

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

	Three-Month Periods Ended		Nine-Month Periods Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net product sales	\$ 1,956.8	\$ 1,644.0	\$ 5,508.9	\$ 4,637.4
Other revenue	25.4	30.4	76.0	100.6
Total revenue	<u>1,982.2</u>	<u>1,674.4</u>	<u>5,584.9</u>	<u>4,738.0</u>
Cost of goods sold (excluding amortization of acquired intangible assets)	97.7	86.2	282.7	247.6
Research and development	675.1	584.5	1,845.7	1,495.0
Selling, general and administrative	497.6	448.7	1,483.5	1,235.8
Amortization of acquired intangible assets	63.7	65.7	194.7	197.1
Acquisition related charges, net	1.5	33.7	11.0	79.4
Total costs and expenses	<u>1,335.6</u>	<u>1,218.8</u>	<u>3,817.6</u>	<u>3,254.9</u>
Operating income	646.6	455.6	1,767.3	1,483.1
Interest and investment income, net	6.9	5.3	20.6	14.6
Interest (expense)	(53.5)	(24.0)	(124.4)	(61.5)
Other income (expense), net	<u>(22.5)</u>	<u>5.1</u>	<u>(46.9)</u>	<u>12.0</u>
Income before income taxes	577.5	442.0	1,616.6	1,448.2
Income tax provision	<u>69.0</u>	<u>69.5</u>	<u>230.6</u>	<u>212.7</u>
Net income	<u>\$ 508.5</u>	<u>\$ 372.5</u>	<u>\$ 1,386.0</u>	<u>\$ 1,235.5</u>
Net income per common share: ⁽¹⁾				
Basic	\$ 0.64	\$ 0.45	\$ 1.72	\$ 1.49
Diluted	\$ 0.61	\$ 0.43	\$ 1.66	\$ 1.43
Weighted average shares: ⁽¹⁾				
Basic	799.6	824.5	803.5	829.5
Diluted	832.8	857.7	836.4	861.0

	September 30,	December 31,
	2014	2013
Balance sheet items:		
Cash, cash equivalents & marketable securities	\$ 6,860.7	\$ 5,687.0
Total assets	16,403.3	13,378.2
Short-term borrowings	100.0	544.8
Long-term debt	6,737.3	4,196.5
Total stockholders' equity	5,768.4	5,589.9

⁽¹⁾ Following stockholder approval, the Company amended its certificate of incorporation on June 18, 2014, to increase the number of authorized shares of common stock from 575.0 million to 1.150 billion and effect a two-for-one stock split of its outstanding common stock. Accordingly, all share and per share amounts presented herein reflect the impact of the stock split.

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

	Three-Month Periods Ended		Nine-Month Periods Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income - GAAP	\$ 508.5	\$ 372.5	\$ 1,386.0	\$ 1,235.5
Before tax adjustments:				
Cost of goods sold (excluding amortization of acquired intangible assets):				
Share-based compensation expense	(1) 6.8	6.1	18.8	12.6
Research and development:				
Share-based compensation expense	(1) 48.4	41.7	141.2	100.5
Upfront collaboration expense	(2) 78.6	171.3	401.6	348.8
IPR&D impairment	(3) 129.2	-	129.2	-
Selling, general and administrative:				
Share-based compensation expense	(1) 56.2	44.2	159.2	114.3
Settlement of contingent obligation	(4) -	-	25.0	-
Amortization of acquired intangible assets	(5) 63.7	65.7	194.7	197.1
Acquisition related charges, net:				
Change in fair value of contingent consideration	(6) 1.5	33.7	11.0	79.4
Net income tax adjustments	(7) (87.3)	(65.7)	(208.3)	(174.1)
Net income - Adjusted	<u>\$ 805.6</u>	<u>\$ 669.5</u>	<u>\$ 2,258.4</u>	<u>\$ 1,914.1</u>
Net income per common share - Adjusted				
Basic	\$ 1.01	\$ 0.81	\$ 2.81	\$ 2.31
Diluted	\$ 0.97	\$ 0.78	\$ 2.70	\$ 2.22

In addition to financial information prepared in accordance with U.S. GAAP, this press release also contains adjusted financial measures that we believe provide investors and management with supplemental information relating to operating performance and trends that facilitate comparisons between periods and with respect to projected information. These adjusted financial measures are non-GAAP and should be considered in addition to, but not as a substitute for, the information prepared in accordance with U.S. GAAP. We typically exclude certain GAAP items that management does not believe affect our basic operations and that do not meet the GAAP definition of unusual or non-recurring items. Other companies may define these measures in different ways.

Explanation of adjustments:

- (1) Exclude share-based compensation expense totaling \$111.4 for the three-month period ended September 30, 2014 and \$92.0 for the three-month period ended September 30, 2013. Exclude share-based compensation expense totaling \$319.2 for the nine-month period ended September 30, 2014 and \$227.4 for the nine-month period ended September 30, 2013.
- (2) Exclude upfront payment expense for research and development collaboration arrangements.
- (3) Exclude in-process research and development (IPR&D) impairment recorded as a result of changes in estimated probability-weighted cash flows related to CC-292.
- (4) Exclude settlement of a contingent obligation to make matching contributions to a non-profit organization.
- (5) Exclude amortization of intangible assets acquired in the acquisitions of Pharmion Corp., Gloucester Pharmaceuticals, Inc. (Gloucester), Abraxis BioScience Inc. (Abraxis) and Celgene Avilomics Research, Inc. (Avila).
- (6) Exclude changes in the fair value of contingent consideration related to the acquisitions of Gloucester, Abraxis, Avila and Nogra Pharma Limited.
- (7) Net income tax adjustments reflect the estimated tax effect of the above adjustments and the impact of certain other non-operating tax adjustments, including the effects of acquisition related matters, adjustments to the amount of unrecognized tax benefits, and nonrecurring items connected with the launch of new products.

Celgene Corporation and Subsidiaries
Reconciliation of Full-Year 2014 Projected GAAP to Adjusted Net Income
(In millions, except per share data)

	Range	
	Low	High
Projected net income - GAAP	(1) \$ 1,987.5	\$ 2,070.3
Before tax adjustments:		
Cost of goods sold (excluding amortization of acquired intangible assets):		
Share-based compensation expense	25.9	25.6
Research and Development:		
Share-based compensation expense	200.9	198.9
Upfront collaboration expense	401.6	401.6
IPR&D impairment	129.2	129.2
Selling, general and administrative:		
Share-based compensation expense	223.0	220.8
Settlement of contingent obligation	25.0	25.0
Amortization of acquired intangible assets	258.3	258.3
Acquisition related charges, net:		
Change in fair value of contingent consideration	39.2	38.4
Net income tax adjustments	(242.8)	(278.6)
Projected net income - Adjusted	\$ 3,047.8	\$ 3,089.5
Projected net income per diluted common share - GAAP	\$ 2.38	\$ 2.48
Projected net income per diluted common share - Adjusted	\$ 3.65	\$ 3.70
Projected weighted average diluted shares	835.0	835.0

(1) Our projected 2014 earnings do not include the effect of any business combinations, collaboration agreements, asset acquisitions, intangible asset impairments, or changes in the fair value of our CVRs issued as part of the acquisition of Abraxis that may occur after the day prior to the date of this press release.