimilar competitors to the initial versions of these drugs probably won't reach Europe until next 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 is**sue**, as reflected in the decline in its price. Nonetheless, it has appeal to 2009-2011. Keith A. Markey, Ph.D. June 23, 2006

(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):

'94, (10¢); '96, 1¢; '97, (9¢); '99, 3¢; '01, (15¢); '02, (\$2.60); '04, (40¢); '05, (2¢). Next earnings report due late July. (E) As of 12/31/05, had NOL carryforwards of (C) Includes intangibles; in 2005: \$14.2 billion, \$448 million.

Company's Financial Strength Stock's Price Stability A++ 65 Price Growth Persistence **Earnings Predictability** 95

© 2006, Value Line Publishing, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

## PERT Worksheet-A Graph

