Use of Non-GAAP Financial Measures

In addition to financial information prepared in accordance with U.S. GAAP, this document also contains certain non-GAAP financial measures based on management's view of performance including:

- Adjusted research and development expense
- Adjusted selling, general and administrative expense
- Adjusted operating margin
- Adjusted net income
- Adjusted earnings per share

Management uses such measures internally for planning and forecasting purposes and to measure the performance of the Company. We believe these adjusted financial measures provide useful and meaningful information to us and investors because they enhance investors' understanding of the continuing operating performance of our business and facilitate the comparison of performance between past and future periods. These adjusted financial measures are non-GAAP measures and should be considered in addition to, but not as a substitute for, the information prepared in accordance with U.S. GAAP. When preparing these supplemental non-GAAP financial measures we typically exclude certain GAAP items that management does not consider to be normal, recurring, cash operating expenses but that may not meet the definition of unusual or non-recurring items. Other companies may define these measures in different ways. The following categories of items are excluded from adjusted financial results:

Acquisition and Divestiture-Related Costs: We exclude the impact of certain amounts recorded in connection with business combinations and divestitures from our adjusted financial results that are either non-cash or not normal, recurring operating expenses due to their nature, variability of amounts, and lack of predictability as to occurrence and/or timing. These amounts may include non-cash items such as the amortization of acquired intangible assets, amortization of purchase accounting adjustments to inventories, intangible asset impairment charges and expense or income related to changes in the estimated fair value measurement of contingent consideration. We also exclude transaction and certain other cash costs associated with business acquisitions and divestitures that are not normal recurring operating expenses, including severance costs which are not part of a formal restructuring program.

Share-based Compensation Expense: We exclude share-based compensation from our adjusted financial results because share-based compensation expense, which is non-cash, fluctuates from period to period based on factors that are not within our control, such as our stock price on the dates share-based grants are issued.

Collaboration-related Upfront Expenses: We exclude collaboration-related upfront expenses from our adjusted financial results because we do not consider them to be normal, recurring operating expenses due to their nature, variability of amounts, and lack of predictability as to occurrence and/or timing. Upfront payments to collaboration partners are made at the commencement of a relationship anticipated to continue for a multi-year period and provide us with intellectual property rights, option rights and other rights with respect to particular programs. The variability of amounts and lack of predictability of collaboration-related upfront expenses makes the identification of trends in our ongoing research and development activities more difficult. We believe the presentation of adjusted research and development, which does not include collaboration-related upfront expenses, provides useful and meaningful information about our ongoing research and development activities by enhancing investors' understanding of our normal, recurring operating research and development expenses and facilitates comparisons between periods and with respect to projected performance. All expenses incurred subsequent to the initiation of the collaboration arrangement, such as research and development cost-sharing expenses/reimbursements and milestone payments up to the point of regulatory approval are considered to be normal, recurring operating expenses and are included in our adjusted financial results.

Research and Development Asset Acquisition Expense: We exclude costs associated with acquiring rights to pre-commercial compounds because we do not consider such costs to be normal, recurring operating expenses

due to their nature, variability of amounts, and lack of predictability as to occurrence and/or timing. Research and development asset acquisition expenses includes expenses to acquire rights to pre-commercial compounds from a collaboration partner when there will be no further participation from the collaboration partner or other parties. The variability of amounts and lack of predictability of research and development asset acquisition expenses makes the identification of trends in our ongoing research and development activities more difficult. We believe the presentation of adjusted research and development, which does not include research and development asset acquisition expenses, provides useful and meaningful information about our ongoing research and development activities by enhancing investors' understanding of our normal, recurring operating research and development expenses and facilitates comparisons between periods and with respect to projected performance.

Restructuring Costs: We exclude costs associated with restructuring initiatives from our adjusted financial results. These costs include amounts associated with facilities to be closed, employee separation costs and costs to move operations from one location to another. We do not frequently undertake restructuring initiatives and therefore do not consider such costs to be normal, recurring operating expenses.

Certain Other Items: We exclude certain other significant items that may occur occasionally and are not normal, recurring, cash operating expenses from our adjusted financial results. Such items are evaluated on an individual basis based on both the quantitative and the qualitative aspect of their nature and generally represent items that, either as a result of their nature or magnitude, we would not anticipate occurring as part of our normal business on a regular basis. While not all-inclusive, examples of certain other significant items excluded from adjusted financial results would be: expenses for significant fair value adjustments to equity investments, significant litigation-related loss contingency accruals and expenses to settle other disputed matters.

Estimated Tax Impact From Above Adjustments: We exclude the net income tax impact of the non-tax adjustments described above from our adjusted financial results. The net income tax impact of the non-tax adjustments includes the impact on both current and deferred income taxes and is based on the taxability of the adjustment under local tax law and the statutory tax rate in the tax jurisdiction where the adjustment was incurred.

Non-Operating Tax Adjustments: We exclude the net income tax impact of certain other significant income tax items, which are not associated with our normal, recurring operations ("Non-Operating Tax Items"), from our adjusted financial results. Non-Operating Tax Items include items which may occur occasionally and are not normal, recurring operating expenses (or benefits), including adjustments related to acquisitions, divestitures, collaborations, certain adjustments to the amount of unrecognized tax benefits related to prior year tax positions, and other similar items. We also exclude excess tax benefits and tax deficiencies that arise upon vesting or exercise of share-based payments recognized as income tax benefits or expenses due to their nature, variability of amounts, and lack of predictability as to occurrence and/or timing.

Long-Term Targets

A reconciliation of long-term adjusted financial targets to the most comparable GAAP measures cannot be provided because we are unable to forecast with reasonable certainty many of the items necessary to calculate such comparable GAAP measures, including share-based compensation expense, collaboration-related upfront expense, research and development asset acquisition expense, acquisition-related expenses, fair value adjustments to contingent consideration, the ultimate outcome of legal proceedings and unusual gains and losses, as well as unforeseen events, risks and developments. These items are uncertain, depend on various factors, and could be material to our results computed in accordance with GAAP. We believe the inherent uncertainties in reconciling our long-term non-GAAP measures to the most comparable GAAP measures would make the forecasted comparable GAAP measures nearly impossible to predict with reasonable certainty and therefore inherently unreliable.

See the attached Reconciliations of GAAP to Adjusted Net Income for explanations of the amounts excluded and included to arrive at the adjusted measures for the three- and nine-month periods ended September 30, 2017 and 2016, and for the projected amounts for the twelve-month period ending December 31, 2017.

Celgene Corporation and Subsidiaries
Condensed Consolidated Statements of Income
(Unaudited)
(In millions, except per share data)

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2017	2016	2017*	2016
Net product sales	$ 3,283	$ 2,969	$ 9,494	$ 8,208
Other revenue	4	14	26	41
Total revenue	3,287	2,983	9,520	8,249
Cost of goods sold (excluding amortization of acquired intangible assets)	118	108	342	325
Research and development	1,347	1,653	3,177	3,335
Selling, general and administrative	608	698	2,167	1,973
Amortization of acquired intangible assets	80	87	250	354
Acquisition related charges and restructuring, net	49	25	75	25
Total costs and expenses	2,202	2,571	6,011	6,012
Operating income	1,085	412	3,509	2,237
Interest and investment income, net	33	7	72	21
Interest (expense)	(127)	(128)	(380)	(373)
Other (expense), net	-	(35)	(18)	(12)
Income before income taxes	991	256	3,183	1,873
Income tax provision	3	85	162	303
Net income	$ 988	$ 171	$ 3,021	$ 1,570
Net income per common share:				
Basic	$ 1.26	$ 0.22	$ 3.87	$ 2.02
Diluted	$ 1.21	$ 0.21	$ 3.72	$ 1.95
Weighted average shares:				
Basic	784.1	775.8	781.2	777.3
Diluted	815.2	801.5	812.6	803.7

* During the third quarter of 2017, we adopted ASU 2017-12 with an initial application date of January 1, 2017. Prior to the adoption of ASU 2017-12, we recognized all changes in the fair value of the excluded component of a hedge in Other (expense), net in the Consolidated Statements of Income under a mark-to-market approach. Pursuant to the provisions of ASU 2017-12, we no longer recognize the adjustments to the fair value of the excluded component in Other (expense), net but we instead recognize the initial value of the excluded component using an amortization approach over the life of the hedging instrument. When we report our results for the quarterly periods ended March 31, 2018 and June 30, 2018, we intend to recast the financial statements for the quarterly periods ended March 31, 2017 and June 30, 2017, respectively, to reflect the adoption of ASU 2017-12. The nine-month period ended September 30, 2017 includes the following immaterial revisions to previously issued financial results:

	Three-Month Period Ended March 31, 2017		Three-Month Period Ended June 30, 2017		Six-Month Period Ended June 30, 2017	
	As Reported	As Revised	As Reported	As Revised	As Reported	As Revised
Net product sales	$ 2,950	$ 2,952	$ 3,256	$ 3,259	$ 6,206	$ 6,211
Other (expense) income, net	26	13	(76)	(31)	(50)	(18)
Income tax provision	84	82	69	77	153	159
Net income	941	932	1,061	1,101	2,002	2,033
Diluted net income per common share	$ 1.16	$ 1.15	$ 1.31	$ 1.36	$ 2.47	$ 2.51

	September 30, 2017	December 31, 2016
Balance sheet items:		
Cash, cash equivalents & marketable securities	$ 11,759	$ 7,970
Total assets	31,736	28,086
Long-term debt, including current portion	14,274	14,290
Total stockholders' equity	9,850	6,600

Celgene Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Net Income
(In millions, except per share data)

		Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
		2017	2016	2017*	2016
Net income - GAAP		$ 988	$ 171	$ 3,021	$ 1,570
Before tax adjustments:					
Cost of goods sold (excluding amortization of acquired intangible assets):					
Share-based compensation expense	(1)	7	8	22	25
Research and development:					
Share-based compensation expense	(1)	65	63	200	189
Collaboration-related upfront expense	(2)	584	324	669	688
Research and development asset acquisition expense	(3)	-	623	325	623
Selling, general and administrative:					
Share-based compensation expense	(1)	87	77	260	238
Litigation-related loss contingency accrual expense	(4)	-	30	315	130
Amortization of acquired intangible assets	(5)	80	87	250	354
Acquisition related (income) charges and restructuring, net:					
Change in fair value of contingent consideration	(6)	49	23	75	12
Restructuring charges	(7)	-	2	-	13
Income tax provision:					
Estimated tax impact from above adjustments	(8)	(149)	(151)	(387)	(357)
Non-operating tax adjustments	(9)	(156)	7	(326)	(5)
Net income - Adjusted		$ 1,555	$ 1,264	$ 4,424	$ 3,480
Net income per common share - Adjusted					
Basic		$ 1.98	$ 1.63	$ 5.66	$ 4.48
Diluted		$ 1.91	$ 1.58	$ 5.44	$ 4.33

Explanation of adjustments:

(1) Exclude share-based compensation expense totaling $159 for the three-month period ended September 30, 2017 and $148 for the three-month period ended September 30, 2016. Exclude share-based compensation expense totaling $482 for the nine-month period ended September 30, 2017 and $452 for the nine-month period ended September 30, 2016.

(2) Exclude upfront payment expense for research and development collaboration arrangements.

(3) Exclude research and development asset acquisition expenses.

(4) Exclude loss contingency accrual expenses related to a civil litigation matter in 2017 and a contractual dispute in 2016.

(5) Exclude amortization of intangible assets acquired in the acquisitions of Pharmion Corp., Gloucester Pharmaceuticals, Inc. (Gloucester), Abraxis BioScience, Inc. (Abraxis), Celgene Avilomics Research, Inc. (Avila), and Quanticel Pharmaceuticals, Inc. (Quanticel).

(6) Exclude changes in the fair value of contingent consideration related to the acquisitions of Gloucester, Abraxis, Avila, Nogra Pharma Limited and Quanticel.

(7) Exclude restructuring charges related to our relocation of certain operations into our two Summit, NJ locations as well as costs associated with certain headcount reductions.

(8) Exclude the estimated tax impact of the above adjustments.

(9) Exclude other non-operating tax expense items. The adjustments for the three-month period ended September 30, 2017 are to exclude the excess tax benefits related to the adoption of ASU 2016-09 (Compensation-Stock Compensation) of $103, prior year tax benefits arising from a U.S. research and development and orphan drug tax credits study of $55 and to exclude other adjustments totaling tax expense of $2. The adjustments for the nine-month period ended September 30, 2017 are to exclude the excess tax benefits related to the adoption of ASU 2016-09 (Compensation-Stock Compensation) of $273, prior year tax benefits arising from a U.S. research and development and orphan drug tax credits study of $55 and to exclude other adjustments totaling tax expense of $2. The adjustment for the three-month period ended September 30, 2016 is to include net tax benefits of $7. The adjustments for the nine-month period ended September 30, 2016 are to exclude the tax benefit on the settlement of a state tax examination of $2 and to include other adjustments totaling tax expense of $3.

* During the third quarter of 2017, we adopted ASU 2017-12 with an initial application date of January 1, 2017. Prior to the adoption of ASU 2017-12, we recognized all changes in the fair value of the excluded component of a hedge in Other (expense), net in the Consolidated Statements of Income under a mark-to-market approach. Pursuant to the provisions of ASU 2017-12, we no longer recognize the adjustments to the fair value of the excluded component in Other (expense), net but we instead recognize the initial value of the excluded component using an amortization approach over the life of the hedging instrument. When we report our results for the quarterly periods ended March 31, 2018 and June 30, 2018, we intend to recast the financial statements for the quarterly periods ended March 31, 2017 and June 30, 2017, respectively, to reflect the adoption of ASU 2017-12. The nine-month period ended September 30, 2017 includes the following immaterial revisions to previously issued financial results:

	Three-Month Period Ended March 31, 2017		Three-Month Period Ended June 30, 2017		Six-Month Period Ended June 30, 2017	
	As Reported	As Revised	As Reported	As Revised	As Reported	As Revised
Net income - GAAP	$ 941	$ 932	$ 1,061	$ 1,101	$ 2,002	$ 2,033
Net income - Adjusted	1,364	1,355	1,474	1,514	2,838	2,869
Diluted net income per common share - Adjusted	$ 1.68	$ 1.67	$ 1.82	$ 1.87	$ 3.50	$ 3.54

Celgene Corporation and Subsidiaries
Reconciliation of Full-Year 2017 Projected GAAP to Adjusted Net Income
(In millions, except per share data)

		Range	
		Low	High
Projected net income - GAAP	(1)	$ 3,894	$ 4,233
Before tax adjustments:			
Cost of goods sold (excluding amortization of acquired intangible assets):			
Share-based compensation expense		31	29
Research and development:			
Share-based compensation expense		276	260
Collaboration-related upfront expense		674	674
Research and development asset acquisition expense		325	325
Selling, general and administrative:			
Share-based compensation expense		355	334
Litigation-related loss contingency accrual expense		315	315
GED-0301 charge, net		500	300
Amortization of acquired intangible assets		333	326
Acquisition related (income) charges and restructuring, net:			
Change in fair value of contingent consideration		80	65
Income tax provision:			
Estimated tax impact from above adjustments		(507)	(545)
Non-operating tax adjustments		(326)	(326)
Projected net income - Adjusted		$ 5,950	$ 5,990
Projected net income per diluted common share - GAAP		$ 4.78	$ 5.19
Projected net income per diluted common share - Adjusted		$ 7.30	$ 7.35
Projected weighted average diluted shares		815.0	815.0

(1) Our projected 2017 earnings do not include the effect of any business combinations, collaboration agreements, asset acquisitions, asset impairments, litigation-related loss contingency accruals, changes in the fair value of our CVRs issued as part of the acquisition of Abraxis or non-operating tax adjustments that may occur after the day prior to the date of this press release.

Celgene Corporation and Subsidiaries
Net Product Sales
(In millions)

	Three-Month Periods				
	Ended September 30,		% Change		
	2017	2016	Reported	Operational[1]	Currency[2]
REVLIMID®					
U.S.	$ 1,361	$ 1,154	17.9%	17.9%	0.0%
International	720	738	(2.4)%	(0.5)%	(1.9)%
Worldwide	2,081	1,892	10.0%	10.7%	(0.7)%
POMALYST®/IMNOVID®					
U.S.	268	203	32.0%	32.0%	0.0%
International	149	138	8.0%	12.1%	(4.1)%
Worldwide	417	341	22.3%	23.9%	(1.6)%
OTEZLA®					
U.S.	250	244	2.5%	2.5%	0.0%
International	58	31	87.1%	90.2%	(3.1)%
Worldwide	308	275	12.0%	12.3%	(0.3)%
ABRAXANE®					
U.S.	149	144	3.5%	3.5%	0.0%
International	102	89	14.6%	18.6%	(4.0)%
Worldwide	251	233	7.7%	9.2%	(1.5)%
IDHIFA® [3]					
U.S.	7	-	N/A	N/A	N/A
International	-	-	N/A	N/A	N/A
Worldwide	7	-	N/A	N/A	N/A
VIDAZA®					
U.S.	1	3	(66.7)%	(66.7)%	0.0%
International	150	151	(0.7)%	2.4%	(3.1)%
Worldwide	151	154	(1.9)%	1.1%	(3.0)%
azacitidine for injection					
U.S.	13	16	(18.8)%	(18.8)%	0.0%
International	1	-	N/A	N/A	N/A
Worldwide	14	16	(12.5)%	(12.5)%	0.0%
THALOMID®					
U.S.	21	24	(12.5)%	(12.5)%	0.0%
International	13	14	(7.1)%	(4.4)%	(2.7)%
Worldwide	34	38	(10.5)%	(9.5)%	(1.0)%
ISTODAX®					
U.S.	17	18	(5.6)%	(5.6)%	0.0%
International	2	2	0.0%	(1.1)%	1.1%
Worldwide	19	20	(5.0)%	(5.1)%	0.1%
All Other					
U.S.	1	-	N/A	N/A	N/A
International	-	-	N/A	N/A	N/A
Worldwide	1	-	N/A	N/A	N/A
Total Net Product Sales					
U.S.	2,088	1,806	15.6%	15.6%	0.0%
International	1,195	1,163	2.8%	5.3%	(2.5)%
Worldwide	$ 3,283	$ 2,969	10.6%	11.6%	(1.0)%

(1) Operational includes impact from both volume and price

(2) Currency includes the impact from both foreign exchange rates and hedging activities

(3) IDHIFA® was approved in August 2017 in the U.S. for the treatment of adult patients with R/R AML with an isocitrate dehydrogenase-2 mutuation as detected by an FDA approved test.

Celgene Corporation and Subsidiaries
Net Product Sales
(In millions)

	Nine-Month Periods				
	Ended September 30,		% Change		
	2017	2016	Reported	Operational[1]	Currency[2]
REVLIMID®					
U.S.	$ 3,953	$ 3,230	22.4%	22.4%	0.0%
International	2,046	1,936	5.7%	7.5%	(1.8)%
Worldwide	5,999	5,166	16.1%	16.8%	(0.7)%
POMALYST®/IMNOVID®					
U.S.	725	559	29.7%	29.7%	0.0%
International	447	374	19.5%	22.5%	(3.0)%
Worldwide	1,172	933	25.6%	26.8%	(1.2)%
OTEZLA®					
U.S.	755	636	18.7%	18.7%	0.0%
International	153	76	101.3%	98.5%	2.8%
Worldwide	908	712	27.5%	27.2%	0.3%
ABRAXANE®					
U.S.	452	462	(2.2)%	(2.2)%	0.0%
International	289	245	18.0%	21.4%	(3.4)%
Worldwide	741	707	4.8%	6.0%	(1.2)%
IDHIFA® [3]					
U.S.	7	-	N/A	N/A	N/A
International	-	-	N/A	N/A	N/A
Worldwide	7	-	N/A	N/A	N/A
VIDAZA®					
U.S.	5	10	(50.0)%	(50.0)%	0.0%
International	460	445	3.4%	5.5%	(2.1)%
Worldwide	465	455	2.2%	4.2%	(2.0)%
azacitidine for injection					
U.S.	31	56	(44.6)%	(44.6)%	0.0%
International	1	-	N/A	N/A	N/A
Worldwide	32	56	(42.9)%	(42.9)%	0.0%
THALOMID®					
U.S.	64	75	(14.7)%	(14.7)%	0.0%
International	40	42	(4.8)%	(2.2)%	(2.6)%
Worldwide	104	117	(11.1)%	(10.2)%	(0.9)%
ISTODAX®					
U.S.	51	53	(3.8)%	(3.8)%	0.0%
International	7	6	16.7%	14.4%	2.3%
Worldwide	58	59	(1.7)%	(1.9)%	0.2%
All Other					
U.S.	1	1	N/A	N/A	N/A
International	7	2	N/A	N/A	N/A
Worldwide	8	3	N/A	N/A	N/A
Total Net Product Sales					
U.S.	6,044	5,082	18.9%	18.9%	0.0%
International	3,450	3,126	10.4%	12.2%	(1.8)%
Worldwide	$ 9,494	$ 8,208	15.7%	16.4%	(0.7)%

(1) Operational includes impact from both volume and price

(2) Currency includes the impact from both foreign exchange rates and hedging activities

(3) IDHIFA® was approved in August 2017 in the U.S. for the treatment of adult patients with R/R AML with an isocitrate dehydrogenase-2 mutuation as detected by an FDA approved test.