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.

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-month periods ended March 31, 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 March 31, 2017	Three-Month Periods Ended March 31, 2016
Net product sales	$ 2,950	$ 2,495
Other revenue	10	17
Total revenue	2,960	2,512
Cost of goods sold (excluding amortization of acquired intangible assets)	113	106
Research and development	995	733
Selling, general and administrative	620	543
Amortization of acquired intangible assets	82	92
Acquisition related charges and restructuring, net	39	36
Total costs and expenses	1,849	1,510
Operating income	1,111	1,002
Interest and investment income, net	15	7
Interest (expense)	(127)	(122)
Other income, net	26	35
Income before income taxes	1,025	922
Income tax provision	84	121
Net income	$ 941	$ 801
Net income per common share:		
Basic	$ 1.21	$ 1.03
Diluted	$ 1.16	$ 0.99
Weighted average shares:		
Basic	779.0	780.6
Diluted	811.2	807.7

	March 31, 2017	December 31, 2016
Balance sheet items:		
Cash, cash equivalents & marketable securities	$ 8,861	$ 7,970
Total assets	28,820	28,086
Long-term debt, including current portion	14,284	14,290
Total stockholders' equity	7,644	6,600

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

		Three-Month Periods Ended March 31, 2017	2016
Net income - GAAP		$ 941	$ 801
Before tax adjustments:			
Cost of goods sold (excluding amortization of acquired intangible assets):			
Share-based compensation expense	(1)	7	9
Research and development:			
Share-based compensation expense	(1)	65	62
Collaboration-related upfront expense	(2)	10	80
Research and development asset acquisition expense	(3)	325	-
Selling, general and administrative:			
Share-based compensation expense	(1)	81	75
Amortization of acquired intangible assets	(4)	82	92
Acquisition related charges and restructuring, net:			
Change in fair value of contingent consideration	(5)	39	33
Restructuring charges	(6)	-	3
Income tax provision:			
Estimated tax impact from above adjustments	(7)	(111)	(72)
Non-operating tax adjustments	(8)	(75)	(19)
Net income - Adjusted		$ 1,364	$ 1,064
Net income per common share - Adjusted			
Basic		$ 1.75	$ 1.36
Diluted		$ 1.68	$ 1.32

Explanation of adjustments:

(1) Exclude share-based compensation expense totaling $153 for the three-month period ended March 31, 2017 and $146 for the three-month period ended March 31, 2016.

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

(3) Exclude research and development asset acquisition expenses.

(4) 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).

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

(6) 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.

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

(8) Exclude other non-operating tax expense items. The adjustment for the three-month period ended March 31, 2017 is to exclude the excess tax benefits of $75 related to the adoption of ASU 2016-09 (Compensation-Stock Compensation). The adjustment for the three-month period ended March 31, 2016 is to exclude the tax benefit on the settlement of a state tax examination of $8 and to include adjustments totaling tax expense of $11.

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

		Range Low	Range High
Projected net income - GAAP	(1)	$ 4,851	$ 5,126
Before tax adjustments:			
Cost of goods sold (excluding amortization of acquired intangible assets):			
Share-based compensation expense		34	32
Research and development:			
Share-based compensation expense		266	251
Collaboration-related upfront expense		53	53
Research and development asset acquisition expense		325	325
Selling, general and administrative:			
Share-based compensation expense		336	316
Amortization of acquired intangible assets		333	326
Acquisition related charges and restructuring, net:			
Change in fair value of contingent consideration		140	126
Income tax provision:			
Estimated tax impact from above adjustments		(436)	(530)
Non-operating tax adjustments		(75)	(75)
Projected net income - Adjusted		$ 5,827	$ 5,950
Projected net income per diluted common share - GAAP		$ 5.95	$ 6.29
Projected net income per diluted common share - Adjusted		$ 7.15	$ 7.30
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 March 31,		% Change		
	2017	2016	Reported	Operational(1)	Currency(2)
REVLIMID®					
U.S.	$ 1,234	$ 997	23.8%	23.8%	0.0%
International	650	577	12.7%	14.3%	(1.6)%
Worldwide	1,884	1,574	19.7%	20.3%	(0.6)%
POMALYST®/IMNOVID®					
U.S.	216	171	26.3%	26.3%	0.0%
International	148	103	43.7%	45.5%	(1.8)%
Worldwide	364	274	32.8%	33.5%	(0.7)%
OTEZLA®					
U.S.	199	175	13.7%	13.7%	0.0%
International	43	21	104.8%	95.5%	9.3%
Worldwide	242	196	23.5%	22.5%	1.0%
ABRAXANE®					
U.S.	142	144	(1.4)%	(1.4)%	0.0%
International	94	81	16.0%	19.2%	(3.2)%
Worldwide	236	225	4.9%	6.1%	(1.2)%
VIDAZA®					
U.S.	2	4	(50.0)%	(50.0)%	0.0%
International	156	143	9.1%	10.9%	(1.8)%
Worldwide	158	147	7.5%	9.2%	(1.7)%
azacitidine for injection					
U.S.	9	18	(50.0)%	(50.0)%	0.0%
International	-	-	N/A	N/A	N/A
Worldwide	9	18	(50.0)%	(50.0)%	0.0%
THALOMID®					
U.S.	22	27	(18.5)%	(18.5)%	0.0%
International	14	14	0.0%	2.7%	(2.7)%
Worldwide	36	41	(12.2)%	(11.3)%	(0.9)%
ISTODAX®					
U.S.	17	16	6.3%	6.3%	0.0%
International	3	2	50.0%	46.5%	3.5%
Worldwide	20	18	11.1%	10.8%	0.3%
All Other					
U.S.	-	1	N/A	N/A	N/A
International	1	1	N/A	N/A	N/A
Worldwide	1	2	N/A	N/A	N/A
Total Net Product Sales					
U.S.	1,841	1,553	18.5%	18.5%	0.0%
International	1,109	942	17.7%	19.2%	(1.5)%
Worldwide	$ 2,950	$ 2,495	18.2%	18.8%	(0.6)%

(1) Operational includes impact from both volume and price

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