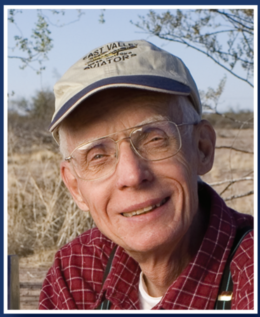
セルジーン2005



全世界の患者の生活の
質向上に貢献

REVLIMID® による治療改革–疾病機序に作用!

2005年12月27日の米国食品医薬品局(FDA)によるREVLIMID(一般名:レナリドマイド)の承認は、5q欠失MDS の治療と企業としてのセルジーンに転機をもたらしました。FDAの承認により、弊社が画期的免疫調整薬剤の1つとして最初に開発した経口治療薬REVLIMID は、5q欠失細胞遺伝学的異常やその他の細胞遺伝学的異常の有無に関係する軽度および中度リスク1の骨髄異形成症候群(MDS)を原因とする輸血依存貧血患者の治療薬として米国での販売を許可されたことになります。MDSは、世界中で約30万人が患う血液癌疾患群の1つであり、米国では毎年1万から2万人が新たに診断を受けています。

この画期的治療薬の臨床的恩恵をできるだけ多くの患者が安全に享受できる環境を整えるため、弊社は独自の教育・処方安全プログラムRevAssist℠を開発しました。REVLIMID は、このプログラムを通じて契約薬局から入手することができます。また、米国ではREVLIMID の販売が開始され、欧州における発売も予定されています。

弊社は、豊富な新薬パイプライン(開発品群)への投資を続け、REVLIMIDをはじめとする弊社の販売製品は、成長を続ける確実な収入源となっています。

弊社は、画期的治療薬の効果を世界中のできるだけ多くの患者に提供することを企業目標に掲げています。弊社は、開発治療薬の臨床利益を患者に提供するため、様々な患者サポートプログラムを支援しています。また、期待の持たれる癌や炎症疾患の新薬を早期に開発し、より多くの患者のニーズに応えることに尽力しています。

REVLIMID の治療変革は始まったばかりです!

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全世界の患者の生活の質向上に貢献

Celgene
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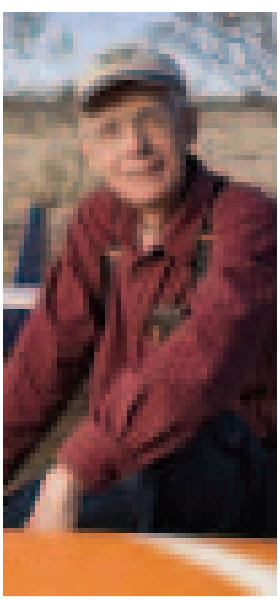
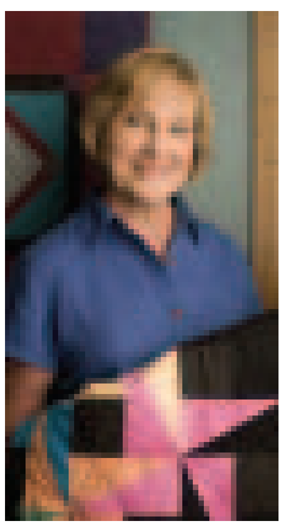
1970年以降、癌患者の生存率は向上を続けていますが、さらなる前進が期待されているのも実情です。本年度だけでも、約140万人のアメリカ人が癌の診断を受け、全世界の罹患数は1100万人にものぼります。米国で今年60万人近く、全世界で約700万人が癌のために死亡することが推定される状況において、弊社と1000名を超える社員は、疾患機序に作用する画期的な治療薬の研究開発・製品化と不治疾患患者の生存率向上や症状抑制に全力を注いでいます。弊社は、一部の癌の治癒を可能にし、慢性疾患として症状を抑制することで、癌患者がより長期にわたって質の高い生活を送れるようにすることを企業目標に掲げています。

血液癌、乾癬、鎌状赤血球貧血をはじめとする様々な疾患は未だ治癒不能とされ、複雑な治療計画や支持療法は、ヘルスケアシステムの財源を圧迫するとともに、患者にとって負担の大きいものとなっています。弊社は、最新科学を分子・細胞研究に応用することで、疾病機序に作用し、患者の生活の質を大幅に改善する治療薬の開発を目指しています。



チェット・ホッジ
(REVLIMID®)



マジャータ・ドハティ
(新薬利用拡大制度)

ドン・ベイラー
(S.T.E.P.S.®)

ノーマ・トラビス
(臨床試験)

弊社のコミットメント

疾病機序に作用する
治療薬の開発に尽力

弊社は、米国の1000万人の癌患者や多くの衰弱性疾患・障害患者の支援に全力を注いでいます。2005年にはREVLIMID®およびTHALOMID®を用いた多発性骨髄腫患者を適応とする様々な臨床試験が実施され、生存に関連する統計の向上が多く報告されています。また、5q欠失細胞遺伝学的異常を伴うMDS患者に対する臨床試験では、REVLIMIDの投与により、患者の輸血必要性が減少または必要でなくなったと報告されています。

疾病機序に作用する全く新しい種類の治療薬の開発・製品化を長期目標として研究を続けた成果は、多様で効果の高い新薬パイプライン(開発薬群)として実現されています。現在、THALOMID、REVLIMID、ALKERAN® およびFOCALIN-XRTM が製品化されて患者に利用されており、注目される他の新薬パイプライン化合物に対する前臨床、臨床評価も行われています。

経口投与の低分子治療薬の中で最も期待の高いこれらの化合物は、疾患の原因をとなる遺伝子タンパク質に選択的に作用し、疾患進行に影響を及ぼす薬剤として開発されたものです。弊社の豊富なパイプラインは、今後長期にわたって画期的新薬を研究開発・製品化するための基盤となっています。過去数年間、弊社は総収入の40%を研究開発に投資してきました。これは業界平均の2倍にも相当する数字です。これらの資金を背景に、最先端技術を持つ科学者が、重症患者の生活の質の大幅改善や治癒の可能性を高める画期的薬剤の研究開発を目標として、様々な大規模プロジェクトに携わっています。

弊社の究極の目標は、多くの疾患の治癒を実現することです。その目標に向けた一歩が、癌や他の疾患症状を抑制可能にすることなのです。

製品群

前臨床段階 | フェーズ I | フェーズ II | フェーズ III | 当局によるファイリングと承認/ *FDA登録済

IMiDs®:	
REVLIMID®:	MDS 5Q 欠失(米国)
REVLIMID:	多発性骨髄腫(米国)
REVLIMID:	MDS 5Q欠失(EMEA)
REVLIMID:	多発性骨髄腫(EMEA)
REVLIMID:	MDS 5Q欠失(スイス)
REVLIMID:	MDS
REVLIMID:	CLL
REVLIMID:	NHL
REVLIMID:	固形癌
CC-4047:	鎌状赤血球貧血
CC-4047:	骨髄線維症
CC-4047:	固形癌
CC-11006:	炎症性/免疫的
CC-10015:	炎症性
THALOMID®:	
	ENL
	多発性骨髄腫
ALKERAN®:	多発性骨髄腫/卵巣癌
Ritalin®/FOCALIN™:	
FOCALIN:	ADHD
Ritalin LA®:	ADHD
FOCALIN XR™:	ADHD
FOCALIN:	癌疲労
抗炎症:	
CC-10004:	乾癬
CC-11050:	炎症
ベンゾピレン:	
CC-8490:	癌
CC-113:	癌
キナーゼ阻害薬:	
JNK 401:	癌/炎症
JNK 359:	虚血/再潅流
JNK 930:	線維症
リガーゼ阻害薬:	
E2リガーゼ阻害薬 : 癌	
幹細胞および組織薬:	
ライフバンクUSA : 私的幹細胞バンク	
臍帯血細胞 : 鎌状細胞貧血	
BIOVANCE : 創傷カバリング Acelagraft™*	

株主の皆様:

収益目標達成3年度目の2005年は、12月最終週にFDAがREVLIMID®を承認し、大きなクライマックスを迎えました。2005年を通じて弊社の最優先課題は、複数の大規模臨床試験を完了すること、FDAの審査に向け、説得性の高い臨床データを提出することでした。重要な臨床データの提出と、それに続くFDAの承認により、2006年度の主要企業目標の達成に向けた好スタートが可能になりました。

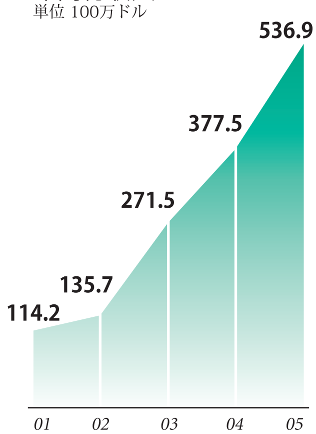
ジョン W. ジャクソン
取締役会長

「私どもは、画期的な治療薬の臨床効果を患者が利用するために弊社が独自開発した支援プログラムに誇りを持っています。」

追い風にのって

2005年度の弊社の優れた業績は、REVLIMIDの承認だけにとどまりません。本年度は、多くの点において転機となりました。ビジネスや研究試験プログラムで素晴しい成果を達成し、財務成績も堅調でした。記録的な総収入と製品売上、FOCALIN XRTM とREVLIMIDのFDA承認、多発性骨髄腫の治療薬としてのREVLIMIDの新薬追加申請書(sNDA)提出とFDAによる優先審査承認、欧州およびスイスにおける5q欠失骨髄異形成症候群(MDS)治療薬としてのREVLIMID申請受理、2005年度アナリストデー開催、リーダーシップ継続プランの発表などは、弊社の2005年の実績の1部です。

年間総収入
単位 100万ドル



2006年5月1日付けで、ソル J. バーラー が最高経営責任者(CEO)に就任し、ロバートJ.フギンがセルジーン・コーポレーションの社長および最高業務執行責任者(COO)に任命されました。新経営陣は、弊社のユニークな企業文化と革新精神を継承し、世界中の多くの患者の生活の向上に貢献するとともに、セルジーンにグローバル規模の大きな発展をもたらすものと確信しております。

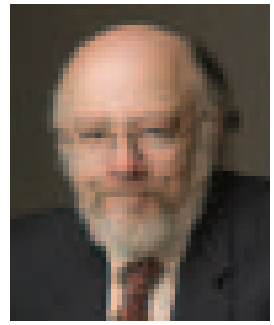
弊社の2005年度の財務成績は、複数の製品ラインによる記録的売上と営業利益に支えられた強固なものでした。年間総収入は5億3690万ドルであり、2004年度と比較して42%の増加を記録しました。THALOMID®の年間売り上げは3億8780万ドルであり、2004年の3億860万ドルから26%上昇しました。Novartis 社からのFOCALIN XRのFDA承認の2000万ドルの目標達成報奨金支払いを組み入れた後のFOCALINTMおよびRitalin®系製品の収入は、7280万ドルでした。ALKERAN® の売上は4970万ドルで、前年度から大幅に増加しました。

弊社の財務成績に高い貢献を示したTHALOMIDの売上は、数々の医学専門誌における肯定的な臨床データの評価や重要な国際医学会議での発表が追い風となり大きく増加しました。2005年には、全世界で100を超えるTHALOMIDの 臨床試験が実施されました。

さらに最近、多発性骨髄腫治療におけるTHALOMIDの重要な役割を示唆する注目すべき臨床データが発表されました。独立データモニタリング委員会は、新たに多発性骨髄腫と診断された患者に対する経口併用治療薬としてのTHALOMID®を評価する重要な第III相臨床試験の盲検終了を勧告しました。これは、主要評価項目を無増悪期間とする臨床試験において、臨床データのP値が試験の終了

を規定する0.0015を大きく上回っていたためです。新たに多発性骨髄腫と診断された患者の治療薬としてのTHALOMIDの販売許可を求める新薬追加申請書(sNDA)に対する審査が現在進行中であり、2006年5月末にはFDAの決定が下されるものと見込まれています。

2005年度の新製品の堅調な売上を長期的に持続し、「世界中の患者の生活向上に貢献する」という企業方針をさらに前進させるため、弊社は売上の36%を研究開発に投資しました。開発後期の主要な規制プログラムを加速し、開発早期および前臨床段階の有力薬剤の評価を推進しました。さらに、より広範囲の血液癌や固形癌への適応を目的として、REVLIMID®の第II相および第III相プログラムに対する研究開発費を増加しました。将来性の高い「疾病機序に作用する科学」への継続的投資は、豊富な薬剤パイプラインとして実現されています。今日までに、弊社は3種類の製品でFDAの承認を受け、そのうちの2種類は、米国および欧州で、2006年度に承認およびラベル拡張 label expansions が見込まれています。

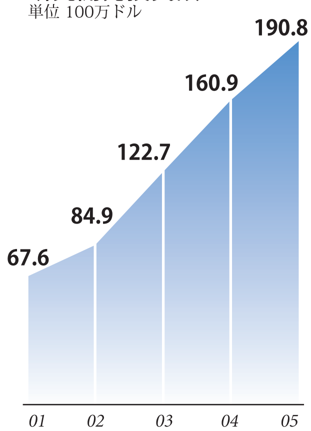


ソル J. バーラー、Ph.D
最高経営責任者(CEO)

「弊社の腫瘍フランチャイズの価値や可能性は、臨床報告の内容や数に直接的に依存しています。」

2005年12月27日、FDAは5q欠失細胞遺伝学的異常やその他の細胞遺伝学的異常の有無に関係するMDS 患者の最初の経口治療薬としてREVLIMID を承認しました。MDSは世界中で約30万人が患う血液癌疾患群です。米国癌協会によると、米国では毎年1万から2万人が新たにMDS の診断を受けています。MDS 患者の多くは、慢性貧血や疲労などの症状を抑制するために輸血に依存しますが、過度の輸血により生命を脅かす鉄過剰や中毒症状が発生します。このような支持療法の副作用は、疾病原因に直接作用する新たな治療薬の開発に対する大きなニーズを浮き彫りにしています。

研究開発投資額
単位 100万ドル



プランの実践

弊社の2006年度の目標は明確です。最優先課題は、血液癌治療薬の販売開始です。弊社は、REVLIMIDのグローバルな販売プラン作成に数年間を費やしてきました。MDSの理解やREVLIMIDのユニークな治療能力が明らかになるにつれ、REVLIMIDの入手を容易にするためのアプローチを継続的に見直してきました。弊社は、MDS患者の生活の質向上を図るヘルスケア提供者を支援するプラン、イニシアチブ、ツール開発に、部門の境界を越えたグローバルアプローチで臨んできました。

弊社は、支持療法に替わり、5q欠失細胞遺伝学的異常を伴う軽度および中度1リスクMDSの治療においてREVLIMID®が標準ケアとなることを目指しています。5q欠失MDS をREVLIMIDの適応症とするためには、グローバル市場に疾患やREVLIMID の価値に対する理解を浸透させること、支持団体と提携して疾患に対する認識を高め、患者が有効な治療オプションを選択できるようにすること、患者やヘルスケア提供者の間でREVLIMID の治療能力に関する理解を得ることが必要です。

販売は好調な出足を見せ、初期成績は非常に満足のいくものです。弊社のビジネスチームは、リスクおよび治療効果に関する適切な情報を提供しており、臨床および規制プランは効果的な展開を見せています。さらに、弊社は、他の分野におけるREVLIMID®の適応評価も行っています。REVLIMIDに対する非盲検第II相臨床試験は、より多様なMDSへの適応に期待の持てる結果を示しています。

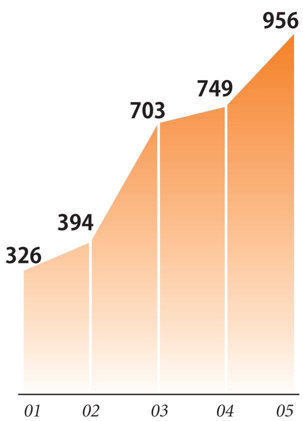
また、既に何らかの治療を受けている多発性骨髄腫患者に対してREVLIMID/デキサメタゾンの併行投与とデキサメタゾン単独投与の効果を比較する2つの第III相　臨床試験も注目に値する結果を提示しています。弊社が実施する登録基準を満たす複数の臨床試験で肯定的な結果が得られた場合、新たに診断された多発性骨髄腫、慢性リンパ性白血病、進行性非ホジキンリンパ腫、骨髄線維症、アミロイド沈着症をはじめとする様々な血液悪性疾患の治療薬としてREVLIMID　の販売が承認されるためのマイルストーンになると期待がかけられています。販売の実現は、全世界の100万人以上の患者の医療ニーズの満足につながります。

弊社の企業目標は、世界をリードする生物医薬品企業に成長することです。弊社は、既に血液分野のリーダー的存在であり、消耗性の高い血液感染症患者の治療を行うヘルスケア提供者の貴重なリソースとして高い評価を受けています。FDAのREVLIMID　承認は、企業目標実現に向けて大きな前進となりました。弊社は、有資格患者に無料で治療薬を提供する患者支援プログラム、無保険および一部保険患者に対する患者支援ソリューション(PSS)などの開発において業界をリードしています。弊社が実施する新薬利用拡大制度(EAP)では、医師の管理のもとに再発性・難治性多発性骨髄腫患者に対して無料でREVLIMID提供しています。また、FDAは、現在REVLIMID　の新薬追加申請書(sNDA)の審査を行っています。さらに、弊社　はMDSおよび多発性骨髄腫患者の自己負担金を援助する複数の非営利財団を支援しています。これらの財団は、担当医師が選択した治療と無関係に患者に対する支援を行うものです。経済支援により弊社製品の高い臨床効果を患者に提供すること、生活の質を向上し得る画期的治療薬の研究開発を推進することは、癌や衰弱性疾患と戦う患者を支援するために弊社が日々続けている努力の数例です。

将来への足固め

弊社は、薬剤開発の様々な分野で注目に値する研究成果を発表しています。弊社の臨床試験プログラムの優先目標は、REVLIMIDの可能性の裏付けとなる理解を深めるとともに、期待の大きい他の革新的独自製品群の評価研究を推進することにあります。2005年度おいて、弊社の臨床試験プログラムは優れた成果を達成し、取得データは11月のアナリストデー会議や世界中の重要な医学会議で注目を集めました。12月に開催された米国血液学会(ASH)の年会議では、先進の癌センター臨床研究員らが、多発性骨髄腫をはじめとする広範囲の疾病を適応とする最新および進行中のTHALOMID®/REVLIMID臨床報告を行いました。ASH会議の総会、講演およびポスターセッションでは、弊社の臨床プログラムの先進性を反映して、100報以上の抄録が提出されました。発表された抄録の内訳は、30報がREVLIMID　の評価、77報がTHALOMIDの評価です。私どもは、2005年度の臨床結果と同様の成果を見込める化合物に対し、今後も大規模な投資を継続する所存です。2005年度に満足のいく結果が得られたことで、市場機会の将来性に対する確信をさらに深めています。

従業員数



グローバルカルチャーの開拓

2005年度の重要な企業目標は、生物医薬品企業セルジーンのグローバル化の加速でした。目標達成に向け、弊社はスイス、ヌーシャテルに本社を設置しました。国際市場は、セルジーン社と弊社開発薬剤に絶好の機会を提供する場です。先進市場におけるMDSおよび多発性骨髄腫の患者数は、米国と比較にならない程多く、現在評価中である他の血液疾患への薬剤の適応も、グローバル市場への進出をさらに後押ししています。

企業のグローバル化を実現するためには、弊社のグローバルな企業文化をさらに発展させる必要があります。セルジーンの企業文化には革新性、創造性、人材開発・啓発が深く根付いています。企業のグローバル性は、自らの将来や成功を開拓する機会を持つ個々の社員によって培われるものです。弊社の社員は能力の最大限を活用して、世界中の癌患者の生活向上やセルジーンの成功に貢献します。弊社は、米国外での規制、臨床、商業プランの実行に不可欠な世界クラスのリーダーを雇用し、現在、世界各国のREVLIMID 販売開始に向けた商業インフラの整備にあたっています。当局の認可取得後に迅速なビジネス展開を可能とする国際組織作りは順調に進んでいます。

ロバート J. フギン
社長および最高業務執行責任者(COO)

「REVLIMID®の販売開始は、セルジーンの市場地位をこれまでになく有利なものにします。」

2006年度、弊社はあらゆる分野における躍進を期待しており、将来の成功に向けた準備を推進しています。私どもは、REVLIMID が画期的薬剤として市場に受け入れられると確信しております。REVLIMIDは、世界中で様々な種類の癌と戦う患者の標準ケアを変革する可能性を秘めた薬剤であり、グローバル規模でセルジーンを飛躍させる能力を持つ薬剤でもあります。REVLIMIDの販売開始は、セルジーンの市場地位をこれまでになく有利なものにします。THALOMID® や他の販売製品も、確実に拡大する収入源となっています。米国、欧州、オーストラリア、カナダでの認可取得後のスムーズな販売開始に向けた準備も順調です。

私どもは、今日までの多くの成功は、セルジーンの専心的で有能なチーム、ステークホルダーおよびパートナーの皆様方の努力の集結であると理解しています。また、過去20年間に渡りセルジーンの信頼できるアドバイザー、よき友人であったフランクT.カリーによる貴重な助言に感謝し、ロッドマンL.ドレークのセルジーン取締役会への参加を歓迎するとともに、貴重な貢献を期待したいと思います。

皆様方の多大なるご支援とご尽力に感謝致しております。

ジョン W. ジャクソン
取締役会長

ソル J. バーラー、Ph.D
最高経営責任者(CEO)

ロバート J. フギン
社長および最高業務執行責任者(COO)

治療の躍進

疾患機序に影響する薬剤 - 症状ではなく、病因に作用

癌の診断ほど、患者を不安と恐怖に陥れるものはありません。セルジーンの使命は、疾病病因に作用する画期的薬剤を開発して、治療成績を向上するとともに、ヘルスケアの財政負担を軽減することにあります。弊社が独自開発した新しい種類の免疫調整薬剤であるIMiDs® 化合物は、複数の作用機序によって、症状のみならず疾病の根本原因に作用します。弊社の革新的パイプラインには、将来性の高い豊富な新薬候補化合物が含まれています。

REVLIMID® (一般名:レナリドマイド)は、欠失5q 染色体異常を伴う骨髄異形成症候群(MDS)による輸血依存患者の治療薬として2005年にIMiDs化合物の中で最初の承認を取得した薬剤です。REVLIMIDは経口薬であり、家庭での摂取が可能であるため、病院で輸血を受けるために必要であった時間を患者が有効に使うことができます。複数の臨床試験で、REVLIMIDの投与を受けたMDS患者の3分の2で、時間が要し、患者の身体的負担の大きい侵襲的な輸血処置の必要性が低下したと報告しています。さらに、細胞遺伝学的反応を示した患者の過半数で、REVLIMID の摂取が骨髄中の細胞遺伝学的異常(遺伝的異常のある細胞)の抑制に寄与したことが確認されました。2005年、医学専門誌 ニュー・イングランド・ジャーナル・オブ・メディスンに公表された研究報告では、2年間以上に渡る追跡検査の結果、試験に参加した患者は、予測される反応期間中央値に達していないことが示されました。これらの患者にとって、REVLIMIDの臨床利益は計り知れないものがあります。

REVLIMIDは、再発性・難治性多発性骨髄腫患者に対する併用治療薬(他の治療薬と併行した投与)としても評価が行われています。再発性・難治性多発性骨髄腫を適応とする新薬追加申請書(sNDA)が12月末にFDA に提出されました。多発性骨髄腫は、免疫システムの重要な要素である形質細胞が無制限に再生して骨髄中に蓄積される血液癌で、世界中で20万人以上が患っており、血液癌の中で2番目に高い有病率を示す疾病です。2006年3月初旬、REVLIMIDのsNDAはFDA の

チェット・ホッジの例 (REVLIMID®)

2001年に慢性疲労が原因で趣味の模型飛行機の製作や飛行ができなくなった時、電気エンジニアのチェット・ホッジは行動を起こしました。「疲労がひどく、何らかの治療が必要だと思いました。」欠失5q異常を伴う骨髄異形成症候群の診断が下された後、チェットは、この血液癌についてできる限りの調査を行いました。治療の選択肢は狭く、5、6週ごとに輸血が必要となりました。

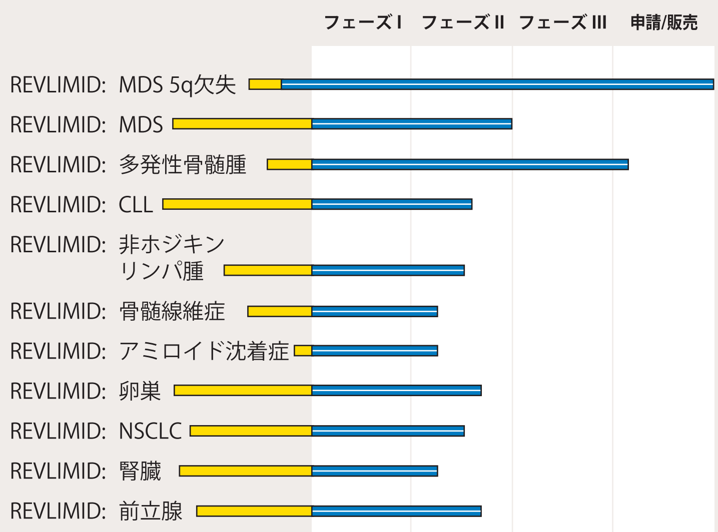
2002年4月、彼の担当医師は、臨床試験を通じたREVLIMIDの服用を勧めました。3週間以内にチェットの血液レベルは安定し、輸血の必要がなくなりました。「私は、自分の血球算定の記録をとっていたため、レベルが徐々に上昇するのがわかりました。しばらくすると、疲労も軽減されていき、完全に消えました。」

現在、チェットの健康状態は良好であり、砂漠の空で手作りの飛行機の操縦を楽しんでいます。「今、気分は爽快だよ。」

優先審査指定を受けました。処方薬ユーザーフィー法(PDUFA)の規定日は、2006年6月30日です。さらに、弊社は、業界を先駆けて、新薬利用拡大制度(EAP)を実施し、FDA がsNDAの審査を行っている期間も再発性・難治性多発性骨髄腫を患う北米の有資格患者がREVLIMID の臨床利益を享受できる環境を整えました。

弊社製品に対する豊富な臨床データの収集が続けられており、製品利用の拡大に貢献しています。2005 年12月に開催された米国血液学会議(ASH)では、北米の第III相臨床試験のデータに基づいて、REVLIMIDとデキサメタゾンの併用投与が(デキサメタゾンの単独投与と比較して)多発性骨髄腫患者の全体生存期間の著しい向上に奏効を示したことが報告されました。また、REVLIMIDとデキサメタゾンの併用投与を受けた患者の全体生存の中央値は未だ達していません。今年度初め、米国および国際で実施された多発性骨髄腫患者へのREVLIMIDの奏効を評価する臨床試験で注目すべき結果が得られたことにより盲検が終了し、試験に参加した全患者に対してREVLIMIDを提供することが可能になりました。今後も、さらに多くの新規および経過報告が世界中の重要な医学会議で発表され、医学専門誌に掲載されるものと見込まれています。

REVLIMID® 臨床パイプライン



悪性血液疾患や固形癌をはじめとする広範囲の疾患へのREVLIMIDの適応に関して、50を超える臨床試験が世界中で実施されています

「REVLIMIDに関するこれまでの成果が、IMiDs®化合物の将来の成功の突破口になるものと確信しています。」

2005年度のASH会議では、THALOMID® および REVLIMIDの抄録が100報以上提出され、これまでで最も成果の大きい会議となりました。また、23回の講演セッションおよび1回の本会議で臨床データの報告が行われました。2006年も、米国臨床腫瘍学会、米国血液学会、欧州血液学協会および臨床腫瘍学欧州会議をはじめとする重要な国際会議で弊社製品に関する多くの臨床データが提示されるものと予測されます。

これまでに、MDS および多発性骨髄腫治療においてREVLIMID®の高い奏効が確認されていますが、さらに広範囲の疾患への適応に対する高い期待も持たれています。現在、REVLIMID の慢性リンパ球性白血病(CLL)、非ホジキンリンパ腫(NHL)、骨髄線維症、原発性全身性アミロイドーシス、

T細胞リンパ腫および他の血液悪性疾患や固形癌への適応を評価する50以上の臨床試験が実施されており、早期段階において、これらの臨床試験は有望な結果を報告しています。2006年、弊社はCLLおよびNHLを適応とする登録臨床試験の治験計画作成および予備調査を予定しています。さらに、REVLIMIDには高い臨床的関心が示されており、2006/2007年度においても、医学専門誌に多くの臨床結果報告が公表されるものと予測されます。

THALOMID® (サリドマイド)は、弊社の成長原動力であるとともに、数多くの患者支援サービス、リスク管理プログラム、研究開発プログラムを支えています。THALOMIDは、1998年にハンセン病による炎症の治療薬としてFDA の最初の承認を受けています。THALOMIDの血液癌および固形癌への適応に関しては、現在、100を超える臨床試験が世界中で実施されています。THALOMIDに対する関心は高く、今後も重要な国際医学会議や医学専門誌において多くの重要な臨床データが報告されることが予測されます。

REVLIMIDと同様、THALOMID も経口投与薬です。さらに、コストがかかる侵襲的処置の骨髄移植を遅らせる目的でのTHALOMIDの評価も行われています。2006年1月、独立データモニタリング安全委員会は、新たに多発性骨髄腫と診断された患者に対してTHALOMID®とデキサメタゾンの併行投与を行う臨床試験の盲検終了を決定しました。THALOMID治療群の無増悪期間(主要評価項目)は、コントロール治療群の約3倍以上の結果を示しました。

現在、新薬追加申請書がFDAに提出され、新たに診断された多発性骨髄腫患者に対する併行治療薬としてのTHALOMIDの審査が行われています。FDAの決定は2006年5月25日までに下される予定です。

私どもは、REVLIMIDに関するこれまでの成果が、 IMiDs®化合物の将来の成功の突破口になるものと確信しています。10年におよぶ研究により、各IMiDs の分子構造を変化させることによって、疾病進行に影響する臨床的・生物学的特性を実現できる可能性があることが理解されてきました。CC-4047 は、鎌状赤血球貧血および固形癌における適応が見込まれています。CC-11006 は、REVLIMIDと類似する作用機序を持ち、プラスの属性を最適化したものです。IMiDs化合物は、癌以外への適応における高い効果も示しています。CC-10015は血液脳関門を通過するため、炎症性疾患や中枢神経系悪性腫瘍の治療への適応が期待されています。これらの研究成果を総合すると、期待の高い弊社の豊富なパイプライン化合物から「第2のREVLIMID」が誕生する可能性が高いと考えられます。

Celgene

マジャータ・ドハティの例 (新薬利用拡大制度)

フィンランド人マジャータ・ドハティが、倦怠感を理由に定期血液テストを受けたのは2003年でした。担当医師がさらに行った精密検査により、貧血は形質細胞疾患によるものであることが判明し、2004年7月、マジャータは多発性骨髄腫の診断を受けました。

昨年夏に鎖骨の痛みが発生し、介入治療が必要なことが明らかになりました。マジャータの血液学担当医師は、セルジーンの新薬利用拡大制度(EAP)を通じて入手するREVLIMID®を含む治療計画の開始を勧め、治療計画は高い奏効を示しました。

今日、マジャータは、1985年以来の趣味であるキルト刺繍を再度楽しめるようになりました。「REVLIMIDに出会えて幸運でした。私には驚くほど効果がありました。私の医師はこの薬が私に最適だと言いましたが、彼が正しかったことが証明されました。」

患者を最優先 -
画期的治療薬の臨床利益を幅広く提供

「全ての患者は先端の癌予防、診断、治療技術の恩恵を享受すべきである。」という理念に基づき、弊社は、有資格患者に対して画期的治療薬の情報、サポートを提供し、薬剤の利用を可能にする業界を先駆けたプログラムを開発しました。

欠失5q 染色体異常やその他の異常の有無に関係するMDS患者は、弊社が開発したリスク管理・販売プログラムであるRevAssist℠を通じてREVLIMID®を入手することができます。(14ページの「安全」の章を参照のこと。)このプログラムでは、契約薬局がREVLIMIDの処方や患者に対する副作用の説明を行い、患者および医師からの特定保険キャリアープランにおける保険適用の問い合わせに対応します。

弊社は第3者機関と密接に提携し、経済援助が必要な癌患者の経口処方薬の費用を負担します。今日、REVLIMIDとTHALOMID®は、メディケア処方薬の改善および 近代化に関する 法律(Medicare Prescription Drug Improvement and Modernization Act of 2003)に基づいて保険が適用されています。しかし、それぞれのメディケアパートDプランで、処方薬剤管理制度がREVLIMIDおよびTHALOMIDに適用されるかどうかの審査が行われます。

また、REVLIMIDまたはTHALOMIDに保険が適用されない患者を対象に、患者サポートソリューション(PSS)プログラムを開発し、低収入資産の患者が弊社製品を利用できる環境を整えました。米国研究製薬工業協会のプログラムである処方支援パートナーシップに対する財政援助も行っています。このパートナーシップは、必要な処方薬に保険が適用されず、治療費を払えない患者を支援するためのものです。

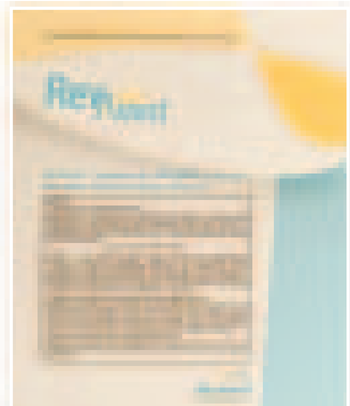
製品を無料入手する資格を持たない患者に対して、PSSプログラムは、州の援助プログラムや非営利財団を紹介しています。処方薬の保険自己負担金が払えない患者に対しては、弊社は、自己負担支援プログラムを提供する財団の財政支援を行っています。

承認前にREVLIMIDの入手資格があり、臨床試験に参加できなかった多発性骨髄腫患者に対しては、新薬利用拡大制度(EAP)により有資格患者がREVLIMID を入手できる手段を用意しています。

PSSプログラムに関する詳細は、www.pssprogram.com をご参照ください。

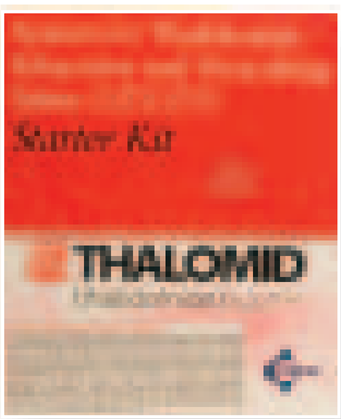
メディケアは、2006年度メディケアRx処方薬プランの加入期限を5月15日と規定しています。この日以降は、遅延登録料が必要です。メディケアの処方薬給付保険の登録および任意加入項目に関する詳細は、1-800-MEDICARE にご連絡ください。または www.medicare.gov をご参照ください。

薬剤の最大限安全な利用を保障



私どもは、患者が必要とする画期的な新薬を提供すること同様に、患者が安全に新薬を利用できることが重要であると考えています。2005年にREVLIMID®が承認された際、弊社は、REVLIMIDの早期入手や入手の容易化を実現し、患者教育の提供や安全を保障するプログラムRevAssist℠を開発しました。RevAssistにより、REVLIMIDは契約薬局で処方され、適切な教育を受けた看護婦や薬剤師が薬剤服用に先立って副作用に関する情報を患者に提供します。

RevAssistはREVLIMIDに特化したプログラムですが、同制度は、FDAの承認を受けた初の特許認可リスク管理・販売プログラムであるサリドマイド教育と処方安全システム(S.T.E.P.S®)をベースとして開発されたものです。



1998年の施行以来、S.T.E.P.Sは、様々な重篤衰弱性疾患を患う13万人以上の患者に対してTHALOMIDの治療効果を提供してきました。現在、S.T.E.P.Sは、業界を先駆ける患者の薬剤安全利用プログラムとして認識されています。2004年末、弊社は、複数のイソトレチノイン製造企業と通常ライセンス契約を結びました。これらの企業は、弊社のS.T.E.P.S.特許権利を利用し、重要な治療効果と深刻な副作用の可能性を合わせ持つ本薬剤のリスク管理プログラムを開発することができます。ライセンス契約により、患者はこれらのリスク管理販売プログラムを本年度から利用することができます。

S.T.E.P.S.およびRevAssistは、弊社と政府、支持団体、業界パートナーとの長期的パートナーシップを基盤に実現された制度であり、「患者が弊社の画期的治療薬を安全処方により利用できる環境を整備する。」という弊社の決意を反映したものでもあります。

ドン・ベイラーの例 (S.T.E.P.S.®)

ドン・ベイラーが多発性骨髄腫の診断を受けたとき、先ず彼が感じたことは「ゲームをミスしたくない!」ということでした。1979年のアメリカリーグ野球のMVPプレーヤーであり、現在ニューヨーク・メッツのコーチであるドンは、2003年3月の春の定期健康診断の際、多発性骨髄腫の診断を受けました。重要な医学会議に提出された臨床データや医学専門誌の情報から、担当医師は、ドンの症状改善のためにセルジーンのサリドマイド教育処方安全システム(S.T.E.P.S)を通じて入手の可能なTHALOMID®を処方しました。

ドンは厳密な安全管理プログラムに基づいたTHALOMIDの投与を受け、薬剤は奏効示しました。

今日、伝説的野球選手かつコーチであるドンは、週に3、4回ゴルフを楽しみ、健康状態も良好です。

ノーマ・トラビスの例 (臨床試験)

ノーマ・トラビスは、ガーデニング、ダンス、教会コーラスと多忙な日々を送っていました。2001年8月、多発性骨髄腫の診断が下されたとき、彼女の生活は一変しました。「痛みはひどいものでした。痛みの程度を1から10の数字で表すとすると、私の痛みは12でした。」ノーマの多発性骨髄腫に関する知識は皆無でしたが、彼女は、できるかぎりこの疾病に関する調査を行いました。治療選択肢がなくなったとき、担当医師は、REVLIMID®臨床試験への参加を勧めました。

この決断は、ノーマにとって決定的なものでした。何百人もの他の患者同様、彼女は臨床試験を通じてREVLIMID の臨床利益を享受することができました。

現在、ノーマは、活力に満ちた忙しい毎日を取り戻し、自宅のフラワーガーデンを楽しんでいます。「REVLIMIDのおかげで、私の人生を取り戻すことができました。」

より良いヘルスケアを実現するための次世代治療薬

弊社は、現在適切な治療が存在しない重篤な疾患や慢性衰弱症状に焦点を絞り、生物医薬品業界で最も強力な新薬パイプラインの開発を続けています。弊社は、遺伝子調整および免疫調整に対する革新的アプローチが、患者の生活向上に効果の高い治療薬開発の鍵であると考えています。血液癌、固形癌、神経免疫疾患、炎症性疾患の背景にある生物化学の深い知識を基盤に、数々の画期的治療プログラムに投資を行うと共に、複数の作用機序と細胞内経路を通じて疾病の根本原因に作用するメカニズムの研究を行っています。

IMiDs® 化合物– 強力な低分子化合物グループ

弊社のIMiDs　　化合物ポートフォリオは、REVLIMID®をはじめとする数百の免疫調整化合物で構成されています。これらの化合物は、THALOMID®　と構造・臨床的に異なるもので、副作用が軽く、安全性と高い奏効が特徴です。血液癌に対するREVLIMIDの高い奏効やMDSの一種を適応とするFDA承認は、弊社の豊富なIMiDs パイプラインの将来性を物語っています。これらのパイプラインは、癌や衰弱性免疫炎症疾患の長期コントロールが必要な患者に希望を与え、セルジーンやステークホルダーを成功に導くものです。

REVLIMID、CC-4047、CC-11006、CC-10015をはじめとする主要化合物に対しては、対人間の臨床試験が行われており、REVLIMIDに対しては、複数の後期臨床試験が実施され、多発性骨髄腫、慢性リンパ球性白血病、非ホジキンリンパ腫、骨髄異形成症候群、骨髄線維症、アミロイド沈着症、T細胞リンパ腫をはじめとする広範囲の血液悪性疾患への適応に関する重要な臨床データが収集されています。

CC-4047　は、経口投与の低分子化合物で、最も高い効果が期待される開発中のIMiDs化合物です。現在CC-4047に対しては、骨髄線維症および鎌状赤血球貧血を適応とする治療薬候補として安全性と効果を評価するための第II相臨床試験が計画されています。CC-4047とREVLIMIDは、異なる作用機構プロフィールを持ち、異なる疾患や同一疾患の異なる進行段階での評価に適していると考えられます。

CC-11006は、血液悪性疾患や慢性炎症性疾患に効果が期待される経口投与化合物です。炎症性間質性肺線維症や強皮症など、これらの多くの疾患は、現在治療が不能です。CC-11006は、2005年末に開始された臨床試験の完了を待って、開発オプションを評価する予定です。

CC-10015は、有力な経口投与IMiDs化合物で、複数の動物モデルで中枢神経系　(CNS)に浸透する能力が確認されています。2006年末には、CNS-に関連する免疫性疾患および炎症性疾患を適応と

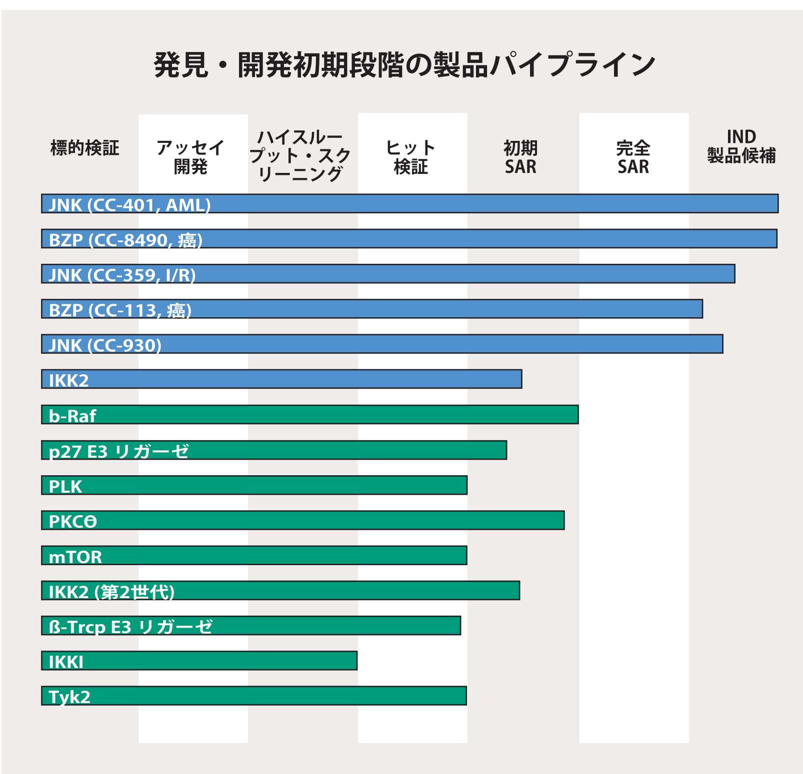
するCC-10015の第I相臨床試験が予定されています。

弊社は、これらの初期開発化合物に加え、異なる特性を持ち、癌分野やそれ以外の分野での応用に高い期待の持たれる免疫調整化合物への多大な投資を継続する所存です。さらに、弊社の研究者たちは、IMiDs®化合物がターゲットとする細胞・分子メカニズムの正確な解明に日夜努力を続けています。メカニズムの解明はIMiDs生物学のさらなる理解につながり、薬剤の臨床的および商業的応用分野の拡大をもたらすものと期待されています。

次世代薬剤開発プログラム

IMiDs化合物関連の研究に加え、弊社は、パイプライン強化をさらに推進すべく5つの新薬開発プログラムを実施しています。第1のプログラムは、慢性炎症性疾患に対する新たな経口アプローチの研究です。このクラスで有望視されている研究薬剤CC-10004は、経口投与が可能な低分子化合物で、PDE-4、TNF-α、インターロイキン-2、インターフェロン-ガンマー、ロイコトリエン、1酸化窒素シンターゼをはじめとする複数の炎症性メディエータの生成を抑制します。第II相の原理の証明を目的とする臨床試験で期待した結果が得られたことにより、弊社は、中度から重度の尋常性乾癬を適応とするCC-10004の臨床開発を進めています。

細胞内のタンパク分解経路に注目したプログラムにより、セルジーンは画期的新薬開発における業界最先端の位置を確保しました。サンディエゴのセルジーン・リサーチ社では、細胞増殖や細胞生存のコントロールを目的として、薬剤ターゲットの識別やユビキチンリガーゼ経路の調整能力を持つ化合物の研究を行っています。これらの化合物は、制癌・抗炎症性作用を持つ新しい種類の薬剤として注目を集めています。



細胞シグナル伝達研究の成果

弊社の最重要研究の1つとして、細胞シグナル伝達研究が挙げられます。細胞伝達ターゲットとしては、キナーゼ、ホスタファーゼ、リガーゼをはじめとする様々な酵素や転写調節因子があり、1000を超えるこれらの分子ターゲットが薬剤開発に適しています。弊社は、当該分野の研究開発で先端的立場を有し、豊富な知的財産を保持しています。

現在、弊社は癌や炎症疾患の様々な症状との関連性を示すJNK(c-junのN末端をリン酸化する酵素)を阻害する3種類の化合物の評価を行っています。

現在これらの症状に奏効のある治療は存在しません。有望視されるJNK候補薬CC-401に対しては、現在、急性骨髄性白血病を適応とする第I相臨床試験が行われています。CC-359 は持続効果の高い化合物で、虚血や再潅流傷害を適応とする評価が行われています。第3のJNK化合物であるCC-930に対しては繊維症治療に対する評価が行われています。さらに、急性炎症や癌(bRAF、IKK2、mTOR) およびT細胞性疾患、慢性炎症(IKK1、PKCθ、TYK2)をはじめとする多様な疾病への適応が期待される多くのキナーゼ阻害剤の研究も行なっています。

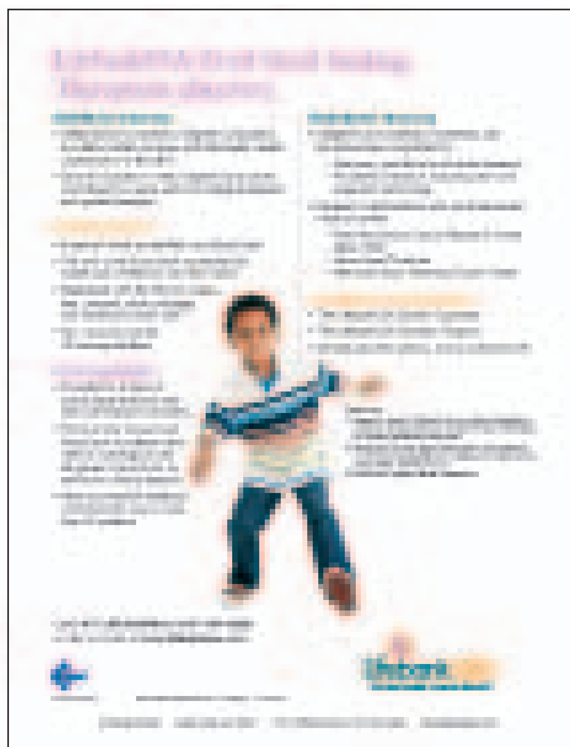
また、細胞増殖や転移、血管生成の様々な過程で重要な役割を持ち、慢性炎症と癌のリンクとして注目を集めているNFkB経路の研究も行なわれています。サンディエゴのセルジーン・リサーチ社は、何年にもわたって当該分野の先端研究を行なっています。

医学の最前線 - 胎盤幹細胞の研究

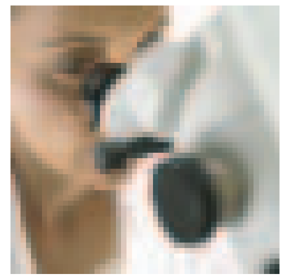
セルジーン・セルラー・セラピューティクス社は、入手が容易で豊富な幹細胞の採取が可能なヒト胎盤および臍帯血の幹細胞に関する研究を専門に行っています。過去3年間の胎盤幹細胞研究により、将来高い治療効果を見込める様々な生物活動が解明されてきました。弊社の科学者は、幹細胞を、免疫トレランスに不可欠な細胞表面マーカーなどの特性を持つ細胞と位置づけました。これらの重要な研究成果は、今後のさまざまな知的財産の基盤をなすものと期待されています。

IMiDs®化合物の大きな特徴の1つとして、幹細胞に及ぼす強力な影響が挙げられます。鎌状赤血球貧血などの異常血色素症において、IMiDs化合物は幹細胞に作用し、赤血球への成長を促進します。また、弊社の科学者は臍帯血の幹細胞を増加する方法も開発しました。この方法によって採取された薬用量の幹細胞は、将来癌患者や他の疾患患者の治療に応用し得るものと期待がかかっています。

弊社は、複雑な疾患をコントロール可能な慢性疾患に変化させる可能性を持つ低分子や現在治療不能とされている疾患を治癒可能なものにする幹細胞治療に関してユニークな開発研究を行っています。これらの研究は、弊社の成功の鍵を握る重要なものです。



製造、臨床開発、ビジネスオペレーションの国際化



2005年は、グローバル企業セルジーンの誕生の年でした。REVLIMID®に関して期待通りの臨床データが次々と発表され、米国で認可を取得した際のステラテジを踏襲して、欧州においても欠失5q細胞遺伝学的異常を伴うMDSを適応とする販売承認申請書(MAA)を提出しました。申請書は、欧州医薬品審査庁(EMEA)の審査を通過し、現在スイスにおいても同様の販売許可を申請しています。今後、他の国際市場においても規制当局に書類提出を予定しており、日本、カナダでは当局との話し合いが進行しています。さらに、2006年4月、欧州において再発性・難治性の多発性骨髄腫治療を適応とするREVLIMIDのMAAがEMEAにより承認されました。

また、欧州および他の重要な国際市場での販売承認に先立って、REVLIMIDの発売開始準備を進めています。その一環として、国際的な経営チームを編成し、各主要国において国際業務の責任を持つ統括部長を採用しました。セルジーン・インターナショナル・サールの本部をスイスのヌーシャテルに置き、REVLIMID GMP製造施設をヌーシャテルに建設中です。

米国外においても薬剤利用イニシアチブを作成し、弊社の画期的治療薬の臨床利益を多くの患者に提供できる環境を整えています。EMEA による再発性・難治性の多発性骨髄腫治療を適応とするREVLIMID の販売承認審査が進む一方で、「ネーム・ペーシェント」などの薬剤利用プログラムや新薬利用拡大制度(EAP)は、経済援助を必要とする欧州の患者にREVLIMID を提供しています。

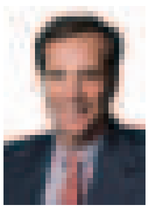
弊社のグローバル化が進む中、業務成績も堅調です。収益目標達成3年度目の2005年における弊社の年間総収入は記録的な5億3690万ドルでした。この数字は2004年度と比較して42%の増加であり、総合製品売上も35%の伸びを示しました。また、調整営業利益は前年度比100%を達成しました。2005年度、弊社はナスダック-100インデックス®企業に選出され、初年度優良株に選ばれました。

今日、セルジーンは、多様な文化を持つ国際統合された生物医薬品企業として、世界17カ国で臨床業務を展開しています。科学を根本とするビジネスや新薬開発において革新性と高い品質を約束するため、弊社は最高の能力を持つ従業員を雇用しています。また、これらの社員が弊社をキャリア開発の場として選択したことを誇りに思っています。高い能力と実績を合わせ持つ社員のチームワークが、臨床開発やビジネス目標の実現を下支えし、ユニークなセルジーンの企業文化を形成しているのです。

取締役会

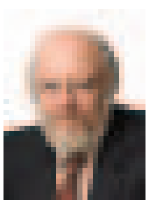
故人

フランク T. キャリー、1987年からセルジーンの取締役会メンバー。2006年1月1日逝去。キャリー氏は1990年から弊社取締役会の経営委員会会長を務めた他、指名・企業統治委員会メンバー、管理職報酬・開発委員会メンバーを歴任。セルジーンでの在籍期間を通し、信頼の置けるアドバイザー、よき友人として貴重な経験、アドバイス、見識を提供した。セルジーンの同僚、友人にとってかけがえの無い人物として偲ばれる。



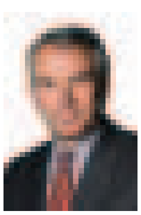
ジョン W. ジャクソン
取締役会長

ジョン W ジャクソン氏は1996年1月より弊社取締役会長を務め、現在、取締役会執行委員会会長。1996年1月から2006年5月1日まで最高経営責任者(CEO)。1991年2月に医療機器の戦略及び投資アドバイスを行うコンサルティング会社ジェミニ・メディカルを創業し、1996年1月まで社長を務めた。1978年から1986年まで大手製薬会社のAmerican Cyanamid社で、国際部部長など、国際業務部門を歴任、1986年2月から1991年1月まで同社国際医療機器部門社長。大手製薬会社のMerck & Company社において、1971年から1978年までヒトの健康に関するマーケティングを担当。エール大学卒業後、フランスのINSEADにてMBAを取得。



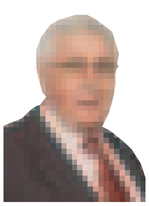
ソル J. バーラー、Ph.D
最高経営責任者(CEO)

ソル J バーラー博士は2006年5月1日に弊社最高経営責任者(CEO)に就任。1994年3月より取締役を務め、現在、取締役会執行委員会メンバー。1993年10月から2006年5月1日まで社長、1994年3月から2006年5月1日まで最高業務執行責任者(COO)を務めた。1990年10月から1993年10月まで科学技術部門上級部長、キラル製品担当部長および統括本部長を歴任。1987年9月から1990年10月まで技術部長。ラトガー大学にて有機物理化学の博士号を取得。現在、Semorex社の取締役及びラトガー大学院、学部長諮問委員も務める。



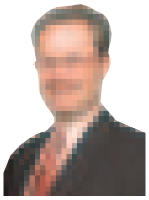
ロバート J. フギン
社長および最高業務執行責任者(COO)

ロバート J. フギン氏は、2006年5月1日、弊社社長および最高業務執行責任者(COO)に就任。2001年12月に取締役会にて取締役として選任され、1999年6月から2006年5月1日まで上級部長および最高財務責任者(CFO)を務めた。フギン氏は、1985年J.P.Morgan銀行に入行し、後に常務取締役を務めた。1976年プリンストン大学を卒業後、米国海兵隊歩兵将校を勤めた後、1985年バージニア大学にてMBAを取得。現在、The Medicines Company社, Coley Pharmaceutical グループそして ホームレス家庭をサポートする国営非営利団体のFamily Promiseの取締役も兼務している。



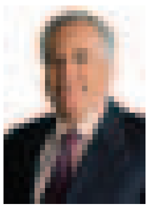
ジャック L. ボーマン

Johnson & Johnson社グループ会長およびAmerican Cyanamid社の執行副社長を経て、1998年4月から弊社取締役。現在取締役会の指名・企業統治委員会会長及び管理職報酬・開発委員会メンバーを務める。1987年から1994年までJohnson & Johnson社グループ会長、1983年から1987年までAmerican Cyanamid社 執行副社長を務めた。現在、ボーマン氏は、Targeted Genetics社、 AVI BioPharma社の取締役も兼務している。



マイケル D. ケイシー
Matrix Pharmaceutical社の前社長および最高経営責任者(CEO)

マイケル D. ケイシー氏は、2002年8月より弊社取締役を務め、現在、取締役会の指名・企業統治委員会及び監査委員会メンバーでもある。1997年9月から2002年2月までMatrix Pharmaceutical社、会長、社長および最高経営責任者(CEO)を歴任。1995年11月から1997年9月までSchein Pharmaceutical社の執行副社長を務め、1996年12月、同社の小売・専門製品部門社長を務めた。1993年6月から1995年11月までGenetic Therapy社の社長および最高業務執行責任者(COO)。1989年から1993年6月までJohnson & Johnson社系列のMcNeil Pharmaceutical 社社長。1985年から1989年までJohnson & Johnson 社の子会社であるOrtho Pharmaceutical 社にて営業・マーケティング部長。ケイシー氏は、現在Allos Therapeutics社、 Cholestech 社、 OrthoLogic 社、Durect社の取締役も兼務している。



ロッドマン L. ドレーク
CIP Management社 常務取締役

ロッドマン L. ドレーク氏は、2006年4月に弊社取締役に就任し、現在取締役会の指名・監査委員会メンバーを務める。1997年からCIP Management社常務取締役を務め、同社資産資金ファンドグループの投資委員会メンバーを務めた。KMR Power Company社 前共同会長および最高経営責任者(CEO)、Cresap McCormick and Paget社 前常務取締役を歴任。またドレーク氏は、Jackson Hewitt、 Student Loan社、 Parsons Brinckerhoff社、 Hyperion Funds社、Excelsior Funds社、さらに ニューヨークのAnimal Medical Center社の取締役も兼務している。

アーサー・ハル・ヘイズJr. M.D.
米国食品医薬品局の前局長

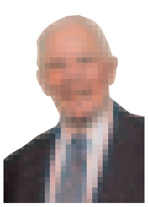
アーサー・ハル・ヘイズJr. 博士は、1995年より弊社取締役を務め、取締役会の 監査委員会メンバーでもある。1991年7月から2006年1月まで、製薬・生物医学企業、外国政府と連携するコンサルティング企業MediScience Associates社の社長および最高業務執行責任者(COO)。1981年から2004年まで、ペンシルバニア州立大学医学部の医学薬理学臨床教授。1986年から1990年、E. Merck AG系列のE.M. Pharmaceuticals社 社長および最高経営責任者(CEO)を務めた。1981年から1983年、米国食品医薬品局局長。ヘイズ博士は、現在、Myriad Genetics社およびTapestry社の取締役も兼務している。

ジラ・カプランPh.D
Public Health Research Instituteのミコバクテリア性免疫・病因研究所の教授および正会員

ジラ・カプラン博士は、1998年4月より弊社取締役を務め、監査委員会メンバーでもある。ニュージャージー州ニューアークのThe Public Health Research Instituteのミコバクテリア性免疫・病因研究所長も兼務している。2002年同機関の正会員に任命される。カプラン博士は、UMDNJの医学教授でもあり、ニューヨークのロックフェラー大学細胞生理および免疫研究所の免疫学者として助教授を務めた。

リチャード C.E. モルガン
Amphion Innovations社 最高経営責任者(CEO)

リチャードC.E. モルガン氏は、1987年より弊社取締役を務め、現在管理報酬・開発委員会会長、取締役会の経営委員会メンバーである。モルガン氏は、Amphion Innovations社の最高経営責任者(CEO)、Axcess社および他の数社の取締役も兼務し、Orbis International社の取締役会メンバーでもある。



ウォルター L. ロブPh.D
Vantage Management社 社長、General Electric社 法人調査開発部門の前上級部長

ウォルターL. ロブ博士は、1992年より弊社取締役を務め、現在取締役会の監査委員会会長。1993年1月より、投資コンサルティング会社 Vantage Management社の私的コンサルタントおよび社長を務めた。1986年から1992年12月までGeneral Electric社法人調査開発部門の前上級部長および企業総務会メンバーを務め、現在、Capital District Sportsの取締役会会長でもある。また、Mechanical Technology社および他の数社の取締役も兼務している。

目次

財務関連セクション

Selected Consolidated Financial Data

The following Selected Consolidated Financial Data should be read in conjunction with our Consolidated Financial Statements and the related Notes thereto, Management's Discussion and Analysis of Financial Condition and Results of Operations and other financial information included elsewhere in this Annual Report. The data set forth below with respect to our Consolidated Statement of Operations for the year ended December 31, 2005, 2004 and 2003 and the Consolidated Balance Sheet data as of December 31, 2005 and 2004 are derived from our Consolidated Financial Statements which are included elsewhere in this Annual Report and are qualified by reference to such Consolidated Financial Statements and related Notes thereto. The data set forth below with respect to our Consolidated Statements of Operations for the years ended December 31, 2002 and 2001 and the Consolidated Balance Sheets data as of December 31, 2003, 2002 and 2001 are derived from our Consolidated Financial Statements, which are not included elsewhere in this Annual Report. Our historical results are not necessarily indicative of future results of operations.

	Years Ended December 31,				
(In thousands, except per share data)	**2005**	2004	2003	2002	2001
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:					
Total revenue	**$ 536,941**	$ 377,502	$ 271,475	$ 135,746	$ 114,243
Costs and operating expenses	**453,357**	334,774	274,124	250,367	139,186
Other income, net	**7,551**	20,443	28,310	23,031	20,807
Equity in losses of associated company	**6,923**	—	—	—	—
Income tax provision (benefit)	**20,556**	10,415	718	(98)	(1,232)
Income (loss) from continuing operations	**63,656**	52,756	24,943	(91,492)	(2,904)
Discontinued operations:					
Gain on sale of chiral assets	**—**	—	750	1,000	992
Net income (loss) applicable to common stockholders	**$ 63,656**	$ 52,756	$ 25,693	$ (90,492)	$ (1,912)
Income (loss) from continuing operations per common share[1]:					
Basic	**$ 0.19**	$ 0.16	$ 0.08	$ (0.30)	$ (0.01)
Diluted	**$ 0.18**	$ 0.15	$ 0.07	$ (0.30)	$ (0.01)
Discontinued operations per common share[1]:					
Basic	**$ —**	$ —	$ 0.01	$ —	$ —
Diluted	**$ —**	$ —	$ 0.01	$ —	$ —
Net income (loss) applicable to common stockholders[1]:					
Basic	**$ 0.19**	$ 0.16	$ 0.08	$ (0.29)	$ (0.01)
Diluted	**$ 0.18**	$ 0.15	$ 0.08	$ (0.29)	$ (0.01)
Weighted average number of shares of common stock outstanding[1]:					
Basic	**335,512**	327,738	323,548	309,348	300,432
Diluted	**390,585**	345,710	341,592	309,348	300,432
CONSOLIDATED BALANCE SHEETS DATA					
Cash, cash equivalents, and marketable securities	**$ 724,260**	$ 748,537	$ 666,967	$ 261,182	$ 310,041
Total assets	**1,246,637**	1,107,293	813,026	336,795	353,982
Long-term obligations under capital leases and equipment notes payable	**2**	4	16	40	46
Convertible notes	**399,984**	400,000	400,000	—	11,714
Accumulated deficit	**(170,754)**	(234,410)	(287,166)	(312,859)	(222,367)
Stockholders' equity	**635,775**	477,444	331,744	281,814	310,425

[1] *Amounts have been adjusted for the two-for-one stock splits effected in February 2006 and October 2004.*

Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

We are a multi-national integrated biopharmaceutical company primarily engaged in the discovery, development and commercialization of innovative therapies designed to treat cancer and immune-inflammatory related diseases. Our lead products are: REVLIMID®, which gained recent FDA approval in MDS patients with the 5q chromosomal deletion and is under review by the FDA for multiple myeloma, and THALOMID® (thalidomide), which is currently marketed for the treatment of erythema nodosum leprosum, or ENL, and under review by the FDA for the treatment of multiple myeloma. Over the past several years, THALOMID® net sales have grown steadily driven mainly by its off-label use for treating multiple myeloma and other cancers. The sales growth of THALOMID® has enabled us to make substantial investments in research and development, which has advanced our broad portfolio of drug candidates in our product pipeline, including a pipeline of IMiDs® compounds, which are a class of compounds proprietary to us and having certain immunomodulatory and other biologically important properties. We believe that the sales growth of THALOMID®, the growth potential for REVLIMID®, the depth of our product pipeline, near-term regulatory activities and clinical data reported at major medical conferences provide the catalyst for future growth.

Factors Affecting Future Results

Future operating results will depend on many factors, including demand for our products, regulatory approvals of our products, the timing and market acceptance of new products launched by us or competing companies, the timing of research and development milestones, challenges to our intellectual property and our ability to control costs. See also the Risk Factors discussion in Part I, Item 1A of this Annual Report on Form 10-K. Some of the more salient factors that we are focused on are: the ability of REVLIMID® to successfully penetrate relevant markets; competitive risks; and our ability to advance clinical and regulatory programs.

The ability of REVLIMID® to successfully penetrate relevant markets: REVLIMID® was approved by the FDA on December 27, 2005 for the treatment of certain myelodysplastic syndromes, or MDS, associated with a deletion 5q cytogenetic abnormality and we have begun to execute our product launch strategies, which includes among other things: registering physicians in the RevAssist℠ program, which is a proprietary risk-management distribution program tailored specifically to help ensure the safe use of REVLIMID®; sponsoring numerous medical education programs designed to educate physicians on MDS; and, partnering with contracted pharmacies to ensure safe and rapid distribution of REVLIMID®. In addition, we have implemented an expanded access program to provide patients with relapsed or refractory multiple myeloma free access to REVLIMID® while the FDA reviews our sNDA for that indication. We do not, however, have long-term data on the use of the product and cannot predict whether REVLIMID® will gain widespread acceptance, which will mostly depend on the acceptance of regulators, physicians, patients and opinion leaders. The success of REVLIMID® will also depend, in part, on prescription drug coverage by government health agencies, commercial and employer health plans, and other third-party payers. As an oral targeted cancer agent, REVLIMID® qualifies as a Medicare Part D drug. Each Part D plan will review REVLIMID® for addition to their formulary. As with all new products introduced into the market, there may be some lag time before being reviewed on each plan's formulary. We are encouraged that during this formulary review process, patients have been given access to REVLIMID® and there have been no reported denials for coverage.

Competitive Risks: The landscape for the treatment of multiple myeloma and other cancer and immune-inflammatory related diseases is highly competitive. While competition could reduce THALOMID® sales and limit REVLIMID® launch expectations, we do not believe that competing products will eliminate REVLIMID® and THALOMID® use entirely. In addition, generic competition could reduce THALOMID® sales. However, we own intellectual property which includes, for example, U.S. patents covering our S.T.E.P.S.® distribution program for the safer delivery of thalidomide, which all patients receiving thalidomide in the United States must follow. We also have exclusive rights to several issued patents covering the use of THALOMID® in oncology and other therapeutic areas. Even if generic competition were able to enter the market, we expect REVLIMID®, which is now available commercially, to at least partially replace THALOMID® sales.

Ability to advance clinical and regulatory programs: A major objective of our on-going clinical trials programs is to broaden our knowledge about the full potential of REVLIMID® and to continue to evaluate the drug in a broad range of indications including lymphocytic leukemia, Non-Hodgkin's Lymphoma, Amyloidosis and myelofibrosis. The significant near-term regulatory catalysts that we are focused on include: the FDA's decision regarding our sNDA for THALOMID® in multiple myeloma (a Prescription Drug User Fee Act, or PDUFA, date of May 25, 2006 has been set); the FDA's decision regarding our sNDA for REVLIMID® in relapsed or refractory multiple myeloma; and from an international perspective, the European Medicines Agency, or EMEA, decision regarding our Marketing Authorization Application, or MAA, for REVLIMID® in MDS with the 5q chromosomal deletion.

Company Background

In 1986, we were spun off from Celanese Corporation and in July 1987 we completed an initial public offering. Initially, our operations involved research and development of chemical and biotreatment processes for the chemical and pharmaceutical industries. Between 1990 and 1998, our revenues were derived primarily from the development and supply of chirally pure intermediates to pharmaceutical companies for use in new drug development. By 1998, sales of chirally pure intermediates became a less integral part of our strategic focus and, in

January 1998 we sold the chiral intermediates business to Cambrex Corporation.

In July 1998, we received approval from the FDA to market THALOMID® for use in ENL, a complication of the treatment of leprosy, and in September 1998 we commenced sales of THALOMID® in the United States. Since then, sales of THALOMID® have grown significantly each year. In 2003, 2004 and 2005 we recorded net THALOMID® sales of $223.7 million, $308.6 million and $387.8 million, respectively.

In April 2000, we signed a licensing and development agreement with Novartis Pharma AG in which we granted to Novartis a license for FOCALIN™, our chirally pure version of RITALIN®. The agreement provided for significant upfront and milestone payments to us based on the achievement of various stages in the regulatory approval process. It also provided for us to receive royalties on the entire family of RITALIN® products. Pursuant to the agreement we retained the rights to FOCALIN™ and FOCALIN XR™ in oncology indications.

In August 2000, we acquired Signal Pharmaceuticals, Inc., now Celgene Research San Diego, a privately held biopharmaceutical company focused on the discovery and development of drugs that regulate genes associated with disease. In November 2001, we licensed to Pharmion Corporation exclusive rights relating to the development and commercial use of our intellectual property covering thalidomide and S.T.E.P.S® in all countries outside of North America, Japan, China, Taiwan and Korea (see our references below to the December 2004 amendment with respect to these territories). In December 2002, we acquired Anthrogenesis Corp., a privately held biotherapeutics company developing processes for the recovery of stem cells from human placental tissue following the completion of a successful full-term pregnancy for use in stem cell transplantation, regenerative medicine and biomaterials for organ and wound repair.

In March 2003, we entered into a supply and distribution agreement with GlaxoSmithKline, or GSK, to distribute, promote and sell ALKERAN, or melphalan, a therapy approved by the FDA for the palliative treatment of multiple myeloma and carcinoma of the ovary. The agreement requires that we purchase ALKERAN® from GSK and distribute the products in the United States under the Celgene label. The agreement has been extended through March 31, 2009.

In October 2004, we acquired Penn T Limited, or Penn T, a worldwide supplier of THALOMID®. Through manufacturing agreements entered into with a third party in connection with this acquisition, we are able to control manufacturing for THALOMID® worldwide and we also increase our participation in the potential sales growth of THALOMID® in key international markets. In December 2004, following our acquisition of Penn T, we amended the thalidomide supply agreement with Pharmion and granted them license rights in additional territories. As amended, the territory licensed to Pharmion is for all countries other than the United States, Canada, Mexico, Japan and all provinces of China other than Hong Kong.

On December 27, 2005, the FDA approved REVLIMID® for the treatment of patients with transfusion-dependent anemia due to low- or intermediate-1-risk myelodysplastic syndromes associated with a deletion 5q cytogenetic abnormality with or without additional cytogenetic abnormalities.

Until 2003, we had sustained losses in each year since our incorporation in 1986. For the years ended December 31, 2003, 2004 and 2005 we posted net income of $25.7 million, $52.8 million and $63.7 million, respectively, and at December 31, 2005 we had an accumulated deficit of $170.8 million. We expect to make substantial additional expenditures to further develop and commercialize our products. We expect that our rate of spending will accelerate as a result of increases in clinical trial costs, expenses associated with regulatory approval and expenses related to commercialization of products currently in development. However, we anticipate these expenditures to be more than offset by increased product sales, royalties, revenues from various research collaborations and license agreements with other pharmaceutical and biopharmaceutical companies, and investment income.

Stock Split

On December 27, 2005, we announced that the Board of Directors approved a two-for-one stock split payable in the form of a 100 percent stock dividend. Stockholders received one additional share for every share they owned as of the close of business on February 17, 2006. The additional shares were distributed on February 24, 2006. As a result, our authorized shares increased from 280,000,000 to 580,000,000 and shares outstanding increased from 172,057,726 shares to 344,115,452 shares as of the close of business on February 24, 2006. All share and per share amounts in the consolidated financial statements have been restated to reflect the two-for-one stock split effective February 17, 2006.

Results of Operations –
Fiscal Years Ended December 31, 2005, 2004 and 2003

Total Revenue: Total revenue and related percentages for the years ended December 31, 2005, 2004 and 2003, were as follows:

				% Change	
(In thousands $)	**2005**	2004	2003	2004 to 2005	2003 to 2004
Net product sales:					
THALOMID®	**$387,816**	$308,577	$223,686	25.7%	38.0%
FOCALIN™	**4,210**	4,177	2,383	0.8%	75.3%
ALKERAN®	**49,748**	16,956	17,827	193.4%	(4.9%)
REVLIMID®	**2,862**	—	—	N/A	N/A
Other	**989**	861	557	14.9%	54.6%
Total net product sales	**$445,625**	$330,571	$244,453	34.8%	35.2%
Collaborative agreements and other revenue	**41,334**	20,012	15,174	106.5%	31.9%
Royalty revenue	**49,982**	26,919	11,848	85.7%	127.2%
Total revenue	**$536,941**	$377,502	$271,475	42.2%	39.1%

Net Product Sales:

2005 compared to 2004: THALOMID® net sales were higher in 2005, as compared to 2004, primarily due to price increases implemented as we move towards a cost of therapy pricing structure as opposed to a price per milligram. Sales volumes decreased due to lower average daily doses; however, the total number of prescriptions for 2005 remained essentially flat when compared to the prior year period. Partially offsetting the increase in THALOMID® sales were higher gross to net sales accruals for sales returns, Medicaid rebates and distributor chargebacks, which are recorded based on historical data. Included in 2005 were sales of $8.7 million from our U.K. subsidiary, CUK II, to Pharmion Corporation. Focalin™ net sales, which are dependent on the timing of orders from Novartis for their commercial distribution, were essentially flat when compared to the prior year period. ALKERAN, net sales were higher in 2005, as compared to 2004, due to price increases implemented during 2005 and an increase in sales volumes. ALKERAN, use in combination therapies for the treatment of hematological diseases continues to grow driven by clinical data reported at major medical conferences around the world. Also contributing to the increase in ALKERAN, sales volumes was the resolution of supply disruptions experienced in 2004, which resolution led to more consistent supplies of ALKERAN, for injection and consequently more consistent end-market buying patterns. REVLIMID, was approved by the FDA on December 27, 2005 and the first commercial sales were recorded relating to initial stocking at certain contracted pharmacies that were registered under the RevAssist™ program. Other net product sales consist of sales of dehydrated human amniotic membrane for use in ophthalmic applications, which are generated through our Celgene Cellular Therapeutics division.

2004 compared to 2003: THALOMID® net sales were higher in 2004, as compared to 2003, primarily due to price increases implemented in the second half of 2003 and in the first nine months of 2004. The total number of prescriptions, which increased 9.4% from the prior year period, was offset by lower average daily doses. FOCALIN™ net sales were higher in 2004, as compared to 2003, due to the timing of shipments to Novartis for their commercial distribution. ALKERAN® net sales were lower in 2004, as compared to 2003, due to supply disruptions earlier in the year, which lead to inconsistent supplies of ALKERAN® IV and consequently inconsistent end-market buying patterns. Other net product sales consist of sales of dehydrated human amniotic membrane for use in ophthalmic applications, which are generated through our Celgene Cellular Therapeutics division.

Gross to Net Sales Accruals: We record gross to net sales accruals for sales returns, sales discounts, Medicaid rebates and distributor charge-backs and services. Allowance for sales returns are based on the actual returns history for consumed lots and the trend experience for lots where product is still being returned. Sales discounts accruals are based on payment terms extended to customers. Medicaid rebate accruals are based on historical payment data and estimates of future Medicaid beneficiary utilization. Distributor charge-back accruals are based on the differentials between product acquisition prices paid by wholesalers and lower government contract pricing paid by eligible customers covered under federally qualified programs. Distributor services accruals are based on actual fees paid to wholesale distributors for services provided. Medicaid rebates and distributor charge-backs increased due to higher sales volumes and price increases, which increase the respective rebate and chargeback amounts. The gross to net accrued balances were $34.2 million and $19.7 million at December 31, 2005 and 2004, respectively. Gross to net sales accruals for the years ended December 31, 2005, 2004 and 2003 were as follows:

(In thousands $)	**2005**	2004	2003	% Change 2004 to 2005	% Change 2003 to 2004
Gross product sales	**$548,853**	$385,055	$283,208	42.5%	36.0%
Less: Gross to net sales accruals					
Returns and allowances	**21,256**	16,279	12,659	30.6%	28.6%
Discounts	**10,948**	7,448	5,503	47.0%	35.3%
Medicaid rebates	**35,098**	15,780	12,975	122.4%	21.6%
Distributor charge-backs	**33,658**	14,977	7,618	124.7%	96.6%
Distributor services	**2,268**	—	—	N/A	N/A
Total net product sales	**$445,625**	$330,571	$244,453	34.8%	35.2%

Collaborative agreements and other revenue: Revenues from collaborative agreements and other sources in 2005 included a $20.0 million milestone payment from Novartis for the NDA approval of Focalin XR™; $13.9 million related to our sponsored research, license and other agreements with Pharmion Corporation; $5.1 million from umbilical cord blood enrollment, collection and storage fees generated through our LifeBank USA℠ business; $0.9 million for licensing to EntreMed, Inc. rights to develop and commercialize our tubulin inhibitor compounds; $0.5 million related to the agreements providing manufacturers of isotretinoin, a non-exclusive license to our S.T.E.P.S.® patent portfolio encompassing restrictive drug distribution systems; and, $0.9 million from other miscellaneous research and development agreements. Revenues from collaborative agreements and other sources in 2004 included a $7.5 million milestone payment from Novartis related to their FOCALIN® XR NDA submission; $7.5 million related to our sponsored research, license and other agreements with Pharmion Corporation; $3.7 million of umbilical cord blood enrollment, collection and storage fees generated through our Celgene Cellular Therapeutics division; $0.5 million related to the agreements providing manufacturers of isotretinoin, a non-exclusive license to our S.T.E.P.S.® patent portfolio encompassing restrictive drug distribution systems; and $0.8 million from other miscellaneous research and development and licensing agreements. Revenues from collaborative agreements and other sources in 2003 included $6.0 million related to the agreement to terminate the Gelclair™ co-promotion agreement with OSI Pharmaceuticals Inc.; $4.3 million of thalidomide research and development funding and S.T.E.P.S. licensing fees received in connection with the Pharmion collaboration agreements; $1.3 million of reimbursements from Novartis for shipments of bulk raw material used in the formulation of FOCALIN® XR and utilized in clinical studies conducted by Novartis; $2.9 million of umbilical cord blood enrollment, collection and storage fees generated through our Stem Cell Therapies segment; and $0.7 million from other miscellaneous research and development and licensing agreements.

Royalty revenue: Royalty revenue in 2005 included $48.5 million of royalties received from Novartis on sales of their entire family of Ritalin, drugs and Focalin XR™, which gained FDA approval on May 27, 2005; $0.6 million of royalties received from Pharmion on their commercial sales of THALOMID®, and $0.8 million of miscellaneous other royalties. Royalty revenue in 2004 and 2003 was $26.9 million and $11.8 million, respectively, and consisted solely of royalties received from Novartis on sales of their entire family of RITALIN® drugs. The year-over-year increases in Ritalin, royalty revenue was due to increases in the royalty rate on both Ritalin, and Ritalin, LA as well as an increase in Ritalin, LA sales by Novartis.

Cost of Goods Sold: Cost of goods sold and related percentages for the years ended December 31, 2005, 2004 and 2003 were as follows:

(In thousands $)	**2005**	2004	2003
Cost of goods sold	**$80,727**	$59,726	$52,950
Increase from prior year	**$21,001**	$ 6,776	$32,083
Percentage increase from prior year	**35.2%**	12.8%	153.7%
Percentage of net product sales	**18.1%**	18.1%	21.7%

2005 compared to 2004: Cost of goods sold were higher in 2005, as compared to 2004, primarily due to higher royalties on THALOMID, net sales and higher ALKERAN, costs as a result of higher sales volumes. As a percentage of net product sales, cost of goods sold in 2005 were in line with 2004.

2004 compared to 2003: Cost of goods sold increased in 2004 from 2003, primarily as a result of higher royalties paid on THALOMID®, partially offset by lower ALKERAN® costs. As a percentage of net product sales, however, cost of goods sold decreased primarily due to lower ALKERAN® costs. Profit margins on THALOMID® remained flat, as the increase in cost of goods sold (resulting from higher royalties paid) were offset by higher net sales (which were due to price increases implemented in the second half of 2003 and in the first nine months of 2004).

Research and Development: Research and development expenses consist primarily of salaries and benefits, contractor fees (paid principally to contract research organizations to assist in our clinical development programs), costs of drug supplies for our clinical and preclinical programs, costs of other consumable research supplies, regulatory and quality expenditures and allocated facilities charges such as building rent and utilities.

Research and development expenses and related percentages for the years ended December 31, 2005, 2004 and 2003 were as follows:

(In thousands $)	**2005**	2004	2003
Research and development expenses	**$190,834**	$160,852	$122,700
Increase from prior year	**$ 29,982**	$ 38,152	$ 37,776
Percentage increase from prior year	**18.6%**	31.1%	44.5%
Percentage of total revenue	**35.5%**	42.6%	45.2%

2005 compared to 2004: Research and development expenses were higher in 2005, as compared to 2004, primarily due to higher costs to support further clinical development and regulatory advancement of REVLIMID, Phase II and Phase III programs in myelodysplastic syndromes and multiple myeloma, including the ongoing pivotal Phase III MDS deletion 5q trial to support our MAA seeking approval to market REVLIMID, in Europe. Research and development expenses are targeted to increase 20 to 25 percent in 2006 in support of our ongoing global regulatory filings, late stage clinical trials and clinical progress in multiple proprietary development programs.

2004 compared to 2003: Research and development expenses increased by $38.2 million in 2004 from 2003, primarily due to increased spending in various late-stage regulatory programs such as Phase II regulatory programs for REVLIMID® in myelodysplastic syndromes and multiple myeloma, including ongoing REVLIMID® Phase III SPA trials in multiple myeloma.

Research and development expenses in 2005 consisted of $73.9 million spent on human pharmaceutical clinical programs; 69.1 million spent on other pharmaceutical programs, including toxicology, analytical research and development, drug discovery, quality assurance and regulatory affairs; $36.9 million spent on biopharmaceutical discovery and development programs; and $10.9 million spent on placental stem cell and biomaterials programs. These expenditures support multiple core programs, including REVLIMID®, THALOMID®, CC-10004, CC-4047, CC-11006, TNFα inhibitors, other investigational compounds, such as kinase inhibitors, benzopyranones and ligase inhibitors and placental and cord blood derived stem cell programs. Research and development expenses in 2004 consisted of $67.0 million spent on human pharmaceutical clinical programs; $44.7 million spent on other human pharmaceutical programs, including toxicology, analytical research and development, drug discovery, quality assurance and regulatory affairs; $40.6 million spent on biopharmaceutical discovery and development programs; and $8.6 million spent on placental stem cell and biomaterials programs. In 2003, $47.6 million was spent on human pharmaceutical clinical programs; $34.4 million was spent on other human pharmaceutical programs, including toxicology, analytical research and development, drug discovery, quality assurance and regulatory affairs; $33.7 million was spent on biopharmaceutical discovery and development programs; and $7.0 million was spent on placental stem cell and biomaterials programs.

As total revenue increases, research and development expense may continue to decrease as a percentage of total revenue, however the actual dollar amount may continue to increase as earlier stage compounds are moved through the preclinical and clinical stages. Due to the significant risk factors and uncertainties inherent in preclinical tests and clinical trials associated with each of our research and development projects, the cost to complete such projects can vary. The data obtained from these tests and trials may be susceptible to varying interpretation that could delay, limit or prevent a project's advancement through the various stages of clinical development, which would significantly impact the costs incurred to bring a project to completion.

For information about the commercial and development status and target diseases of our drug compounds, refer to the product overview table contained in Part I, Item I of this annual report.

In general, the estimated times to completion within the various stages of clinical development are as follows:

Clinical Phase	Estimated Completion Time
Phase I	1-2 years
Phase II	2-3 years
Phase III	2-3 years

Due to the significant risks and uncertainties inherent in preclinical testing and clinical trials associated with each of our research and development projects, the cost to complete such projects is not reasonably estimable. The data obtained from these tests and trials may be susceptible to varying interpretation that could delay, limit or prevent a project's advancement through the various stages of clinical development, which would significantly impact the costs incurred in completing a project.

Selling, General and Administrative: Selling expenses consist primarily of salaries and benefits for sales and marketing and customer service personnel and other commercial expenses to support our sales force. General and administrative expenses consist primarily of salaries and benefits, outside services for legal, audit, tax and investor activities and allocations of facilities costs, principally for rent, utilities and property taxes.

Selling, general and administrative expenses and related percentages for the years ended December 31, 2005, 2004 and 2003 were as follows:

(In thousands $)	**2005**	2004	2003
Selling, general and administrative expenses	**$181,796**	$114,196	$98,474
Increase from prior year	**$ 67,600**	$ 15,722	$32,302
Percentage increase from prior year	**59.2%**	16.0%	48.8%
Percentage of total revenue	**33.9%**	30.3%	36.3%

2005 compared to 2004: Selling, general and administrative expenses were higher in 2005, as compared to 2004, primarily due to the inclusion in 2005 of approximately $40.0 million of REVLIMID® pre-launch commercial expenses, such as global market research, marketing and educational programs and sales and marketing training and an increase of approximately $22.7 million in general administrative expenses resulting from higher professional and other miscellaneous outside service fees, higher personnel-related expenses, higher facility related expenses and higher insurance costs, offset by lower THALOMID® and ALKERAN® related marketing expenses. Included in selling, general and administrative expenses in 2005 was $2.5 million of expense related to accelerated depreciation of leasehold improvements at four New Jersey locations being consolidated into our new corporate headquarters. Selling, general and administrative expenses are targeted to increase 10 to 15 percent in 2006; in addition, international selling, general and administrative expenses are expected to be in a range of $30 to $35 million for ongoing expansion of commercial and manufacturing capabilities in Europe. Actual expenses will be dependent on the progress of discussions with the international regulatory authorities.

2004 compared to 2003: Selling, general and administrative expenses increased by $15.7 million in 2004 from 2003, as a result of an increase of approximately $12.0 million in general administrative and medical affairs expenses primarily due to higher headcount-related expenses and an increase of approximately $3.6 million in sales force expenses primarily due to the creation of a sales operations group. The sales operations group, among other things, manages pricing and reimbursement, corporate accounts, customer service and government affairs, as well as sales fleet expenses.

Interest and other income, net: Interest and other income, net in 2005 included $27.7 million of interest and realized gains on our cash, cash equivalents and marketable securities portfolio, offset by unrealized losses of $6.9 million for changes in the estimated value of our investment in EntreMed, Inc. warrants prior to our March 31, 2005 exercise, $3.1 million for other-than-temporary impairment write-downs recognized on two securities held in our available-for-sales marketable securities portfolio and $0.7 million of foreign exchange and other miscellaneous net losses. Interest and other income, net in 2004 included $28.3 million of interest and realized gains on our cash, cash equivalents and marketable securities portfolio and $3.6 million of foreign exchange and other miscellaneous net gains, offset by an unrealized losses of $1.9 million for changes in the estimated value of our investment in EntreMed, Inc. warrants. Interest and other income, net in 2003 included $21.8 million of interest and realized gains on our cash, cash equivalents and marketable securities portfolio and $16.6 million of unrealized gains for changes in the estimated value of our investment in EntreMed, Inc. warrants.

Equity in losses of affiliated companies: On March 31, 2005, we exercised warrants to purchase 7,000,000 shares of EntreMed, Inc. common stock. Since we also hold 3,350,000 shares of EntreMed voting preferred shares that are convertible into 16,750,000 shares of common stock, we determined that we have significant influence over EntreMed and are applying the equity method of accounting to our common stock investment effective March 31, 2005. Under the equity method of accounting, we recorded equity losses of $6.9 million in 2005, which includes a charge of $4.4 million to write down the value of the investment ascribed to in-process research and development, $0.2 million related to amortization of acquired intangible assets, $1.6 million to record our share of EntreMed losses and a charge of $0.7 million to eliminate our share of THALOMID, royalties payable to EntreMed, Inc. During 2003, we recorded $4.4 million for our share of the EntreMed losses until the investment was written down to zero in the third quarter of 2003.

On February 2, 2006 we, along with a group of other investors, entered into an agreement to invest $30.0 million in EntreMed in return for newly issued EntreMed common stock and warrants to purchase additional shares of EntreMed common stock at a conversion price of $2.3125 per warrant. Our portion of the investment was $2.0 million for which we received 864,864 shares of EntreMed common stock and 432,432 warrants. The warrants will be accounted for at fair value with changes in fair value recorded through earnings.

Interest expense: Interest expense was $9.5 million, $9.6 million and $5.7 million in 2005, 2004 and 2003, respectively, and primarily reflects interest expense and amortization of debt issuance costs on the $400 million convertible notes issued on June 3, 2003. Interest expense in 2003 only includes seven months of interest expense and amortization of debt issuance costs.

Income tax benefit (provision): The income tax provision for 2005 was $20.6 million and reflects tax expense impacted by certain expenses incurred outside the United States for which no tax benefit can be recorded, offset by the benefit from elimination of valuation allowances totaling $42.6 million as of March 31, 2005, which was based on the fact that we determined it was more likely than not that certain benefits of our deferred tax assets would be realized. This determination was based upon the external Independent Data Monitoring Committee's, or IDMC, analyses of two Phase III Special Protocol Assessment multiple myeloma trials and the conclusion that these trials exceeded the pre-specified stopping rule. The IDMC found a statistically significant improvement in time to disease progression — the primary endpoint of these Phase III trials — in patients receiving REVLIMID® plus dexamethasone compared to patients receiving dexamethasone alone. This, in concert with our nine consecutive quarters of profitability, led to the conclusion that is was more likely than not that we will generate sufficient taxable income to realize the benefits of our deferred tax assets. The elimination of valuation allowances relating to certain historical acquisitions were first offset against goodwill and intangibles with the balance applied to reduce income tax expense. The elimination of valuation allowances relating to tax deductions that arose in connection with stock option exercises were offset against components of equity. The income tax provision for 2004 was $10.4 million, which reflects an effective underlying tax rate of 16.5%. Our tax rate in 2004 rose from 2003 primarily due to federal tax expense and decreases in the valuation allowance available to offset income tax expense. In 2003, our income tax provision was $0.7 million and included income tax expense of $1.1 million for federal and state purposes, offset by a tax benefit of $0.4 million from the sale of certain state net operating loss carryforwards.

Gain on sale of chiral assets: In January 1998, we completed the sale of our chiral intermediate business to Cambrex Corporation. Pursuant to the minimum royalty provisions of the agreement, we received $0.8 million in 2003.

Net income: Net income and per common share amounts for the years ended December 31, 2005, 2004 and 2003 were as follows:

(In thousands, except per share amounts)	**2005**	2004	2003
Net income	**$63,656**	$52,756	$24,943
Per common share amounts:			
Basic	**$0.19**	$0.16	$0.08
Diluted	**$0.18**	$0.15	$0.08
Weighted average number of shares of common stock utilized to calculate per common share amounts:			
Basic	**335,512**	327,738	323,548
Diluted	**390,585**	345,710	341,592

Amounts have been adjusted for the two-for-one stock splits effected in February 2006 and October 2004.

2005 compared to 2004: Net income and per common share amounts were higher in 2005, as compared to 2004, primarily due to an increase in total revenues of $159.4 million (driven primarily by a $79.2 million increase in THALOMID, net sales, a $32.8 million increase in ALKERAN, net sales, a $21.8 million increase in royalty revenues received from Novartis related to the Ritalin, line of drugs and Focalin XR™ and a $12.5 million increase in milestone payments from Novartis related to Focalin XR™) offset by higher operating expenses of $118.6 million (driven by REVLIMID, clinical and regulatory research and development costs and REVLIMID, pre-launch selling, general and administrative costs) and unrealized losses recorded in 2005 of $6.9 million for changes in the estimated value of our investment in EntreMed, Inc. warrants prior to our March 31, 2005 exercise, $3.1 million for other-than-temporary impairment write-downs recognized on two securities held in our available-for-sales marketable securities portfolio and our share of equity losses of EntreMed, Inc. of $6.9 million.

2004 compared to 2003: Income from continuing operations increased in 2004 from 2003 due to an increase in total revenue of $106.0 million (attributable primarily to an increase in THALOMID® net sales) partly offset by higher operating expenses of $60.7 million and a decrease in interest and other income, net of $7.9 million (attributable to a $1.9 million decrease in fair value of EntreMed warrants versus a prior year increase of $16.6 million partly offset by an increase in interest income and foreign exchange gains and the inclusion in 2003 of equity losses of associated companies of $4.4 million).

Liquidity and Capital Resources

Net cash provided by operating activities was $41.9 million in 2005, as compared to $155.9 million in 2004. The decrease was primarily due to higher working capital levels and higher income taxes paid, partially offset by higher net income in 2005. Net cash provided by operating activities in 2004 increased $137.2 million from 2003. The increase in 2004 compared to 2003 was primarily due to higher earnings, the receipt of $80.0 million in connection with the December 2004 THALOMID® development and commercialization collaboration with Pharmion and a decrease in net working capital levels.

Net cash used in investing activities was $103.1 million in 2005 and included cash outflows of $35.9 million for capital expenditures, $7.2 million for acquisition costs and working capital adjustments related to the October 2004 acquisition of Penn T, $49.5 million for net purchases of available-for-sale marketable securities and $10.5 million for the exercise of warrants to purchase 7,000,000 shares of EntreMed common stock. Net cash used in investing activities was $92.6 million in 2004 and included cash outflows of $109.9 million for the October 2004 acquisition of Penn T, $7.0 million for an investment and $36.0 million for capital expenditures. Partially offsetting these outflows were cash inflows of $60.3 million from net sales of available-for-sale marketable securities. Net cash used in investing activities was $443.6 million in 2003 and included cash outflows of $421.2 million for net purchases of available-for-sale marketable securities, $12.0 million for the purchase of a Pharmion Corporation senior convertible note and $11.2 million for capital expenditures.

Net cash provided by financing activities was $52.6 million, $16.0 million and $399.7 million in 2005, 2004 and 2003, respectively, and included cash inflows from the exercise of common stock options and warrants of $52.6 million, $16.0 million and $12.0 million in 2005, 2004 and 2003, respectively. Included in 2003 were cash inflows of $387.8 million from net proceeds of the issuance of our convertible notes on June 3, 2003.

Currency rate changes negatively impacted our cash and cash equivalents balances by $3.3 million and $4.4 million in 2005 and 2004, respectively. At December 31, 2005, cash, cash equivalents and marketable securities were $724.3 million, a decrease of $24.3 million from December 31, 2004 levels. The decrease was primarily due to a decrease in cash and cash equivalents and a reduction in unrealized gains on our available-for-sale marketable securities portfolio.

We expect increased research and product development costs, clinical trial costs, expenses associated with the regulatory approval process and commercialization of products and capital investments. In addition, we expect increased commercial expenses, such as marketing and market research. However, existing cash, cash equivalents and marketable securities available for sale, combined with expected net product sales and revenues from various research, collaboration and royalties agreements are expected to provide sufficient capital resources to fund our operations for the foreseeable future.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2005:

	Payment Due By Period				
(In millions $)	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Convertible note obligations	$ —	$400.0	$ —	$ —	$ 400.0
Operating leases	3.4	5.5	5.0	3.9	17.8
ALKERAN® supply agreements	34.7	67.3	—	—	102.0
Other contract commitments	4.5	7.3	2.0	—	13.8
	$42.6	$480.1	$7.0	$3.9	$533.6

Convertible Debt: In June 2003, we issued an aggregate principal amount of $400.0 million of unsecured convertible notes. The convertible notes have a five-year term and a coupon rate of 1.75% payable semi-annually. The convertible notes can be converted at any time into 33,022,360 shares of common stock at a stock-split adjusted conversion price of $12.1125 per share. At December 31, 2005, the fair value of the convertible notes exceeded the carrying value of $400.0 million by $660.0 million (for more information see Note 10 of the Notes to the Consolidated Financial Statements).

Operating (facilities) leases: We occupy the following facilities under lease arrangements that have remaining lease terms greater than one year.

• 73,500-square feet of laboratory and office space in Warren, New Jersey. The two leases for this facility have terms ending in May 2007 and July 2010, respectively, and each have two five-year renewal options. Annual rent for these facilities is $0.8 million.

• 78,202-square feet of laboratory and office space in San Diego, California. The lease for this facility has a term ending in August 2012 with one five-year renewal option. Annual rent for this facility is $2.0 million and is subject to specified annual rental increases.

• 20,000-square feet of office and laboratory space in Cedar Knolls, New Jersey. The leases for this facility have terms ending between September 2007 and April 2009 with renewal options ranging from either one or two additional five-year terms. Annual rent for this facility is $0.3 million and is subject to specified annual rental increases.

• 11,000 square feet of laboratory space in Baton Rouge, Louisiana. The lease for this facility has a term ending in May 2008 with one three-year renewal option. Annual rent for this facility is $0.1 million.

Under these lease arrangements, we also are required to reimburse the lessors for real estate taxes, insurance, utilities, maintenance and other operating costs. All leases are with unaffiliated parties.

For a schedule of payments related to operating leases, refer to Note 18 of the Notes to the Consolidated Financial Statements.

ALKERAN® Purchase Commitments: In March 2003, we entered into a supply and distribution agreement with GlaxoSmithKline, or GSK, to distribute, promote and sell ALKERAN® (melphalan), a therapy approved by the FDA for the palliative treatment of multiple myeloma and carcinoma of the ovary. Under the terms of the agreement, we purchase ALKERAN® tablets and ALKERAN® for infusion from GSK and distributes the products in the United States under the Celgene label. The agreement requires us to purchase certain minimum quantities each year under a take-or-pay arrangement. The agreement has been extended through March 31, 2009. On December 31, 2005, the remaining minimum purchase requirements under the agreement totaled $102.0 million.

Other Contract Commitments: We signed an exclusive license agreement with CMCC, which terminated any existing thalidomide analog agreements between CMCC and EntreMed and directly granted to Celgene an exclusive worldwide license for the analog patents. Under the agreement, we are required to pay CMCC $2.0 million between 2005 and 2006. The outstanding balance related to this agreement was $1.0 million at December 31, 2005. Additional payments are possible under the agreement depending on the successful development and commercialization of thalidomide analogs.

In connection with the acquisition of Penn T on October 21, 2004, we entered into a Technical Services Agreement with Penn Pharmaceutical Services Limited, or PPSL, and Penn Pharmaceutical Holding Limited pursuant to which PPSL provides the services and facilities necessary for the manufacture of THALOMID® and other thalidomide formulations. The total cost to be incurred over the five-year minimum agreement period is approximately $11.0 million. At December 31, 2005, the remaining cost to be incurred was approximately $7.8 million.

In October 2003, we signed an agreement with Institute of Drug Technology Australia Limited, or IDT, for the manufacture of finished dosage form of THALOMID® capsules. The agreement requires minimum payments for THALOMID® capsules of $4.7 million for the three-year term commencing with the FDA's approval of IDT as an alternate supplier. The FDA granted IDT approval to manufacture THALOMID® capsules in April 2005. The agreement provides us with additional capacity and reduces our dependency on one manufacturer for the production of THALOMID®. At December 31, 2005, the remaining minimum obligation under this agreement was $4.0 million.

New Accounting Principles

In December 2004, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards No. 123R, "Share-Based Payment," or SFAS 123R. SFAS 123R requires compensation cost relating to share-based payment transactions be recognized in financial statements based on the fair value of the equity or liability instruments issued. SFAS 123R covers a wide range of share-based compensation arrangements including stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee stock purchase plans. SFAS 123R replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees.

However, SFAS No. 123 permitted entities to continue to apply the guidance in APB Opinion No. 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. We will be required to adopt the provisions of SFAS No. 123R in the first quarter of fiscal year 2006. Management is currently evaluating the requirements of SFAS No. 123R. The adoption of SFAS No. 123R is expected to have a material effect on our consolidated financial statements. See Note 1, Nature of Business and Summary of Significant Accounting Policies, to the Consolidated Financial Statements included elsewhere in this Annual Report for the pro forma impact on net income and net income per share from calculating stock-based compensation cost under the fair value method of SFAS No. 123. However, the calculation of compensation cost for share-based payment transactions after the effective date of SFAS No. 123R may be different from the calculation of compensation cost under SFAS No. 123.

In December 2005, in recognition of the significance of the REVLIMID® regulatory approval, the Board of Directors approved a resolution to grant the 2006 annual stock option awards in 2005 pursuant to the 1998 Stock Incentive Plan, or the 1998 Plan, and the 1995 Non-Employee Directors' Incentive Plan. All stock options awarded pursuant to the 1998 Plan were granted fully vested, with half issued at an exercise price, or strike price, of $34.05 per option and the other half issued at a strike price of $35.67 per option, which was at a premium to the closing price of $32.43 per share, adjusted for the February 17, 2006 two-for-one stock split, of our common stock on the Nasdaq National Market on the grant date of December 29, 2005. The Board's decision to grant these options was in recognition of the REVLIMID® regulatory approval and in response to a review of our long-term incentive compensation programs in light of changes in market practices and recently issued changes in accounting rules resulting from the issuance of FASB No. 123R, which we are required to adopt effective the first quarter of 2006. Management believes that granting these options prior to the adoption of FASB No. 123R will result in our not being required to recognize cumulative compensation expense of approximately $70.8 million for the four-year period ending December 31, 2009.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs –An Amendment of ARB No. 43. This Statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). The new rule requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling costs be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. Additionally, SFAS 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005. The Company is currently evaluating the potential impact of this pronouncement on its financial position and results of operations.

Emerging Issues Task Force, or EITF, Issue No. 03-01, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," or EITF 03-01, was issued in February 2004. The provisions of EITF 03-01 for measuring and recognizing an other-than-temporary impairment proved controversial and as a result, FASB Staff Position ("FSP") FSP 115-1 and FSP 124-1 "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" was issued in November 2005, clarifying the requirements of EITF 03-01 concerning the evaluation of whether an impairment is other-than-temporary. FSP FAS 115-1 and FAS 124-1 refers to SEC Staff Accounting Bulletin ("SAB") Topic 5M, "Other Than Temporary Impairment of Certain Investments In Debt And Equity Securities," and EITF Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interest in Securitized Financial Assets," to evaluate whether an impairment is other than temporary. We are in compliance with these requirements and continue to monitor these developments to assess the possible impact on our financial position and results of operations.

Critical Accounting Policies

A critical accounting policy is one which is both important to the portrayal of our financial condition and results of operation and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. While our significant accounting policies are more fully described in Note 1 of the Notes to the Consolidated Financial Statements included in this annual report, we believe the following accounting policies to be critical:

Revenue Recognition on Collaboration Agreements: We have formed collaborative research and development agreements and alliances with several pharmaceutical companies. These agreements are in the form of research and development and license agreements. The agreements are for both early- and late-stage compounds and are focused on specific disease areas. For the early-stage compounds, the agreements are relatively short-term agreements that are renewable depending on the success of the compounds as they move through preclinical development. The agreements call for nonrefundable upfront payments, milestone payments on achieving significant milestone events, and in some cases ongoing research funding. The agreements also contemplate royalty payments on sales if and when the compound receives FDA marketing approval.

Our revenue recognition policies for all nonrefundable upfront license fees and milestone arrangements are in accordance with the guidance provided in the Securities and Exchange Commission's Staff Accounting Bulletin, or SAB, No. 101, "Revenue Recognition in Financial Statements," as amended by SAB No. 104, "Revenue Recognition," or SAB 104. In addition, we follow the provisions of Emerging Issues Task Force Issue, or EITF, 00-21, "Revenue Arrangements with Multiple Deliverables," or EITF 00-21, for multiple element revenue arrangements entered into or materially amended after June 30, 2003. EITF 00-21 provides guidance on how to determine when an arrangement that involves multiple revenue-generating activities or deliverables should be divided into separate units of accounting for revenue recognition purposes, and if this division is required, how the arrangement consideration should be allocated among the separate units of accounting. If the deliverables in a revenue arrangement constitute separate units of accounting according to the EITF's separation criteria, the revenue-recognition policy must be determined for each identified unit. If the arrangement is a single unit of accounting, the revenue-recognition policy must be determined for the entire arrangement.

In accordance with SAB 104, upfront payments are recorded as deferred revenue and recognized over the estimated service period of the last item of performance to be delivered. If the estimated service period is subsequently modified, the period over which the upfront fee is recognized is modified accordingly on a prospective basis. Revenues from the achievement of research and development milestones, which represent the achievement of a significant step in the research and development process are recognized when and if the milestones are achieved.

Gross to Net Sales Accruals For Sales Returns, Medicaid Rebates and Chargebacks: We record an allowance for sales returns based on the actual returns history for consumed lots and the trend experience for lots where product is still being returned. We record sales discounts accruals based on payment terms extended to customers. We record Medicaid rebate accruals based on historical payment data and estimates of Medicaid beneficiary utilization. We record distributor charge-back accruals based on the differentials between product acquisition prices paid by wholesalers and lower government contract pricing paid by eligible customers covered under federally qualified programs. We record distributor services accruals based on actual fees paid to wholesale distributors for services provided.

Income Taxes: We utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect for years in which the temporary differences are expected to reverse. We provide a valuation allowance when it is more likely than not that deferred tax assets will not be realized.

Other-Than-Temporary Impairments of Available-For-Sale Marketable Securities: A decline in the market value of any available-for-sale marketable security below its cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security established. Factors evaluated to determine if an investment is other-than-temporarily impaired include significant deterioration in the earnings performance, credit rating, asset quality, or business prospects of the issuer; adverse changes in the general market condition in which the issuer operates; the intent and ability to retain the investment for a sufficient period of time to allow for recovery in the market value of the investment; and, issues that raise concerns about the issuer's ability to continue as a going concern. At the end of 2005, we determined that two securities with an amortized cost basis of $7.0 million had sustained an other-than-temporary impairment and recognized a $3.1 million impairment loss, which was recorded in interest and other income, net.

Accounting for Long-Term Incentive Plans: The recorded liability for long-term incentive plans was $8.3 million as of December 31, 2005. Plan payouts may be in the range of 0% to 200% of the participant's salary for the 2005 Plan, 0% to 150% of the participant's salary for the 2006 Plan and 0% to 200% of the participant's salary for the 2007 Plan. The 2006 performance cycle was approved by the Management Compensation and Development Committee of the Board of Directors on January 19, 2006 and began on January 1, 2006 and will end on December 31, 2008, or the 2008 Plan. Plan payouts may be in the range of 0% to 200% of the participant's salary for the 2008 Plan. The estimated payout for the 2005 Plan is $4.5 million and maximum potential payouts are $4.5 million, $6.8 million and $7.2 million for the 2006, 2007 and 2008 Plans, respectively. The Company accrues the long-term incentive liability over each three-year cycle. Prior to the end of a three-year cycle, our accrual is based on an estimate of our level of achievement during the cycle. Upon a change in control, participants will be entitled to an immediate payment equal to their target award, or, if higher, an award based on actual performance through the date of the change in control.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion provides forward-looking quantitative and qualitative information about our potential exposure to market risk. Market risk represents the potential loss arising from adverse changes in the value of financial instruments. The risk of loss is assessed based on the likelihood of adverse changes in fair values, cash flows or future earnings.

We have established guidelines relative to the diversification and maturities of investments to maintain safety and liquidity. These guidelines are reviewed periodically and may be modified depending on market conditions. Although investments may be subject to credit risk, our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or type of investment. At December 31, 2005, our market risk sensitive instruments consisted of marketable securities available for sale and unsecured convertible notes issued by us.

The Company may periodically utilize foreign currency denominated forward contracts to hedge currency fluctuations of transactions denominated in currencies other than the functional currency. At December 31, 2005, we had one foreign currency forward contract outstanding to buy U.S. dollars and sell Swiss francs for a notional amount of $62.0 million. The forward contract expires on April 13, 2006 and is an economic hedge of a U.S. dollar payable of a Swiss foreign entity, which is remeasured through earnings each period based on changes in the spot rate. The unrealized loss on the forward contract, based on its fair value at December 31, 2005, was approximately $0.2 million, and was recorded in accrued expenses with the offsetting loss recorded in earnings. Assuming that the year-end exchange rates between the U.S. dollar and the Swiss franc were to adversely change by a hypothetical ten percent, the change in the fair value of the contract would decrease by approximately $6.4 million. However, since the contract hedges foreign currency payables, any change in the fair value of the contract would be offset by a change in the underlying value of the hedged item.

Marketable Securities Available for Sale: At December 31, 2005, our marketable securities available for sale consisted of U.S. government agency securities, mortgage-backed obligations, corporate debt securities and 1,939,600 shares of Pharmion common stock. Marketable securities available for sale are carried at fair value, are held for an indefinite period of time and are intended to be used to meet our ongoing liquidity needs. Unrealized gains and losses on available for sale securities, which are deemed to be temporary, are reported as a separate component of stockholders' equity, net of tax. The cost of all debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization, along with realized gains and losses, is included in interest and other income, net. At the end of 2005, we determined that two securities with an amortized cost basis of $7.0 million had sustained an other-than-temporary impairment and recognized a $3.1 million impairment loss related to these securities due to reductions in their future estimated cash flows.

As of December 31, 2005, the principal amounts, fair values and related weighted average interest rates of our investments in debt securities classified as marketable securities available-for-sale were as follows:

	Duration					
(In Thousands $)	Less Than 1 Year	1 to 3 Years	3 to 5 Years	5 to 7 Years	Over 7 Years	Total
Principal amount	$272,760	$74,904	$227,402	$3,000	$2,900	$580,966
Fair value	$272,857	$75,714	$213,070	$1,980	$2,856	$566,477
Average interest rate	4.4%	4.7%	4.4%	7.1%	N/A	4.5%

Pharmion Common Stock: At December 31, 2005, we held a total of 1,939,600 shares of Pharmion Corporation common stock, which had an estimated fair value of approximately $34.5 million (based on the closing price reported by the National Association of Securities Dealers Automated Quotations, or NASDAQ system, and, which exceeded the cost by approximately $14.3 million. The amount by which the fair value exceeded the cost (i.e., the unrealized gain) was included in Accumulated Other Comprehensive Income in the Stockholders' Equity section of the Consolidated Balance Sheet. The fair value of the Pharmion common stock investment is subject to market price volatility and any increase or decrease in Pharmion's common stock quoted market price will have a similar percentage increase or decrease in the fair value of our investment.

Convertible Debt: In June 2003, we issued an aggregate principal amount of $400.0 million of unsecured convertible notes. The convertible notes have a five-year term and a coupon rate of 1.75% payable semi-annually. The convertible notes can be converted at any time into 33,022,360 shares of common stock at a stock-split adjusted conversion price of $12.1125 per share (for more information see Note 10 of the Notes to the Consolidated Financial Statements). At December 31, 2005, the fair value of the convertible notes exceeded the carrying value of $400.0 million by approximately $660.0 million, which we believe reflects the increase in the market price of our common stock to $32.40 per share, on a split-adjusted basis, as of December 31, 2005. Assuming other factors are held constant, an increase in interest rates generally results in a decrease in the fair value of fixed-rate convertible debt, but does not impact the carrying value, and an increase in our stock price generally results in an increase in the fair value of convertible debt, but does not impact the carrying value.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of our annual consolidated financial statements, management has undertaken an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO Framework. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls.

Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2005.

KPMG LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this report, has issued their report on management's assessment of and the effectiveness of internal control over financial reporting, a copy of which is included herein.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Celgene Corporation:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Celgene Corporation and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. Celgene Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Celgene Corporation and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. Also, in our opinion, Celgene Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Celgene Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the years in the three-year period ended December 31, 2005, and the related consolidated financial statement schedule, and our report dated March 15, 2006 expressed an unqualified opinion on those consolidated financial statements and related schedule.

KPMG LLP
Short Hills, New Jersey

March 15, 2006

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Celgene Corporation:

We have audited the accompanying consolidated balance sheets of Celgene Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the years in the three-year period ended December 31, 2005. In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedule, "Schedule II – Valuation and Qualifying Accounts." These consolidated financial statements and consolidated financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and consolidated financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Celgene Corporation and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Celgene Corporation and subsidiaries' internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, and our report dated March 15, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

Short Hills, New Jersey
March 15, 2006

Consolidated Balance Sheets

(Dollars in thousands, except per share amounts)	December 31, 2005	2004
Assets		
Current assets:		
Cash and cash equivalents	**$ 123,316**	$ 135,227
Marketable securities available for sale	**600,944**	613,310
Accounts receivable, net of allowance of $3,739 and $2,208 at December 31, 2005 and December 31, 2004, respectively	**77,913**	46,074
Inventory	**20,242**	24,404
Deferred income taxes	**113,059**	4,082
Other current assets	**37,363**	26,783
Total current assets	**972,837**	849,880
Property, plant and equipment, net	**77,477**	53,738
Investment in affiliated company	**17,017**	—
Intangible assets, net	**96,988**	108,955
Goodwill	**33,815**	41,258
Deferred income taxes	**31,260**	14,613
Other assets	**17,243**	38,849
Total assets	**$1,246,637**	$1,107,293
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 16,414**	$ 18,650
Accrued expenses	**92,908**	68,534
Income taxes payable	**14,715**	41,188
Current portion of deferred revenue	**6,473**	6,926
Deferred income taxes	**—**	5,447
Other current liabilities	**5,127**	670
Total current liabilities	**135,637**	141,415
Long term convertible notes	**399,984**	400,000
Deferred revenue, net of current portion	**59,067**	73,992
Other non-current liabilities	**16,174**	14,442
Total liabilities	**610,862**	629,849
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value per share, 5,000,000 shares authorized; none outstanding at December 31, 2005 and 2004	—	—
Common stock, $.01 par value per share, 575,000,000 and 275,000,000 shares authorized at December 31, 2005 and 2004, respectively; issued 344,125,158 and 165,079,198 shares at December 31, 2005 and 2004, respectively	**3,441**	1,651
Common stock in treasury, at cost; 1,953,282 and 10,564 shares at December 31, 2005 and December 31, 2004, respectively	**(50,601)**	(306)
Additional paid-in capital	**853,601**	641,907
Accumulated deficit	**(170,754)**	(234,410)
Accumulated other comprehensive income	**88**	68,602
Total stockholders' equity	**635,775**	477,444
Total liabilities and stockholders' equity	**$1,246,637**	$1,107,293

See accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Operations

(Dollars in thousands, except per share amounts)	Years Ended December 31, 2005	2004	2003
Revenue:			
Net product sales	**$445,625**	$330,571	$244,453
Collaborative agreements and other revenue	**41,334**	20,012	15,174
Royalty revenue	**49,982**	26,919	11,848
Total revenue	**536,941**	377,502	271,475
Expenses:			
Cost of goods sold	**80,727**	59,726	52,950
Research and development	**190,834**	160,852	122,700
Selling, general and administrative	**181,796**	114,196	98,474
Total expenses	**453,357**	334,774	274,124
Operating income (loss)	**83,584**	42,728	(2,649)
Other income and expense:			
Interest and other income, net	**17,048**	29,994	38,369
Equity in losses of affiliated company	**6,923**	—	4,392
Interest expense	**9,497**	9,551	5,667
Income before income taxes	**84,212**	63,171	25,661
Income tax provision	**20,556**	10,415	718
Income from continuing operations	**63,656**	52,756	24,943
Discontinued operations:			
Gain on sale of chiral assets	**—**	—	750
Net income	**$ 63,656**	$ 52,756	$ 25,693
Income from continuing operations per common share:			
Basic	**$ 0.19**	$ 0.16	$ 0.08
Diluted	**$ 0.18**	$ 0.15	$ 0.07
Discontinued operations per common share:			
Basic	**$ —**	$ —	$ 0.01
Diluted	**$ —**	$ —	$ 0.01
Net income per common share:			
Basic	**$ 0.19**	$ 0.16	$ 0.08
Diluted	**$ 0.18**	$ 0.15	$ 0.08

See accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2005, 2004 and 2003

(Dollars in thousands)	Common Stock	Treasury Stock
Balances at December 31, 2002	$ 802	$ —
Net income		
Other comprehensive income:		
Net change in unrealized gain on available for sale securities, net of tax		
Less: reclassification adjustment for gain included in net income		
Comprehensive income		
Exercise of stock options and warrants	11	
Issuance of common stock for employee benefit plans	1	
Expense related to non-employee stock options and restricted stock granted to employees		
Income tax benefit upon exercise of stock options		
Collection of notes receivable from stockholders		
Balances at December 31, 2003	$ 814	$ —
Net income		
Other comprehensive income:		
Net change in unrealized gain on available for sale securities, net of tax		
Less: reclassification adjustment for gain included in net income		
Currency translation adjustments		
Comprehensive income		
Treasury stock - mature shares tendered related to option exercise		(306)
Issuance of common stock related to the 2:1 stock split	823	
Exercise of stock options and warrants	13	
Issuance of common stock for employee benefit plans	1	
Expense related to non-employee stock options and restricted stock granted to employees		
Income tax benefit upon exercise of stock options		
Balances at December 31, 2004	$1,651	$ (306)
Net income		
Other comprehensive income:		
Net change in unrealized (loss) on available for sale securities, net of tax		
Less: reclassification adjustment for gain included in net income		
Income tax benefit upon recognition of deferred tax assets and liabilities		
Currency translation adjustments		
Comprehensive income		
Recognition of deferred tax asset		
Treasury stock - mature shares tendered related to option exercise		**(50,295)**
Issuance of common stock related to the 2:1 stock split	**1,720**	
Conversion of long-term convertible notes		
Exercise of stock options and warrants	**69**	
Issuance of common stock for employee benefit plans	**1**	
Expense related to restricted stock granted to employees		
Income tax benefit upon exercise of stock options		
Balances at December 31, 2005	**$3,441**	**$(50,601)**

See accompanying Notes to Consolidated Financial Statements

Additional Paid-in Capital	Accumulated Deficit	Notes Receivable from Stockholders	Accumulated Other Comprehensive Income (Loss)	Total
$591,277	$(312,859)	$ (42)	$ 7,028	$286,206
	25,693			25,693
			10,939	10,939
			(7,355)	(7,355)
				$ 29,277
11,959				11,970
2,774				2,775
704				704
770				770
		42		42
$607,484	$(287,166)	$ —	$10,612	$331,744
	52,756			52,756
			56,362	56,362
			(3,050)	(3,050)
			4,678	4,678
				$110,746
				(306)
(823)				—
16,329				16,342
4,266				4,267
449				449
14,202				14,202
$641,907	$(234,410)	$ —	$68,602	$477,444
	63,656			**63,656**
			(46,171)	**(46,171)**
			1,853	**1,853**
			(14,775)	**(14,775)**
			(9,421)	**(9,421)**
				$(4,858)
30,199				**30,199**
				(50,295)
(1,720)				**—**
16				**16**
76,346				**76,415**
3,506				**3,507**
(243)				**(243)**
103,590				**103,590**
$853,601	**$(170,754)**	**$ —**	**$ 88**	**$635,775**

Consolidated Statements of Cash Flows

(Dollars in thousands)	Years Ended December 31, 2005	2004	2003
Cash flows from operating activities:			(Revised)
Net income	**$63,656**	$52,756	$25,693
Discontinued operations	**—**	—	(750)
Income from continuing operations	**63,656**	52,756	24,943
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization of long-term assets	**14,286**	9,690	8,027
Provision for accounts receivable allowances	**11,463**	8,315	5,951
Realized loss (gain) on marketable securities available for sale	**1,853**	(3,050)	(7,355)
Unrealized loss (gain) on value of EntreMed warrants	**6,875**	1,922	(16,574)
Equity losses of affiliated company	**6,923**	—	4,392
Non-cash stock-based compensation expense	**(243)**	449	704
Amortization of premium/discount on marketable securities available for sale, net	**1,763**	2,085	1,238
Loss on asset disposals	**290**	—	84
Amortization of debt issuance cost	**2,443**	2,443	1,422
Amortization of discount on note obligation	**53**	108	137
Deferred income taxes	**(91,356)**	(79,847)	—
Shares issued for employee benefit plans	**3,506**	4,267	2,775
Change in current assets and liabilities, excluding the effect of acquisition:			
Increase in accounts receivable	**(43,496)**	(13,051)	(23,776)
Decrease (increase) in inventory	**4,125**	(11,192)	(4,891)
(Increase) decrease in other operating assets	**(21,514)**	59,978	(9,253)
Increase in accounts payable and accrued expenses	**11,809**	1,454	30,599
Increase (decrease) in income tax payable	**74,155**	40,404	(196)
(Decrease) increase in deferred revenue	**(4,674)**	79,208	498
Net cash provided by operating activities	**41,917**	155,939	18,725
Cash flows from investing activities:			
Capital expenditures	**(35,861)**	(36,015)	(11,227)
Purchase of intangible assets	**(122)**	—	—
Business acquisition	**(7,152)**	(109,882)	—
Proceeds from the sale of equipment	**—**	—	138
Proceeds from sales and maturities of marketable securities available for sale	**598,319**	539,200	415,595
Purchases of marketable securities available for sale	**(647,815)**	(478,939)	(836,827)
Investment in affiliated company	**(10,500)**	—	(12,000)
Purchase of investment securities	**—**	(7,000)	—
Proceeds from the sale of discontinued operations -chiral assets	**—**	—	750
Net cash used in investing activities	**(103,131)**	(92,636)	(443,571)
Cash flows from financing activities:			
Net proceeds from exercise of common stock options and warrants	**52,640**	16,036	11,970
Proceeds from convertible notes	**—**	—	400,000
Debt issuance cost	**—**	—	(12,212)
Proceeds from notes receivable from stockholders	**—**	—	42
Repayment of capital lease and note obligations	**(9)**	(34)	(101)
Net cash provided by financing activities	**52,631**	16,002	399,699
Effect of currency rate changes on cash and cash equivalents	**(3,328)**	(4,406)	—
Net (decrease) increase in cash and cash equivalents	**(11,911)**	74,899	(25,147)
Cash and cash equivalents at beginning of period	**135,227**	60,328	85,475
Cash and cash equivalents at end of period	**$123,316**	$135,227	$60,328
Supplemental schedule of non-cash investing and financing activity:			
Change in net unrealized (loss) gain on marketable securities available for sale	**$ (60,098)**	$ 53,312	$ (3,584)
Matured shares tendered for stock option exercises and employee tax withholdings	**(50,295)**	(306)	—
Conversion of convertible notes	**16**	—	—
Accrual for business acquisition	**—**	7,499	—
Accrual for license acquisition	**4,250**	—	—
Equipment acquisition on capital leases	**—**	—	110
Supplemental disclosure of cash flow information:			
Interest paid	**$ 7,000**	$ 7,000	$ 3,584
Income taxes paid	**36,258**	5,493	(653)

See accompanying Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

December 31, 2005 (Thousands of dollars, except per share amounts, unless otherwise indicated)

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business and Basis of Presentation: Celgene Corporation and its subsidiaries (collectively "Celgene" or the "Company") is an integrated biopharmaceutical company primarily engaged in the discovery, development and commercialization of innovative therapies designed to treat cancer and immune-inflammatory diseases through regulation of cellular, genomic and proteomic targets. The Company's commercial stage programs include pharmaceutical sales of REVLIMID®, THALOMID®, and ALKERAN® and sales of FOCALIN™ to Novartis Pharma AG, or Novartis; a licensing agreement with Novartis which entitles us to royalties on FOCALIN XR™ and the entire RITALIN® family of drugs; a licensing and product supply agreement with Pharmion for its sales of thalidomide; and sales of bio-therapeutic products and services through its Cellular Therapeutics subsidiary.

REVLIMID® is an oral immunomodulatory drug approved by the U.S. Food and Drug Administration, or FDA, on December 27, 2005 for the treatment of patients with transfusion-dependent anemia due to low- or intermediate-1-risk myelodysplastic syndromes associated with a deletion 5q cytogenetic abnormality with or without additional cytogenetic abnormalities distributed through contracted pharmacies under the RevAssist℠ program, which is a proprietary risk-management distribution program tailored specifically for REVLIMID®. THALOMID® (thalidomide), approved by the FDA for the treatment of acute cutaneous manifestations of moderate to severe erythema nodosum leprosum, or ENL, an inflammatory complication of leprosy, is widely prescribed for treating multiple myeloma and other cancers. Net THALOMID® product sales accounted for approximately 72%, 82% and 82% of total revenues in 2005, 2004 and 2003, respectively. In October 2004, the Company acquired all of the outstanding shares of Penn T Limited, the UK-based manufacturer of THALOMID®. This acquisition expanded the Company's corporate capabilities and enabled the Company to control manufacturing for THALOMID® worldwide. In March 2003, the Company entered into a supply and distribution agreement with GlaxoSmithKline, or GSK, to distribute, promote and sell in the United States ALKERAN® (melphalan), a therapy approved for the palliative treatment of multiple myeloma and of carcinoma of the ovary. FOCALIN™ is approved by the FDA for the treatment of attention deficit hyperactivity disorder, or ADHD, in children and adolescents. FOCALIN XR™, an extended release version is approved for the treatment of ADHD in adults, adolescents and children. FOCALIN™ and FOCALIN XR™ are marketed by Novartis. Under the agreement with Novartis, the Company receives royalty payments on the entire RITALIN® family line of products. In December 2002, the Company acquired Anthrogenesis Corp., or Celgene Cellular Therapeutics, a privately held New Jersey based biotherapeutics company and cord blood banking business, which is pioneering the recovery of stem cells from human placental tissues following the completion of full-term, successful pregnancies. The portfolio of products in the Company's preclinical and clinical-stage pipeline includes IMiDs® compounds, TNFα inhibitors, benzopyrans, kinases inhibitors and ligase inhibitors.

On December 27, 2005, the Company announced that the Board of Directors approved a two-for-one stock split payable in the form of a 100 percent stock dividend. Stockholders received one additional share for every share they owned as of the close of business on February 17, 2006. The additional shares were distributed on February 24, 2006. As a result, the Company's authorized shares increased from 280,000,000 to 580,000,000 and shares outstanding increased from 172,057,726 shares to 344,115,452 shares as of the close of business on February 24, 2006. All share and per share amounts in the consolidated financial statements have been restated to reflect the two-for-one stock split effective February 17, 2006.

The consolidated financial statements include the accounts of Celgene Corporation and its subsidiaries. All inter-company transactions and balances have been eliminated. The equity method of accounting is used for the Company's investment in EntreMed common shares. Certain reclassifications have been made to prior years' financial statements in order to conform to the current year's presentation.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. The Company is subject to certain risks and uncertainties such as uncertainty of product development, uncertainties regarding regulatory approval, no assurance of market acceptance of products, risk of product liability, uncertain scope of patent and proprietary rights, intense competition, and rapid technological change.

Cash Flow Statement Revision: The Company reports cash flows from operations using the indirect method as permitted under Statement of Financial Accounting Standards, or SFAS, No. 95, "Statement of Cash Flows". The Company previously followed the common practice of starting with income from continuing operations to reconcile to net operating cash flows. Upon further review, it was determined that cash flows from operations, under the indirect method, should be reported by reconciling from net income to net operating cash flows and therefore, the Company has revised its Consolidated Statement of Cash Flows for the year ended December 31, 2003. The revision does not result in a change to net cash provided by operating activities for the year then ended.

Cash Equivalents: At December 31, 2005 and 2004, cash equivalents were $83.6 million and $24.8 million, respectively, and consisted principally of highly liquid funds invested in commercial paper, money market funds, and U.S. government securities such as treasury bills and notes. These instruments have maturities of three months or less when purchased and are stated at cost, which approximates market value because of the short maturity of these investments.

Financial Instruments: Certain financial instruments reflected in the Consolidated Balance Sheets, (e.g., cash and cash equivalents, accounts receivable, certain other assets, accounts payable and certain other liabilities) are recorded at cost, which approximate fair value due to their short-term nature. The fair values of financial instruments other than marketable securities are determined through a combination of management estimates and information obtained from third parties using the latest market data. The fair value of available for sale marketable securities is based on quoted market prices. The fair value of the following financial instruments are disclosed in the following footnotes: marketable securities (Note 4); EntreMed, Inc. common stock (Note 7); EntreMed, Inc. warrants (Note 8); convertible debt (Note 9); and a foreign currency forward contract is disclosed in the following paragraph.

Derivative Instruments: The Company may periodically utilize foreign currency denominated forward contracts to hedge currency fluctuations of transactions denominated in currencies other than the functional currency. At December 31, 2005, the Company had one foreign currency forward contract outstanding to buy U.S. dollars and sell Swiss francs for a notional amount of $62.0 million. The forward contract expires on April 13, 2006 and is an economic hedge of a U.S. dollar payable of a Swiss foreign entity, which is remeasured through earnings each period based on changes in the spot rate. The unrealized loss on the forward contract, based on its fair value at December 31, 2005, was approximately $0.2 million, and was recorded in accrued expenses with the offsetting loss recorded in earnings.

Marketable Securities: The Company's marketable securities are all classified as securities available for sale in current assets and are carried at fair value. Such securities are held for an indefinite period of time and are intended to be used to meet the ongoing liquidity needs of the Company. Unrealized gains and losses (which are deemed to be temporary), if any, are reported in a separate component of stockholders' equity. The cost of investments in debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization, along with realized gains and losses, is included in interest and other income. The cost of securities is based on the specific identification method.

Premiums and discounts are amortized or accreted over the life of the related available-for-sale security as an adjustment to yield using the effective-interest method. Dividend and interest income are recognized when earned.

A decline in the market value of any available-for-sale security below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment would be charged to earnings and a new cost basis for the security established. Factors evaluated to determine if an investment is other-than-temporarily impaired include significant deterioration in the earnings performance, credit rating, asset quality, or business prospects of the issuer; adverse changes in the general market condition in which the issuer operates; the intent and ability to retain the investment for a sufficient period of time to allow for recovery in the market value of the investment; and, issues that raise concerns about the issuer's ability to continue as a going concern. At the end of 2005, the Company determined that two securities with an amortized cost basis of $7.0 million had sustained an other-than-temporary impairment and recognized a $3.1 million impairment loss, which was recorded in interest and other income, net.

Concentration of Credit Risk: Cash, cash equivalents, and marketable securities are financial instruments that potentially subject the Company to concentration of credit risk. The Company invests its excess cash primarily in U.S. government agency securities, mortgage obligations and marketable debt securities of financial institutions and corporations with strong credit ratings. The Company may also invest in unrated or below investment grade securities, such as collateralized debt obligations or equity in private companies. The Company has established guidelines relative to diversification and maturities to maintain safety and liquidity. These guidelines are reviewed periodically and may be modified to take advantage of trends in yields and interest rates. The Company has the ability to sell these investments before maturity and has therefore classified the investments as available for sale. The Company has not realized any significant losses on disposal of its investments.

As is typical in the pharmaceutical industry, the Company sells its products primarily through wholesale distributors and therefore, wholesale distributors account for a large portion of the Company's trade receivables and net product revenues. In light of this concentration, the Company continuously monitors the creditworthiness of its customers and has internal policies regarding customer credit limits. The Company estimates an allowance for doubtful accounts based on the creditworthiness of its customers as well as general economic conditions. An adverse change in those factors could affect the Company's estimate of its bad debts.

Inventory: Inventories are carried at the lower of cost or market. Cost is determined using the first-in, first-out, or FIFO, method.

Property, Plant and Equipment: Plant and equipment are stated at cost. Depreciation of plant and equipment is provided using the straight-line method. Leasehold improvements are depreciated over the lesser of the economic useful life of the asset or the remaining term of the lease. The estimated useful lives of fixed assets are as follows:

Buildings	40 years
Building and operating equipment	15 years
Machinery and equipment	5 years
Furniture and fixtures	5 years
Computer equipment and software	3 years

Maintenance and repairs are charged to operations as incurred, while renewals and improvements are capitalized.

Investment in Affiliated Company: On March 31, 2005, the Company exercised warrants to purchase 7,000,000 shares of EntreMed, Inc. common stock. Since the Company also holds 3,350,000 shares of EntreMed voting preferred shares convertible into 16,750,000 shares of common stock, the Company determined that it has significant influence over its investee and is applying the equity method of accounting to its common stock investment effective March 31, 2005. As prescribed under the equity method of accounting, the Company began recording its share of EntreMed gains and losses based on the Company's common stock ownership percentage in the second quarter of 2005.

The investment is reviewed to determine whether an other-than-temporary decline in value of the investment has been sustained. If it is determined that the investment has sustained an other-than-temporary decline in its value, the investment will be written down to its fair value. Such an evaluation is judgmental and dependent on the specific facts and circumstances. Factors that the Company considers in determining whether an other-than-temporary decline in value has occurred include: the market value of the security in relation to its cost basis, the period of time that the market value is below cost, the financial condition of the investee and the intent and ability to retain the investment for a sufficient period of time to allow for recovery in the market value of the investment. The Company evaluates information that it is aware of in addition to quoted market prices, if any, in determining whether an other-than-temporary decline in value exists. After reviewing these factors, the Company has determined that as of December 31, 2005 no adjustment to its investment is required.

Goodwill and Other Intangible Assets: Goodwill represents the excess of cost of an acquired entity over the fair value of identifiable assets acquired and liabilities assumed in a business combination. Under SFAS No. 142, "Goodwill and Other Intangible Assets", or SFAS 142, goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead are tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with estimable useful lives be amortized to their estimated residual values over their respective estimated useful lives, and reviewed for impairment in accordance with SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets", or SFAS 144.

The Company's intangible assets are categorized as either supply agreements, contract based agreements or technology. Amortization periods related to these categories range from 12 to 14 years.

Impairment of Long-Lived Assets: In accordance with SFAS No. 144, long-lived assets, such as property, plant, and equipment, software costs and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future undiscounted net cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet.

Business Combinations: SFAS No. 141, "Business Combinations", or SFAS 141, requires that all business combinations be accounted for using the purchase method of accounting. The Company's acquisitions of Penn T Limited on October 21, 2004 and Anthrogenesis Corp. on December 31, 2002, were accounted for using the purchase method.

Foreign Currency Translation: Operations in non-U.S. subsidiaries are generally recorded in local currencies which are also the functional currencies for financial reporting purposes. The results of operations for non-U.S. subsidiaries are translated from local currencies into U. S. dollars using the average currency rate during each period which approximates the results that would be obtained using actual currency rates on the dates of individual transactions. Assets and liabilities are translated using currency rates at the end of the period with translation adjustments recorded as a component of other comprehensive income. Transaction gains and losses are recorded as incurred in interest and other income, net in the Consolidated Statement of Operations.

Acquired in-Process Research and Development ("IPR&D"): The value assigned to acquired in-process research and development is determined by identifying those acquired specific in-process research and development projects that would be continued and for which (a) technological feasibility has not been established at the acquisition date, (b) there is no alternative future use, and (c) the fair value is estimable with reasonable reliability. Amounts assigned to IPR&D are charged to expense at the acquisition date.

Research and Development Costs: All research and development costs are expensed as incurred. These include all internal costs, external costs related to services contracted by the Company and research services conducted for others. Research and development costs consist primarily of salaries and benefits, contractor fees (paid principally to contract research organizations to assist in our clinical development programs), cost of drug supplies for our clinical and pre-clinical programs, costs of other consumable research supplies, regulatory and quality control expenditures and allocated facilities charges such as building rent and utilities. Upfront and milestone payments made to third parties in connection with research and development collaborations are expensed as incurred up to the point of regulatory approval.

Payments made to third parties subsequent to regulatory approval are capitalized and amortized over the remaining useful life of the related product.

Income Taxes: The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect for years in which the temporary differences are expected to reverse. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax asset will not be realized. Research and development tax credits will be recognized as a reduction of the provision for income taxes when realized.

Revenue Recognition: Revenue from the sale of products is recognized upon product shipment. Provisions for discounts for early payments, rebates and sales returns under terms customary in the industry are provided for in the same period the related sales are recorded. Provisions recorded in 2005, 2004 and 2003 totaled approximately $103.2 million, $54.5 million and $38.8 million, respectively. Revenue under research contracts is recorded as earned under the contracts, as services are provided. In accordance with SEC Staff Accounting Bulletin ("SAB") No. 104 upfront nonrefundable fees associated with license and development agreements where the Company has continuing involvement in the agreement, are recorded as deferred revenue and recognized over the estimated service period of the last item of performance to be delivered. If the estimated service period is subsequently modified, the period over which the up-front fee is recognized is modified accordingly on a prospective basis.

SAB No. 104 requires companies to identify separate units of accounting based on the consensus reached on Emerging Issues Task Force, or EITF, Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables", or EITF 00-21. EITF 00-21 provides guidance on how to determine when an arrangement that involves multiple revenue-generating activities or deliverables should be divided into separate units of accounting for revenue recognition purposes, and if this division is required, how the arrangement consideration should be allocated among the separate units of accounting. EITF 00-21 is effective for revenue arrangements entered into in quarters beginning after June 15, 2003. If the deliverables in a revenue arrangement constitute separate units of accounting according to the EITF's separation criteria, the revenue-recognition policy must be determined for each identified unit. If the arrangement is a single unit of accounting, the revenue-recognition policy must be determined for the entire arrangement. Revenues from the achievement of research and development milestones, which represent the achievement of a significant step in the research and development process, are recognized when and if the milestones are achieved.

Continuation of certain contracts and grants are dependent upon the Company achieving specific contractual milestones; however, none of the payments received to date are refundable regardless of the outcome of the project. Grant revenue is recognized in accordance with the terms of the grant and as services are performed, and generally equals the related research and development expense.

Stock-Based Compensation: The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board, or APB, Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, in accounting for its fixed stock option plans. As such, compensation expense for grants to employees or members of the Board of Directors would be recorded on the date of grant only if the current market price of the Company's stock exceeded the exercise price. SFAS No. 123, "Accounting for Stock-Based Compensation", or SFAS 123, as amended, establishes accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As permitted under SFAS 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS 123, as amended.

If the exercise price of employee or director stock options is less than the fair value of the underlying stock on the grant date, the Company amortizes such differences to expense over the vesting period of the options. Options or stock awards issued to non-employees and consultants are recorded at fair value as determined in accordance with SFAS 123 and EITF No. 96-18, "Accounting for Equity Instruments That

Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," and expensed over the related vesting period.

The following table illustrates the effect on net income and net income per share as if the fair-value-based method under SFAS 123 had been applied. Option forfeitures are accounted for as they occurred and no amounts of compensation expense have been capitalized into inventory or other assets, but instead are considered period expenses in the pro forma amounts. Per share data has been adjusted to reflect the February 17, 2006 two-for-one stock split.

	2005	2004	2003
Net income, as reported	**$63,656**	$52,756	$25,693
Add stock-based employee compensation (credit) expense included in reported net income (2005 net of tax)	**(143)**	250	250
Deduct total stock-based employee compensation expense determined under the fair value-based method (2005 net of tax)[1]	**(52,746)**	(26,027)	(21,226)
Pro forma net income	**$10,767**	$26,979	$ 4,717
Net income per common share:			
Basic, as reported	**$ 0.19**	$ 0.16	$ 0.08
Basic, pro forma	**0.03**	0.08	0.01
Diluted, as reported	**0.18**	0.15	0.08
Diluted, pro forma	**0.03**	0.08	0.01

[1] *Includes benefit attributable to recognizing deferred tax assets in 2005.*

The weighted-average fair value per share was $9.60, $5.22 and $3.64 for stock options granted in 2005, 2004 and 2003, respectively. The Company estimated the fair values using the Black-Scholes option-pricing model based on the following assumptions:

	2005	2004	2003
Risk-free interest rate	**4.24%**	3.05%	2.39%
Expected stock price volatility	**40.6%**	47.4%	52.5%
Expected term until exercise (years)	**4.20**	3.70	3.50
Expected dividend yield	**0 %**	0%	0%

Earnings Per Share: Basic earnings per common share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is computed by dividing net income by the weighted-average number of common shares outstanding during the period increased to include all additional common shares that would have been outstanding assuming potentially dilutive common shares had been issued and any proceeds thereof used to repurchase common stock at the average market price during the period. The proceeds used to repurchase common stock are assumed to be the sum of the amount to be paid to the Company upon exercise of options, the amount of compensation cost attributed to future services and not yet recognized and, if applicable, the amount of income taxes that would be credited to or deducted from capital upon exercise.

Comprehensive Income (Loss): Comprehensive income (loss), which represents the change in equity from non-owner sources, consists of net income (losses), changes in currency translation adjustments and the change in net unrealized gains (losses) on marketable securities classified as available for sale. Comprehensive income (loss) is presented in the Consolidated Statements of Stockholders' Equity.

Capitalized Software Costs: Capitalized software costs are capitalized in accordance with Statement of Position No. 98-1, Accounting for the Costs of Computer Software Developed and Obtained for Internal Use, are included in other assets and are amortized over their estimated useful life of three years from the date the systems are ready for their intended use.

New Accounting Principles: In December 2004 the FASB, issued SFAS No. 123R, "Share-Based Payment", or SFAS 123R. SFAS 123R requires compensation cost relating to share-based payment transactions be recognized in financial statements based on the fair value of the equity or liability instruments issued. SFAS 123R covers a wide range of share-based compensation arrangements including stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee stock purchase plans. SFAS 123R replaces SFAS 123, and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, SFAS 123 permitted entities to continue to apply the guidance in APB Opinion No. 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. The Company will be required to adopt the provisions of SFAS 123R in the first quarter of fiscal year 2006. Management is currently evaluating the requirements of SFAS 123R. The adoption of SFAS 123R is expected to have a material effect on our consolidated financial statements as noted elsewhere in this footnote. However, the calculation of compensation cost for share-based payment transactions after the effective date of SFAS 123R may be different from the calculation of compensation cost under SFAS 123.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs –An Amendment of ARB No. 43. This Statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). The new rule requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling costs be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. Additionally, SFAS 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005. The Company is currently evaluating the potential impact of this pronouncement on its financial position and results of operations.

EITF Issue No. 03-01, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," or EITF 03-01, was issued in February 2004. The provisions of EITF 03-01 for measuring and recognizing an other-than-temporary impairment proved controversial and as a result, FASB Staff Position ("FSP") FSP FAS 115-1 and FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," was issued in November 2005, clarifying the requirements of EITF 03-01 concerning the evaluation of whether an impairment is other-than-temporary. FSP FAS 115-1 and FAS 124-1 refers to SEC Staff Accounting Bulletin ("SAB") Topic 5M, "Other Than Temporary Impairment of Certain Investments In Debt And Equity Securities," and EITF Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interest in Securitized Financial Assets," to evaluate whether an impairment is other than temporary. We are in compliance with these requirements and continue to monitor these developments to assess the possible impact on our financial position and results of operations.

2. Acquisitions and Dispositions

Penn T Limited: On October 21, 2004, the Company, through an indirect wholly-owned subsidiary, acquired all of the outstanding shares of Penn T Limited, or Penn T, a worldwide supplier of THALOMID®, from a consortium of private investors for a US dollar equivalency of approximately $117.0 million in cash, net of cash acquired and including working capital adjustments and transaction costs paid during the first quarter of 2005. Penn T was subsequently renamed Celgene UK Manufacturing II, Limited, or CUK II. The results of CUK II after October 21, 2004 are included in the consolidated financial statements.

The purchase price allocation resulted in the following amounts being allocated to the assets received and liabilities assumed based upon their respective fair values.

Current assets, net of cash acquired	$ 16,855
Intangible assets	99,841
Goodwill	35,465
Assets acquired	152,161
Current liabilities	1,983
Deferred taxes	33,144
Liabilities assumed	35,127
Net assets acquired	$117,034

Prior to the acquisition, Celgene and Penn T were parties to a manufacturing agreement pursuant to which Penn T manufactured THALOMID® for Celgene. Through a manufacturing agreement entered into with a third party in connection with the acquisition, the Company is able to control manufacturing for THALOMID® worldwide and increases its participation in the potential growth of THALOMID® opportunities in key international markets. This acquisition was accounted for using the purchase method of accounting for business combinations.

The intangible assets consist principally of a product supply agreement that is being amortized over its useful life, which is 13 years. The resulting goodwill and intangible asset have been assigned to the Company's Human Pharmaceuticals operating segment.

The following unaudited pro forma information presents a summary of consolidated results of operations for the year ended December 31, 2004 as if the acquisition of Penn T had occurred on January 1, 2004, adjusted to reflect the February 17, 2006 two-for-one stock split. The unaudited pro forma results of operations is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred if the transaction had been consummated at the date indicated, nor is it necessarily indicative of future operating results of the combined companies and should not be construed as representative of these amounts for any future dates or periods.

Pro forma *(unaudited)*	2004
Total revenues	$394,097
Net income	56,661
Net income per diluted share	$ 0.16

The unaudited pro forma information includes an adjustment to reflect the amortization of intangible assets resulting from the acquisition.

Disposition of Chiral Intermediates Business: In January 1998, the Company completed the sale of its chiral intermediate business to Cambrex Corporation. The Company received $7.5 million upon the closing of the transaction and is entitled to future royalties, with a present value not exceeding $7.5 million and certain minimum royalty payments due in 2000 through 2003. Included in the transaction were the rights to Celgene's enzymatic technology for the production of chirally pure intermediates for the pharmaceutical industry, including the pipeline of third party products and the equipment and personnel associated with the business. Pursuant to the minimum royalty provision of the agreement, the Company received approximately $0.8 million during 2003. The chiral intermediates business is presented as a discontinued operation in the consolidated financial statements.

3. Earnings Per Share (EPS)

	2005	2004	2003
Income available to common stockholders:			
Income from continuing operations	**$63,656**	$52,756	$24,943
Discontinued Operations - gain on sale of chiral assets	**—**	—	750
Net income	**63,656**	52,756	25,693
Interest expense on convertible debt, net of tax	**5,571**	—	—
Net income available to common stockholders	**$69,227**	$52,756	$25,693
Weighted average number of common shares outstanding:			
Basic:	**335,512**	327,738	323,548
Effect of dilutive securities:			
Options	**21,204**	17,062	17,480
Warrants	**353**	436	372
Restricted shares and other long-term incentives	**494**	474	192
Convertible debt	**33,022**	—	—
Diluted:	**390,585**	345,710	341,592
Earnings Per Share:			
Income from continuing operations			
Basic	**$ 0.19**	$ 0.16	$ 0.08
Diluted	**$ 0.18**	$ 0.15	$ 0.07
Discontinued operations			
Basic	**$ —**	$ —	$ —
Diluted	**$ —**	$ —	$ 0.01
Net income			
Basic	**$ 0.19**	$ 0.16	$ 0.08
Diluted	**$ 0.18**	$ 0.15	$ 0.08

The potential common shares related to the convertible notes issued June 3, 2003 (see Note 9) were anti-dilutive and were excluded from the diluted earnings per share computation for the years 2004 and 2003. The total number of potential common shares excluded from the diluted earnings per share computation because their inclusion would have been anti-dilutive was 10,224, 41,686,756 and 42,257,440 shares in 2005, 2004 and 2003, respectively. Share and per share amounts have been adjusted to reflect the February 17, 2006 two-for-one stock split.

4. Marketable Securities Available for Sale

The amortized cost, gross unrealized holding gains, gross unrealized holding losses and estimated fair value of available-for-sale securities by major security type and class of security at December 31, 2005 and 2004 was as follows:

December 31, 2005	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Mortgage-backed obligations	**$118,222**	**$ 366**	**$(1,459)**	**$117,129**
Government agency bonds and notes	**95,961**	**39**	**(2,373)**	**93,627**
Corporate debt securities	**128,292**	**192**	**(5,338)**	**123,146**
Auction rate notes	**232,575**	**—**	**—**	**232,575**
Marketable equity securities	**20,212**	**14,255**	**—**	**34,467**
	$595,262	**$14,852**	**$(9,170)**	**$600,944**

December 31, 2004	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Mortgage-backed obligations	$166,959	$ 1,107	$ (904)	$167,162
Government agency bonds and notes	798	—	(7)	791
Corporate debt securities	147,864	2,723	(650)	149,937
Auction rate notes	213,550	—	—	213,550
Marketable equity securities	20,212	61,658	—	81,870
	$549,383	$65,488	$(1,561)	$613,310

The fair value of available-for-sale securities with unrealized losses at December 31, 2005 was as follows:

	Less than 12 months		12 months or longer		Total	
December 31, 2005	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
Mortgage-backed obligations	$ 26,211	$ 218	$46,699	$1,241	$ 72,910	$1,459
Government agency bonds and notes	78,469	2,364	236	9	78,705	2,373
Corporate debt securities	100,875	4,633	14,295	705	115,170	5,338
	$205,555	$7,215	$61,230	$1,955	$266,785	$9,170

Government agency bonds and notes include U.S. Treasury and U.S. government agency obligations. Unrealized losses for mortgage-backed obligations and government agency bonds and notes were primarily due to increases in interest rates. Unrealized losses for corporate debt securities were primarily due to increases in interest rates as well as downgrades by corporate bond rating agencies. Celgene has more then sufficient liquidity and the intent to hold these securities until the market value recovers. Moreover, the Company does not believe it is probable that it will be unable to collect all amounts due according to the contractual terms of the individual investments.

Duration of debt securities classified as available-for-sale were as follows at December 31, 2005:

	Amortized Cost	Fair Value
Duration of one year or less	$273,007	$272,857
Duration of one through three years	76,632	75,714
Duration of three through five years	219,569	213,070
Duration of five through seven years	2,985	1,980
Duration greater than seven years	2,857	2,856
	$575,050	$566,477

5. Inventory

Inventory at December 31, 2005 and 2004 consisted of the following:

	2005	2004
Raw materials	**$ 5,044**	$ 4,081
Work in process	**1,644**	4,356
Finished goods	**13,554**	15,967
	$20,242	$24,404

6. Plant and Equipment

Plant and equipment at December 31, 2005 and 2004 consisted of the following:

	2005	2004
Land	**$17,836**	$14,700
Buildings	**12,509**	10,658
Building and operating equipment	**2,618**	—
Leasehold improvements	**8,741**	14,355
Machinery and equipment	**27,603**	22,955
Furniture and fixtures	**6,751**	3,865
Computer equipment and software	**22,370**	11,989
Construction in progress	**7,103**	63
	105,531	78,585
Less: accumulated depreciation and amortization	**28,054**	24,847
	$77,477	$53,738

7. Investment in Affiliated Company

On March 31, 2005, the Company exercised warrants to purchase 7,000,000 shares of EntreMed, Inc. common stock at an aggregate cost of $10.5 million. The fair value of the warrants at the time of exercise was estimated to be approximately $12.9 million. As a result, the total value ascribed to the Company's investment was $23.4 million. Since the Company also holds 3,350,000 shares of EntreMed voting preferred shares that are convertible into 16,750,000 shares of common stock, the Company determined that it has significant influence over its investee and is applying the equity method of accounting to its common stock investment effective March 31, 2005. At March 31, 2005, the residual investment, after taking a charge of approximately $4.4 million to write down the portion of the investment ascribed to in-process research and development (the charge was included in equity losses of affiliated company), exceeded the Company's proportionate share of the EntreMed net assets by approximately $13.4 million and consisted of goodwill and intangibles of approximately $12.6 million and $0.8 million, respectively. As prescribed under the equity method of accounting, the Company began recording its share of EntreMed gains and losses based on the Company's common stock ownership percentage subsequent to that date. The investment in EntreMed had a carrying value of approximately $17.0 million at December 31, 2005, which exceeds estimated fair value of the Company's common stock investment by approximately $3.4 million based on the closing share price of EntreMed common stock on December 31, 2005. The Company deems this decline below carrying value to be temporary. Financial results of the EntreMed equity method investment are included in the human pharmaceuticals segment.

A summary of EntreMed's financial information follows:

	December 31, 2005 *(Unaudited)*
Current assets	$35,326
Noncurrent assets	1,106
Total assets	$36,432
Current liabilities	$ 6,649
Noncurrent liabilities	230
Minority interest	17
Total equity	29,536
Total liabilities and equity	$36,432
	(Audited)
Interest in EntreMed equity[1]	$ 4,025
Excess of investment over share of EntreMed equity	12,992
Total investment	$17,017

	Nine-Month Period Ended December 31, 2005 *(Unaudited)*
Total revenues	$ 5,893
Operating loss	11,648
Net loss	10,792
	(Audited)
Celgene share of EntreMed, Inc. losses[1]	$ 1,617
Amortization of intangibles	236
Write-off of in-process research and development	4,383
Elimination of inter-company transaction	687
Equity in losses of affiliated company	$ 6,923

[1] *The Company records its share of losses based on its common stock ownership of approximately 14% at December 31, 2005.*

On February 2, 2006 the Company, along with a group of investors, entered into an agreement to invest $30.0 million in EntreMed in return for newly issued EntreMed common stock and warrants to purchase additional shares of EntreMed common stock at a conversion price of $2.3125 per warrant. The Company's portion of the investment was $2.0 million for which it received 864,864 shares of EntreMed common stock and 432,432 warrants. The warrants will be accounted for at fair value with changes in fair value recorded through earnings.

8. Other Financial Information

Accrued expenses at December 31, 2005 and 2004 consisted of the following:

	2005	2004
Professional and consulting fees	**$ 3,906**	$ 2,026
Accrued compensation	**22,087**	15,783
Accrued interest, royalties and license fees	**18,181**	12,840
Accrued sales returns	**5,017**	9,595
Accrued rebates and chargebacks	**27,763**	9,255
Accrued acquisition related costs	**—**	8,010
Accrued clinical trial costs	**10,866**	7,440
Accrued insurance and taxes	**2,256**	1,882
Other	**2,832**	1,703
	$92,908	$68,534

Other assets at December 31, 2005 and 2004 consisted of the following:

	2005	2004
Long-term investments	**$ 7,000**	$ 7,000
Long-term deposits	**1,754**	1,495
Debt issuance costs	**5,904**	8,347
EntreMed Inc. warrants	**—**	19,768
Other	**2,585**	2,239
	$17,243	$38,849

On March 31, 2005, the Company exercised the EntreMed Inc. warrants to purchase 7,000,000 shares of EntreMed common stock and has applied the equity method of accounting to its common stock investment in EntreMed subsequent to that date. Interest and other income, net included unrealized losses of $6.9 million and $1.9 million related to EntreMed warrants for the years ended December 31, 2005 and 2004, respectively.

9. Convertible Debt

In June 2003, the Company issued an aggregate principal amount of $400.0 million of unsecured convertible notes. The notes have a five-year term and a coupon rate of 1.75% payable semi-annually on June 1 and December 1. Each $1,000 principal amount of convertible notes is convertible into 82.5592 shares of common stock as adjusted, or a conversion rate of $12.1125 per share, which represented a 50% premium to the closing price on May 28, 2003 of the Company's common stock of $8.075, after adjusting prices for the two-for-one stock splits affected on February 17, 2006 and October 22, 2004. The debt issuance costs related to these convertible notes, which totaled approximately $12.2 million, are classified under "Other Assets" on the consolidated balance sheet and are being amortized over five years, assuming no conversion. Under the terms of the purchase agreement, the noteholders can convert the outstanding notes at any time into 33,022,360 shares of common stock at the conversion price. In addition, the noteholders have the right to require the Company to redeem the notes in cash at a price equal to 100% of the principal amount to be redeemed, plus accrued interest, prior to maturity in the event of a change of control and certain other transactions defined as a "fundamental change", within the agreement. The Company registered the notes and common stock issuable upon conversion of the notes with the Securities and Exchange Commission, and is required to use reasonable best efforts to keep the related registration statement effective for the defined period. During the year ended December 31, 2005, an immaterial amount of principal was converted into common stock.

At December 31, 2005 and 2004, the fair value of the Company's convertible notes exceeded the carrying value of $400.0 million by approximately $660.0 million and $117.0 million respectively.

10. Goodwill and Intangible Assets

Intangible Assets: At December 31, 2005, the Company's intangible assets primarily related to the October 21, 2004 acquisition of Penn T and are being amortized over their estimated useful lives. In December 2005, the Company recognized a $4.3 million intangible for a licensing agreement with Children's Medical Center Corporation, or CMCC, which is being amortized over the patent life of the related product. Intangible asset balances related to the acquisition of Anthrogenesis Corp. were eliminated during the first quarter of 2005 as prescribed by SFAS 109 "Accounting for Income Taxes" due to reversal of the valuation allowance for deferred tax assets recorded at time of acquisition. The gross carrying value and accumulated amortization by major intangible asset class at December 31, 2005 and 2004 were as follows:

	2005				
	Gross Carrying Value	Accumulated Amortization	Cumulative Translation Adjustment	Intangible Assets, Net	Weighted Average Life (Years)
Penn T supply agreements	**$ 99,841**	**$(2,787)**	**$(4,435)**	**$92,619**	**12.9**
License	**4,250**	**—**	**—**	**4,250**	**13.8**
Technology	**122**	**(3)**	**—**	**119**	**12.0**
Total	**$104,213**	**$(2,790)**	**$(4,435)**	**$96,988**	**13.0**

	2004				
	Gross Carrying Value	Accumulated Amortization	Cumulative Translation Adjustment	Intangible Assets, Net	Weighted Average Life (Years)
Penn T acquisition:					
Supply agreements	$ 99,841	$ (75)	$6,802	$106,568	12.9
Anthrogenesis acquisition:					
Supplier relationships	710	(284)	—	426	5.0
Customer lists	1,700	(227)	—	1,473	15.0
Technology	609	(121)	—	488	10.0
Total	$102,860	$(707)	$6,802	$108,955	12.9

Amortization of acquired intangible assets was approximately $2.1 million and $0.4 million for the years ended December 31, 2005 and 2004, respectively. Assuming no changes in the gross carrying amount of intangible assets, the amortization of intangible assets for the next five fiscal years is estimated to be approximately $8.5 million for 2006 and $8.1 million for each of the years 2007 through 2010.

Goodwill: At December 31, 2005, the Company's recorded goodwill related to the acquisition of Penn T on October 21, 2004 and has been allocated to the Company's human pharmaceuticals segment. Goodwill related to the acquisition of Anthrogenesis Corp. was eliminated during the first quarter of 2005 as prescribed by SFAS 109, "Accounting for Income Taxes," due to reversal of the valuation allowance for deferred tax assets that had been recorded at time of acquisition. The changes in the carrying value of goodwill are summarized as follows:

	Human Pharmaceuticals	Stem Cell Therapy	Total
Balance, December 31, 2003	$ —	$3,490	$ 3,490
Proceeds from sale of net operating loss tax benefit	—	(484)	(484)
Penn T acquisition	35,812	—	35,812
Foreign currency translation	2,440	—	2,440
Balance, December 31, 2004	$38,252	$3,006	$41,258
Reversal of deferred tax asset valuations	**—**	**(3,006)**	**(3,006)**
Purchase accounting adjustments	**(347)**	**—**	**(347)**
Foreign currency translation	**(4,090)**	**—**	**(4,090)**
Balance, December 31, 2005	**$33,815**	**$ —**	**$33,815**

11. Related Party Transactions

EntreMed earns royalty income relating to THALOMID®. As prescribed under the equity method of accounting, the Company eliminates its share of EntreMed's royalty income.

In March 2005, the Company licensed to EntreMed rights to develop and commercialize its tubulin inhibitor compounds. Under the terms of the agreement, Celgene received an up-front license payment of $1.0 million and is entitled to additional payments upon successful completion of certain clinical, regulatory and sales milestones. Under the agreement, EntreMed will provide all resources needed to conduct clinical research and regulatory activities associated with seeking marketing approvals of the tubulin inhibitors for oncology applications.

12. Stockholders' Equity

Preferred Stock: The Board of Directors is authorized to issue, at any time, without further stockholder approval, up to 5,000,000 shares of preferred stock, and to determine the price, rights, privileges, and preferences of such shares.

Common Stock: On December 27, 2005, the Company announced a two-for-one stock split payable in the form of a 100 percent stock dividend to shareholders of record on February 17, 2006. On February 16, 2006, the Company's shareholders approved an increase in the number of authorized common shares of stock from 275,000,000 to 575,000,000 with a par value of $.01 per share, of which 342,171,876 shares were outstanding at December 31, 2005.

Treasury Stock: During 2005, certain employees exercised certain stock options containing a reload feature and, pursuant to our stock option plan, tendered 1,831,054 mature shares related to stock option exercises. Such tendered shares are reflected as treasury stock. At December 31, 2005, treasury shares totaled 1,953,282.

A summary of changes in common stock issued and treasury stock is presented below:

Balance December 31,	Common Stock	Common Stock in Treasury
2002	80,176,713	—
Exercise of stock options and warrants	1,105,074	—
Issuance of common stock for employee benefit plans	129,268	—
2003	81,411,055	—
Exercise of stock options and warrants	1,300,297	—
Issuance of common stock for employee benefit plans	98,215	—
Treasury stock – mature shares tendered related to option exercises	—	(5,282)
Issuance of common stock related to 2:1 stock split	82,269,631	(5,282)
2004	165,079,198	(10,564)
Exercise of stock options and warrants	**6,850,375**	**—**
Issuance of common stock for employee benefit plans	**132,346**	**—**
Treasury stock – mature shares tendered related to option exercises	**—**	**(966,077)**
Conversion of long-term convertible notes	**660**	**—**
Issuance of common stock related to 2:1 stock split	**172,062,579**	**(976,641)**
2005	**344,125,158**	**(1,953,282)**

Rights Plan: During 1996, the Company adopted a shareholder rights plan, or Rights Plan. The Rights Plan involves the distribution of one Right as a dividend on each outstanding share of the Company's common stock to each holder of record on September 26, 1996. Each Right shall entitle the holder to purchase one-tenth of a share of common stock. The Rights trade in tandem with the common stock until, and are exercisable upon, certain triggering events, and the exercise price is based on the estimated long-term value of the Company's common stock. In certain circumstances, the Rights Plan permits the holders to purchase shares of the Company's common stock at a discounted rate. The Company's Board of Directors retains the right at all times prior to acquisition of 15% of the Company's voting common stock by an acquirer, to discontinue the Rights Plan through the redemption of all rights or to amend the Rights Plan in any respect. The Rights Plan, as amended on February 17, 2000, increased the exercise price per Right from $100.00 to $700.00 and extended the final expiration date of the Rights Plan to February 17, 2010. On August 13, 2003, the Rights Plan was further amended to permit a qualified institutional investor to beneficially own up to 17% of the Company's common stock outstanding without being deemed an "acquiring person," if such institutional investor meets certain requirements.

13. Stock-Based Compensation

Stock Options and Restricted Stock Awards: The Company has one shareholder approved equity incentive plan, or the Incentive Plan, that provides for the granting of options, restricted stock awards, stock appreciation rights, performance awards and other stock-based awards to employees and officers of the Company to purchase not more than an aggregate of 69,700,000 shares of common stock under the 1998 plan, as amended, subject to adjustment under certain circumstances. The Management Compensation and Development Committee of the Board of Directors, or the Compensation Committee, determines the type, amount and terms, including vesting, of any awards made under the Incentive Plans. The 1998 Plan will terminate in 2008.

With respect to options granted under the Incentive Plan, the exercise price may not be less than the market price of the common stock on the date of grant. In general, options granted under the Incentive Plan vest over periods ranging from immediate vesting to four-year vesting and expire ten years from the date of grant, subject to earlier expiration in case of termination of employment. The vesting period for options and restricted stock awards granted under the Plans is subject to certain acceleration provisions if a change in control, as defined in the Plans, occurs.

As a result of the acquisition of Anthrogenesis, the Company assumed the former Anthrogenesis Qualified Employee Incentive Stock Option Plan and the Anthrogenesis Non-Qualified Recruiting and Retention Stock Option Plan. Options granted under the Anthrogenesis plans prior to Celgene's acquisition of Anthrogenesis generally vested immediately and expire ten years from the date of grant. The Anthrogenesis options converted into Celgene options at an exchange ratio of 0.4545 on a pre-October 2004 and February 2006 stock split basis. No future awards will be granted under the Non-Qualified Plan. The Qualified Plan authorizes the award of incentive stock options, which are stock options that qualify for special federal income tax treatment. The exercise price of any stock options granted under the Qualified Plan may not be less than the fair value of the common stock on the date of grant. In general, options granted under the Qualified Plan vest evenly over a four-year period and expire ten years from the date of grant, subject to earlier expiration in case of termination of employment. The vesting period is subject to certain acceleration provisions if a change in control occurs. No award will be granted under the Qualified Plan on or after December 31, 2008.

Stock options granted to executives at the vice-president level and above, after September 18, 2000, contain a reload feature which provides that if (1) the optionee exercises all or any portion of the stock option (a) at least six months prior to the expiration of the stock option, (b) while employed by the Company and (c) prior to the expiration date of the 1998 Incentive Plan and (2) the optionee pays the exercise price for the portion of the stock option exercised or pays applicable withholding taxes by using common stock owned by the optionee for at least six months prior to the date of exercise, the optionee shall be granted a new stock option under the 1998 Incentive Plan on the date all or any portion of the stock option is exercised to purchase the number of shares of common stock equal to the number of shares of common stock exchanged by the optionee to exercise the stock option or to pay withholding taxes thereon. The reload stock option will be exercisable on the same terms and conditions as apply to the original stock option except that (x) the reload stock option will become exercisable in full on the day which is six months after the date the original stock option is exercised, (y) the exercise price shall be the fair value (as defined in the 1998 Incentive Plan) of the common stock on the date the reload stock option is granted and (z) the expiration of the reload stock option will be the date of expiration of the original stock option. An optionee may not reload the reload stock option unless otherwise permitted by the Compensation Committee. As of December 31, 2005, the Company has issued 10,876,300 stock options to executives that contain the reload features noted above, of which 6,232,004 are still outstanding.

In June 1995, the stockholders of the Company approved the 1995 Non-Employee Directors' Incentive Plan, which, as amended, provides for the granting of non-qualified stock options to purchase an aggregate of not more than 4,100,000 shares of common stock (subject to adjustment under certain circumstances) to directors of the Company who are not officers or employees of the Company, or Non-Employee Directors. Each new Non-Employee Director, upon the date of election or appointment, receives an option to purchase 20,000 shares of common stock, which vest in four equal annual installments commencing on the first anniversary of the date of grant. Additionally, upon the date of each annual meeting of stockholders, each continuing Non-Employee Director receives an option to purchase 10,000 shares of common stock (or a pro rata portion thereof for service less than one year), which vest in full on the date of the first annual meeting of stockholders held following the date of grant. As amended in 2003, continuing Non-Employee Directors receive quarterly grants of 3,750 options aggregating 15,000 options annually, instead of receiving one annual grant of 15,000 options and vesting occurs one year from the date of grant instead of on the date of the first annual meeting of stockholders held following the date of grant. The 1995 Non-Employee Directors' Incentive Plan also provides for a discretionary grant upon the date of each annual meeting of an additional option to purchase up to 5,000 shares to a Non-employee Director who serves as a member (but not a chairman) of a committee of the Board of Directors and up to 10,000 shares to a Non-employee Director who serves as the chairman of a committee of the Board of Directors. All options are granted at an exercise price that equals the fair value of the Company's common stock at the grant date and expire ten years after the date of grant. This plan terminates on June 30, 2015. In December 2005, in recognition of the significance of the REVLIMID® regulatory approval, continuing Non-Employee Directors received the 2006 annual stock option award of 15,000 shares, which were granted at an exercise price equal to the fair value of the Company's common stock on December 29, 2005 and vest pursuant to the standard terms of the plan.

In June 2005, the stockholders of the Company approved amendments to the 1998 Stock Incentive Plan, or the 1998 Plan, and the 1995 Non-Employee Directors' Incentive Plan, or the 1995 Plan, to among other things, increase, on a pre-split basis, the number of shares of common stock that may be subject to awards from 25,000,000 to 31,000,000 for the 1998 Plan and from 3,600,000 to 3,850,000 for the 1995 Plan.

The following table summarizes the stock option activity for the aforementioned Plans:

Balance December 31,	Shares available for grant	Options outstanding: Shares	Options outstanding: Weighted average exercise price per share
2002	1,160,723	10,829,432	$21.37
Authorized	4,000,000	—	—
Expired	(308,857)	—	—
Granted	(2,424,027)	2,424,027	36.60
Exercised	—	(1,041,618)	10.69
Cancelled	172,826	(200,092)	26.78
2003	2,600,665	12,011,749	$25.28
Stock split impact	2,600,665	11,324,297	—
Granted	(4,073,768)	4,073,768	27.36
Exercised	—	(1,300,297)	7.99
Cancelled	793,837	(844,799)	19.27
2004	1,921,399	25,264,718	$15.15
Authorized	**6,250,000**	**—**	**—**
Granted	**(7,302,665)**	**7,302,665**	**54.32**
Exercised	**—**	**(6,840,682)**	**11.16**
Cancelled	**405,262**	**(429,512)**	**23.72**
Stock split impact	**1,273,996**	**25,297,189**	**—**
2005	**2,547,992**	**50,594,378**	**$13.70**

The following table summarizes information concerning options outstanding under the Incentive Plans at December 31, 2005:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number outstanding	Weighted average exercise price	Weighted average remaining term (yrs.)	Number exercisable	Weighted average exercise price
$ 0.04 – 5.00	9,773,502	$ 2.15	4.0	9,753,502	$ 2.15
5.01 – 10.00	12,174,984	6.88	5.8	12,134,434	6.92
10.01 – 15.00	11,177,106	12.65	7.9	10,950,572	12.91
15.01 – 20.00	6,086,396	16.52	7.2	5,694,516	17.65
20.01 – 30.00	4,982,196	25.10	8.5	4,739,246	26.38
30.01 – 35.67	6,400,194	34.62	9.9	6,188,194	35.81
	50,594,378	$13.70	6.9	49,460,464	$14.02

In December 2005, in recognition of the significance of the REVLIMID® regulatory approval, the Board of Directors approved a resolution to grant the 2006 annual stock option awards in 2005. All stock options awarded were granted fully vested. Half of the options granted had an exercise price, or strike price, of $34.05 per option, which was at a 5% premium to the split-adjusted closing price of the Company's common stock of $32.43 on the grant date of December 29, 2005, the remaining options granted had a strike price of $35.67 per option, which was at a 10% premium to the split-adjusted closing price of the Company's common stock of $32.43 on the grant date of December 29, 2005. The Board's decision to grant these options was in recognition of the REVLIMID® regulatory approval and in response to a review of the Company's long-term incentive compensation programs in light of changes in market practices and recently issued changes in accounting rules resulting from the issuance of SFAS 123R, which the Company is required to adopt effective in the first quarter of 2006. In addition, the Company granted certain options to key-employees at exercise prices equal to the market price of the Company's common stock on the date of grant that also vested immediately. Management believes that granting fully vested options prior to the adoption of SFAS 123R will result in the Company not being required to recognize cumulative compensation expense of approximately $76.0 million for the four-year period ending December 31, 2009.

During 2001, the Company issued to certain employees an aggregate of 210,000 restricted stock awards of which 120,000 are still outstanding. Such restricted stock awards will vest on September 19, 2006, unless certain conditions that would trigger accelerated vesting are otherwise met prior to such date. The fair value of these restricted stock awards at the grant date was $0.8 million, which is being amortized as compensation expense over the contractual vesting period and classified in selling, general and administrative expenses. The Company recorded a $0.2 million credit to compensation expense for the year ended December 31, 2005 due to cancellation of 90,000 restricted stock awards during the year. The Company recorded compensation expense of $0.3 million for the years ended December 31, 2004 and 2003, respectively.

Warrants: In connection with its acquisition of Anthrogenesis, the Company assumed the Anthrogenesis warrants outstanding, which were converted into warrants to purchase 867,356 shares of the Company's common stock. Anthrogenesis had issued warrants to investors at exercise prices equivalent to the per share price of their investment. As of December 31, 2005, Celgene had 404,696 warrants outstanding to acquire an equivalent number of shares of Celgene common stock at a weighted average exercise price of $2.95 per warrant. These warrants expire on various dates from 2008 to 2012.

14. Employee Benefit Plans

The Company sponsors an investment savings plan, which qualifies under Section 401(k) of the Internal Revenue Code, as amended. The Company's contributions to the savings plan are discretionary and have historically been made in the form of the Company's common stock. Such contributions are based on specified percentages of employee contributions and aggregated a total expense charged to operations of $6.5 million in 2005, $3.5 million in 2004 and $4.2 million in 2003.

During 2000, the Company's Board of Directors approved a deferred compensation plan effective September 1, 2000. In February, 2005, the Company's Board of Directors adopted the Celgene Corporation 2005 Deferred Compensation Plan, effective as of January 1, 2005, which operates as the Company's ongoing deferred compensation plan and which is intended to comply with the American Jobs Creation Act of 2004, which added new Section 409A to the Internal Revenue Code, changing the income tax treatment, design and administration of certain plans that provide for the deferral of compensation. The Company's Board of Directors also froze the 2000 deferred compensation plan, effective as of December 31, 2004, so that no additional contributions or deferrals can be made to that plan. Accrued benefits under the frozen plan will continue to be governed by the terms under the tax laws in effect prior to the enactment of Section 409A. Eligible participants, which include certain top-level executives of the Company as specified by the plan, can elect to defer up to 25% of the participant's base salary, 100% of cash bonuses and restricted stock and stock options gains (both subject to a minimum deferral of 50% of each award of restricted stock or stock option gain approved by the Compensation Committee for deferral). Company contributions to the deferred compensation plan represent a 100% match of the participant's deferral up to a specified percentage (ranging from 10% to 25%, depending on the employee's position as specified in the plan) of the participant's base salary. The Company recorded expense of $0.4 million, $0.8 million and $0.6 million associated with the matching of the deferral of compensation in 2005, 2004 and 2003, respectively. All amounts are 100% vested at all times, except with respect to restricted stock, which will not be vested until the date the applicable restrictions lapse. At December 31, 2005 and 2004, the Company had a deferred compensation liability included in other non-current liabilities in the consolidated balance sheets of approximately $11.2 million and $8.8 million, respectively, which included the participant's elected deferral of salaries and bonuses, the Company's matching contribution and earnings on deferred amounts as of that date. The plan provides various alternatives for the measurement of earnings on the amounts participants defer under the plan. The measuring alternatives are based on returns of a variety of funds that offer plan participants the option to spread their risk across a diverse group of investments.

In 2003, the Company adopted a Long-Term Incentive Plan, or LTIP designed to provide key officers and executives with performance based incentive opportunities contingent upon achievement of pre-established corporate performance objectives, and payable only if employed at the end of the performance cycle. The 2003 performance cycle began on May 1, 2003 and ended on December 31, 2005, or the 2005 Plan. The 2004 performance cycle began on January 1, 2004 and will end on December 31, 2006, or the 2006 Plan and the 2005 performance cycle began on January 1, 2005 and will end on December 31, 2007, or the 2007 Plan. The 2006 performance cycle was approved by the Management Compensation and Development Committee of the Board of Directors on January 19, 2006 and began on January 1, 2006 and will end on December 31, 2008, or the 2008 Plan. Performance measures for the Plans are based on the following components: 25% on earnings per share, 25% on net income and 50% on revenue.

Payouts may be in the range of 0% to 200% of the participant's salary for the 2005, 2007 and 2008 Plans and 0% to 150% of the participant's salary for the 2006 Plan. The estimated payout for the 2005 Plan is $4.5 million and the maximum potential payout, assuming objectives are achieved at the 150% level for the 2006 Plan and at the 200% level for the 2007 and 2008 Plans are $4.5 million, $6.8 million and $7.2 million for the 2006 Plan, 2007 Plan and 2008 Plan, respectively. Such awards are payable in cash or, at its discretion, the Company can elect to pay the same value in its common stock based upon the Company's common stock fair value at the payout date. The Company accrues the long-term incentive liability over each three-year cycle. Prior to the end of a three-year cycle, the accrual is based on an estimate of the Company's level of achievement during the cycle. Upon a change in control, participants will be entitled to an immediate payment equal to their target award, or, if higher, an award based on actual performance through the date of the change in control. For the years ended December 31, 2005, 2004 and 2003, the Company recognized expense related to LTIP of $4.4 million, $3.4 million and $0.5 million, respectively.

15. Accumulated Comprehensive Income

Other Accumulated Comprehensive Income at December 31, 2005 and 2004 consisted of the following:

	2005	2004
Net unrealized gains on marketable securities, net of tax	**$4,833**	$63,926
Currency translation adjustment	**(4,745)**	4,676
	$ 88	$68,602

16. Sponsored Research, License and Other Agreements

Pharmion: In November 2001, we licensed to Pharmion Corporation exclusive rights relating to the development and commercial use of our intellectual property covering thalidomide and S.T.E.P.S®. Under the terms of the agreement, we receive a royalty of 8% of Pharmion's net thalidomide sales in countries where Pharmion has received regulatory approval and a S.T.E.P.S® license fee of 8% in all other licensed territories. Separately in December 2004, following our acquisition of Penn T Limited, our wholly-owned subsidiary Celgene UK Manufacturing II Limited, or CUK II, (formerly known as "Penn T Limited") entered into an amended thalidomide supply agreement with Pharmion whereby in exchange for a reduction in Pharmion's purchase price of thalidomide to 15.5% of its net sales of thalidomide, we received a one-time payment of $77.0 million. Under the December 2004 agreement, we also received a one-time payment of $3.0 million in return for granting license rights to Pharmion to develop and market thalidomide in additional territories and eliminating certain of our license termination rights. Under the agreements, as amended, the territory licensed to Pharmion is for all countries other than the United States, Canada, Mexico, Japan and all provinces of China other than Hong Kong. The agreements with Pharmion terminate upon the ten-year anniversary following receipt of the first regulatory approval for thalidomide in the United Kingdom.

To support the further clinical development of thalidomide, Pharmion has also provided research funding under various agreements of approximately $10.7 million through December 31, 2005 and is required to fund an additional $2.7 million in each of 2006 and 2007.

At December 31, 2005 and 2004, we held 1,939,600 shares of Pharmion common stock received in connection with the conversion of a five-year Senior Convertible Promissory Note purchased in April 2003 under a Securities Purchase Agreement with Pharmion and the exercise of warrants received in connection with the November 2001 thalidomide license and April 2003 Securities Purchase Agreement.

Novartis Pharma AG: In April 2000, we entered into an agreement with Novartis in which we granted to Novartis an exclusive worldwide license (excluding Canada) to develop and market FOCALIN™ (d-methylphenidate, or d- MPH) and FOCALIN XR™, the long-acting drug formulation. We have retained the exclusive commercial rights to FOCALIN™ and FOCALIN XR™ for oncology-related disorders, such as chronic fatigue associated with chemotherapy. We also granted Novartis rights to all of our related intellectual property and patents, including new formulations of the currently marketed RITALIN®. Under the agreement, we have received upfront and regulatory achievement milestone payments totaling $55.0 million and are entitled to additional payments upon attainment of certain other milestone events. We also sell FOCALIN™ to Novartis as well as receive royalties on sales of all of Novartis' FOCALIN XR™ and RITALIN® family of ADHD-related products. The research portion of the agreement ended in June 2003.

Serono: In late 2004, the Company assumed co-exclusive rights with Serono SA to discover and develop therapeutics that modulate the NFkB pathway utilizing technology and know-how previously licensed to Serono SA. Celgene made a one-time payment of $6.0 million to Serono SA, which was recorded as research and development expense since this relates to undeveloped technology, and will make milestone and royalty payments on the sales on any resulting products. Serono SA will have reciprocal milestone payment and royalty obligations to Celgene for any products Serono SA discovers, develops and commercializes utilizing the technology and know-how.

S.T.E.P.S. License Agreements: In late 2004, the Company entered into an agreement providing manufacturers of isotretinoin (Acutane,) with a non-exclusive license to its patent portfolio directed to methods for safely delivering isotretinoin (Acutane,) in potentially high-risk patient populations in exchange for $0.5 million. The manufacturers of isotretinoin have licensed these patents with the intention of implementing a new pregnancy risk management system to safely deliver isotretinoin in potentially high-risk patient populations. The Company is entitled to future royalties under these agreements.

17. Income Taxes

The income tax provision is based on income before income taxes as follows:

	2005	2004	2003
U.S.	**$135,048**	$244,034	$25,661
Non-U.S.	**(50,836)**	(180,863)	—
Income before income taxes	**$ 84,212**	$ 63,171	$25,661

The provision/(benefit) for taxes on income from continuing operations is as follows:

	2005	2004	2003
United States:			
Taxes currently payable:			
Federal	**$11,538**	$ 6,429	$ —
State and local	**8,609**	4,067	718
Deferred income taxes	**(3,430)**	—	—
Total U.S. tax provision	**16,717**	10,496	718
International:			
Taxes currently payable	**4,926**	23,486	—
Deferred income taxes	**(1,087)**	(23,567)	—
Total international tax provision	**3,839**	(81)	—
Total provision	**$20,556**	$10,415	$718

Amounts are reflected in the preceding tables based on the location of the taxing authorities. As of December 31, 2005, we have not made a U.S. tax provision on approximately $77.6 million of unremitted earnings of our international subsidiaries. These earnings are expected to be reinvested overseas. It is not practicable to compute the estimated deferred tax liability on these earnings.

The Company operates under an incentive tax holiday in Switzerland that expires in 2015 and exempts the Company from certain Swiss income taxes.

Deferred taxes arise because of different treatment between financial statement accounting and tax accounting, known as "temporary differences." The company records the tax effect on these temporary differences as "deferred tax assets" (generally items that can be used as a tax deduction or credit in future periods) or "deferred tax liabilities" (generally items for which the company received a tax deduction but that have not yet been recorded in the consolidated statement of operations). The Company periodically evaluates the likelihood of the realization of deferred tax assets, and reduces the carrying amount of these deferred tax assets by a valuation allowance to the extent it believes a portion will not be realized. The Company considers many factors when assessing the likelihood of future realization of deferred tax assets, including its recent cumulative earnings experience by taxing jurisdiction, expectations of future taxable income, the carryforward periods available to it for tax reporting purposes, and other relevant factors. Significant judgment is required in making this assessment. At December 31, 2005, 2004 and 2003 the tax effects of temporary differences that give rise to deferred tax assets were as follows:

	2005		2004		2003	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Federal and state net operating loss carryforwards	**$ 84,161**	**$ —**	$53,477	$ —	$141,379	$ —
Prepaid/deferred items	**30,016**	**—**	29,863	—	—	—
Deferred Revenue	**19,533**	**—**	24,174	—	—	—
Capitalized research expenses	**6,861**	**—**	8,971	—	16,774	—
Research and experimentation tax credit carryforwards	**19,770**	**—**	17,431	—	9,154	—
Plant and equipment, primarily differences in depreciation	**618**	**(295)**	2,307	(295)	1,524	—
Inventory	**1,607**	**—**	1,362	(928)	—	—
Other Assets	**—**	**(7,325)**	—	(2,230)	—	—
Intangibles	**7,910**	**(27,786)**	3,182	(29,761)	5,615	—
Accrued and other expenses	**20,493**	**—**	14,590	—	6,686	—
Unrealized losses/(gains) on securities	**—**	**(848)**	—	(33,385)	4,188	(8,893)
Subtotal	**190,969**	**(36,254)**	155,357	(66,599)	185,320	(8,893)
Valuation allowance	**(10,396)**	**—**	(75,510)	—	(176,427)	—
Total Deferred Taxes	**$180,573**	**$(36,254)**	$79,847	$(66,599)	$ 8,893	$(8,893)
Net Deferred Tax Asset	**$144,319**	**$ —**	$13,248	$ —	$ —	$ —

Reconciliation of the U.S. statutory income tax rate to our effective tax rate for continuing operations is as follows:

Percentages	**2005**	2004	2003
US statutory rate	**35.0%**	35.0%	35.0%
Foreign losses without tax benefit	**27.2**	50.5	—
State taxes, net of federal benefit	**9.6**	4.3	3.3
Other	**3.2**	1.7	—
Change in valuation allowance	**(50.6)**	(75.0)	(35.5)
Effective income tax rate	**24.4%**	16.5%	2.8%

At March 31, 2005, the Company determined it was more likely than not that certain benefits of its deferred tax assets would be realized based on favorable clinical data related to REVLIMID® (Lenalidomide) during the quarter in concert with the Company's nine consecutive quarters of profitability. This led to the conclusion that it was more likely than not that the Company will generate sufficient taxable income to realize the benefits of its deferred tax assets. As a result of eliminating the related valuation allowances, the Company recorded an income tax benefit in 2005 of $42.6 million and an increase to additional paid-in capital of $30.2 million. At December 31, 2005, it was more likely than not that the Company would realize its deferred tax assets, net of valuation allowances.

At December 31, 2005, the Company had federal net operating loss carryforwards of approximately $198.0 million and combined state net operating loss carryforwards of approximately $ 218.7 million that will expire in the years 2006 through 2025. The Company also has research and experimentation credit carryforwards of approximately $19.7 million that expire in the years 2006 through 2025. Ultimate utilization/availability of such net operating losses and credits may be curtailed if a significant change in ownership occurs. Signal and Anthrogenesis experienced an ownership change, as that term is defined in section 382 of the Internal Revenue Code, when acquired by Celgene, as such, there is an annual limitation on the use of these net operating losses in the amount of approximately $11.6 million and $3.4 million, respectively. Approximately $8.1 million of deferred tax assets acquired in the Anthrogenesis acquisition at December 31, 2002 consisted primarily of net operating losses; as such there may be an annual limitation on the Company's ability to utilize the acquired net operating losses in the future.

The Company realized stock option deduction benefits in 2005, 2004, and 2003 for income tax purposes and has increased paid-in capital in the amount of approximately $103.6 million, $14.2 million, and $0.8 million, respectively.

18. Commitments and Contingencies

Leases: The Company leases office and research facilities under several operating lease agreements in the United States, Switzerland and United Kingdom. The minimum annual rents may be subject to specified annual rental increases. At December 31, 2005, the non-cancelable lease terms for the operating leases expire at various dates between 2006 and 2012 and include renewal options. In general, the Company is also required to reimburse the lessors for real estate taxes, insurance, utilities, maintenance and other operating costs associated with the leases.

The Company leases certain equipment under a capital lease arrangement. Assets held under capital leases are included in plant and equipment and the amortization of these assets is included in depreciation expense. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 2005 are:

(In millions)	Operating leases	Capital leases
2006	$3.4	$2
2007	2.9	2
2008	2.6	—
2009	2.5	—
2010	2.5	—
Thereafter	3.9	—
Total minimum lease payments	$17.8	$4
Less amount representing interest		1
Present value of net minimum capital lease payments		3
Less current installments of obligations under capital leases		1
Obligations under capital leases, excluding current installments		$2

Total facilities rental expense under operating leases was approximately $4.5 million in 2005, $4.3 million in 2004 and $3.9 million in 2003.

Contracts: In connection with the Company's acquisition of Penn T, the Company entered into a Technical Services Agreement with Penn Pharmaceutical Services Limited, or PPSL, and Penn Pharmaceutical Holding Limited pursuant to which PPSL provides the services and facilities necessary for the manufacture of THALOMID® and other thalidomide formulations. The total cost to be incurred over the five-year minimum agreement period is approximately $11.0 million. At December 31, 2005, the remaining cost to be incurred was approximately $7.8 million.

In March 2003, the Company entered into a supply and distribution agreement with GSK to distribute, promote and sell ALKERAN® (melphalan), a therapy approved by the FDA for the palliative treatment of multiple myeloma and carcinoma of the ovary. Under the terms of the agreement, the Company purchases ALKERAN® tablets and ALKERAN® for infusion from GSK and distributes the products in the United States under the Celgene label. The agreement requires the Company to purchase certain minimum quantities each year under a take-or-pay arrangement. The agreement has been extended through March 31, 2009. On December 31, 2005, the remaining minimum purchase requirements under the agreement totaled $102.0 million.

The Company signed an exclusive license agreement with CMCC, which terminated any existing thalidomide analog agreements between CMCC and EntreMed and directly granted to Celgene an exclusive worldwide license for the analog patents. Under the agreement, the Company is required to pay CMCC $2.0 million between 2005 and 2006. The outstanding balance related to this agreement was $1.0 million at December 31, 2005. Additional payments are possible under the agreement depending on the successful development and commercialization of thalidomide analogs.

In October 2003, the Company signed an agreement with Institute of Drug Technology Australia Limited, or IDT, for the manufacture of finished dosage form of THALOMID® capsules. The agreement requires minimum purchases of THALOMID® capsules of $4.7 million for the three-year term commencing with the April 2005 FDA approval of IDT as an alternate supplier. This agreement provides the Company with additional capacity and reduces its dependency on one manufacturer for the production of THALOMID®. The outstanding balance related to this agreement was $4.0 million at December 31, 2005.

Contingencies: The Company believes it maintains insurance coverage adequate for its current needs. The Company's operations are subject to environmental laws and regulations, which impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid and hazardous wastes. The Company reviews the effects of such laws and regulations on its operations and modifies its operations as appropriate. The Company believes it is in substantial compliance with all applicable environmental laws and regulations.

On August 19, 2004, the Company, together with its exclusive licensee Novartis, filed an infringement action in the United States District Court of New Jersey against Teva Pharmaceuticals USA, Inc., in response to notices of Paragraph IV certifications made by Teva in connection with the filing of an ANDA for FOCALIN™. The notification letters contend that United States Patent Nos. 5,908,850, or '850 patent, and 6,355,656, or '656 patent, were invalid. The '656 patent is currently the subject of reexamination proceedings in the United States Patent and Trademark Office. After the suit was filed, Novartis listed another patent, United States Patent No. 6,528,530, or '530 patent, in the Orange Book in association with the FOCALIN™ NDA. Neither the '656 patent nor the '530 patent is part of the patent infringement action against Teva. This case does not involve an ANDA for RITALIN LA® or FOCALIN XR™ as such an ANDA has not been filed. Recently, Teva amended its answer to contend that the '850 patent was not infringed by the filing of its ANDA, and that the '850 patent is not enforceable due to an allegation of inequitable conduct. Fact discovery expired on February 28, 2006. No trial date has been set. If successful, Teva will be permitted to sell a generic version of FOCALIN™, which could significantly reduce the Company's sales of FOCALIN™ to Novartis.

19. Segments and Related Information

The Company operates in two business segments – Human Pharmaceuticals and Stem Cell Therapies. The accounting policies of the segments are the same as described in the summary of significant accounting policies.

Human Pharmaceuticals: The Human Pharmaceutical segment is engaged in the discovery, development and commercialization of innovative therapies designed to treat cancer and immuno-inflammatory diseases through regulation of cellular, genomic and proteomic targets. The segment derives its revenues from pharmaceutical sales of REVLIMID®, THALOMID®, ALKERAN® and FOCALIN™; royalties from Novartis on their sales of FOCALIN XR™ and the entire RITALIN® family of drugs; and, a licensing and product supply agreement with Pharmion for its sales of thalidomide. This segment includes the EntreMed equity method investment and Signal Pharmaceuticals, LLC., a wholly-owned San Diego-based biopharmaceutical company focused on the discovery and development of drugs that regulate genes and proteins associated with diseases.

Stem Cell Therapies: With the acquisition of Anthrogenesis Corp. in December 2002, the Company acquired a biotherapeutics company pioneering the development of stem cell therapies and biomaterials derived from human placental tissue that now operates as Celgene Cellular Therapeutics, or CCT. CCT has organized its business into three main units: (1) stem cells banking for transplantation, (2) private stem cell banking and (3) the development of biomaterials for organ and tissue repair. CCT has developed proprietary methods for producing biomaterials for organ and tissue repair (i.e. BIOVANCE™). Additionally, CCT has developed proprietary technology for collecting, processing and storing placental stem cells with potentially broad therapeutic applications in cancer, as well as autoimmune, cardiovascular, neurological, and degenerative diseases.

Summarized segment information is as follows:

	Human Pharmaceuticals	Stem Cell Therapies	Unallocated[2]	Total
2005				
Total assets	**$499,753**	**$22,624**	**$724,260**	**$1,246,637**
Revenue from external customers	**530,094**	**6,847**	**—**	**536,941**
Inter-segment revenue	**—**	**12,036**	**—**	**12,036**
Total revenue	**$530,094**	**$18,883**	**$ —**	**$ 548,977**
Income (loss) before income taxes[1]	**109,474**	**(13,226)**	**—**	**96,248**
Capital expenditures	**34,491**	**1,370**	**—**	**35,861**
Depreciation and amortization of long-term assets	**13,209**	**1,077**	**—**	**14,286**
2004				
Total assets	$334,932	$23,824	$748,537	$1,107,293
Revenue from external customers	372,957	4,545	—	377,502
Inter-segment revenue	—	—	—	—
Total revenue	$372,957	$ 4,545	$ —	$ 377,502
Income (loss) before income taxes[1]	78,810	(15,639)	—	63,171
Capital expenditures	34,790	1,225	—	36,015
Depreciation and amortization of long-term assets	8,714	976	—	9,690
2003				
Total assets	$135,123	$10,936	$666,967	$ 813,026
Revenue from external customers	267,980	3,495	—	271,475
Inter-segment revenue	—	—	—	—
Total revenue	$267,980	$ 3,495	$ —	$ 271,475
Income (loss) before income taxes[1]	42,279	(16,618)	—	25,661
Capital expenditures	8,726	2,501	—	11,227
Depreciation and amortization of long-term assets	7,339	688	—	8,027

[1] *Expenses incurred at the consolidated level are included in the results of the Human Pharmaceuticals segment.*
[2] *Unallocated corporate assets consist of cash and cash equivalents and marketable securities available for sale.*

The following table provides a reconciliation of selected segment information to corresponding amounts contained in the Company's Consolidated financial statements:

	2005	2004	2003
Total Revenue from segments	**$548,977**	$377,502	$271,475
Elimination of intersegment revenue	**(12,036)**	—	—
Total consolidated revenue	**$536,941**	$377,502	$271,475
Income before income taxes from segments	**$ 96,248**	$ 63,171	$ 25,661
Elimination of intercompany profit	**(12,036)**	—	—
Consolidated income before income taxes	**$ 84,212**	$ 63,171	$ 25,661

Operations by Geographic Area: Revenues outside of North America consist primarily of sales of THALOMID® and REVLIMID® in Europe and royalties from Novartis on their international sales of RITALIN® LA.

Revenues	2005	2004	2003
North America	**$518,439**	$374,686	$271,475
All Other	**18,502**	2,816	—
Total Revenues	**$536,941**	$377,502	$271,475

Long Lived Assets[1]	2005	2004
North America	**$ 73,340**	$ 59,131
All Other	**134,940**	144,820
Total Long Lived Assets	**$208,280**	$203,951

[1] *Long-lived assets consist of net property, plant and equipment, intangible assets and goodwill.*

Revenues by Product: Total revenue from external customers by product for the years ended December 31, 2005, 2004 and 2003, were as follows:

(In thousands $)	2005	2004	2003
Net product sales:			
THALOMID®	**$387,816**	$308,577	$223,686
FOCALIN™	**4,210**	4,177	2,383
ALKERAN®	**49,748**	16,956	17,827
REVLIMID®	**2,862**	—	—
Other	**989**	861	557
Total net product sales	**$445,625**	$330,571	$244,453
Collaborative agreements and other revenue	**41,334**	20,012	15,174
Royalty revenue	**49,982**	26,919	11,848
Total revenue	**$536,941**	$377,502	$271,475

Major Customers: As is typical in the pharmaceutical industry, the Company sells its products primarily through wholesale distributors and therefore, wholesale distributors account for a large portion of the Company's net product revenues. In 2005, 2004 and 2003, there were three customers that each accounted for more than 10% of the Company's total revenue. The percent of total sales to each such customer in 2005, 2004 and 2003 were as follows: Cardinal Health 39.0%, 29.5% and 32.5%; McKesson Corp. 27.3%, 18.6% and 17.4%; and Amerisource Bergen Corp. 19.9%, 17.9% and 23.7%. Sales to such customers were included in the results of the Human Pharmaceuticals segment. These same customers accounted for the following percentages of accounts receivable for the years ended December 31, 2005 and 2004, respectively: McKesson Corp. 32.8% and 25.3%; Cardinal Health 30.0% and 32.2%; and Amerisource Bergen Corp. 13.2% and 14.0%.

20. Quarterly Results of Operations (Unaudited)

	1Q	2Q	3Q	4Q	Year
2005					
Total revenue	**$112,396**	**$145,701**	**$129,506**	**$149,338**	**$536,941**
Gross profit[1]	**99,792**	**127,505**	**106,307**	**122,610**	**456,214**
Income tax benefit (provision)	**34,172**	**(29,967)**	**(12,975)**	**(11,786)**	**(20,556)**
Net income	**48,214**	**10,846**	**668**	**3,928**	**63,656**
Net earnings per common share[2] -					
basic	**$ 0.15**	**$ 0.03**	**$ —**	**$ 0.01**	**$ 0.19**
diluted	**$ 0.13**	**$ 0.03**	**$ —**	**$ 0.01**	**$ 0.18**
Weighted average number of shares of common stock outstanding[3] -					
basic	**331,225**	**334,282**	**336,596**	**339,839**	**335,512**
diluted	**382,216**	**352,023**	**359,724**	**359,998**	**390,585**

	1Q	2Q	3Q	4Q	Year
2004					
Total revenue	$ 82,873	$ 87,753	$101,468	$105,408	$377,502
Gross profit[1]	61,726	64,916	68,637	75,566	270,845
Income tax provision	(801)	(1,156)	(1,974)	(6,484)	(10,415)
Net income	8,914	2,595	19,008	22,239	52,756
Net earnings per common share[2] -					
basic	$0.03	$0.01	$ 0.06	$ 0.07	$ 0.16
diluted	$0.03	$ 0.01	$ 0.05	$ 0.06	$ 0.15
Weighted average number of shares of common stock outstanding[3] -					
basic	325,902	327,348	328,181	329,499	327,738
diluted	349,050	353,709	354,128	347,339	345,710

[1] *Gross profit is computed by subtracting cost of goods sold from net product sales.*
[2] *The sum of the quarters may not equal the full year basic and diluted earnings per share since each period is calculated separately.*
[3] *The weighted average number of shares outstanding reflects the February 17, 2006 two- for- one stock split.*

Schedule II – Valuation and Qualifying Accounts

Year ended December 31,	Balance at beginning of year	Additions charged to expense or sales	Deductions	Balance at end of year
2005				
Allowance for doubtful accounts	**$ 1,370**	**$ 1,029**	**$ 107**	**$ 2,292**
Allowance for customer discounts	**838**	**10,434**	**9,825**	**1,447**
Subtotal	**2,208**	**11,463**	**9,932**	**3,739**
Allowance for sales returns	**9,595**	**21,160[1]**	**25,738**	**5,017**
	$11,803	**$32,623**	**$35,670**	**$8,756**
2004				
Allowance for doubtful accounts	$ 873	$ 867	$ 370	$ 1,370
Allowance for customer discounts	657	7,448	7,267	838
Subtotal	1,530	8,315	7,637	2,208
Allowance for sales returns	8,368	16,279[1]	15,052	9,595
	$ 9,898	$24,594	$22,689	$11,803
2003				
Allowance for doubtful accounts	$ 729	$ 448	$ 304	$ 873
Allowance for customer discounts	291	5,503	5,137	657
Subtotal	1,020	5,951	5,441	1,530
Allowance for sales returns	2,783	12,659[1]	7,074	8,368
	$ 3,803	$18,610	$12,515	$ 9,898

[1] *Amounts are a reduction from gross sales.*

企業情報

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本年次報告書に記載されている一部の情報は将来の見通しについて述べたものです。証券取引委員会への提出書類に記載される弊社の実際の業績は、年次報告書に将来の見通しとして記載された事項と実質的に異なる場合があります。

詳細は、弊社ウェブサイト www.celgene.com をご確認ください。

株主情報

弊社普通株は、NASDAQ全米店頭市場システムで取引されています。NASDAQシンボル:CELG.弊社のオプションは、シカゴ・オプション取引所に上場されています。CBOE シンボル:LQH.

2006年4月4日現在、弊社の普通株の登録株主数は10万4056人です。下記表の数値は、NASDAQ全米店頭市場システムが記載期間における弊社普通株の日中高低値として発表したものに、2006年2月の2対1株式分割を反映させたものです。

	2005		2004	
	高値	安値	高値	安値
第4四半期	$32.68	22.59	$16.29	12.87
第3四半期	29.41	19.77	15.05	11.66
第2四半期	21.62	16.60	15.15	11.25
第1四半期	17.62	12.35	12.23	9.37

上記建値は、対ディーラー価格であり、顧客向けのマークアップやダウン、手数料は含まれません。弊社は、普通株の配当を現在行っておりません。また、近い将来においても支払いは予定していません。弊社の詳細情報の入手をご希望の株主、アナリスト、金融関係の方は、下記連絡先まで直接お問い合わせください。

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年次総会

セルジーン・コーポレーションの株主年次総会は、2006年6月14日(水)、ニュージャージー州サミットの弊社本部で午後1時から予定されております。

Form 10-K(年次報告書)

弊社本部の事務部長宛に書面にてリクエストをいただいた株主の皆様に対しては、2005年12月31日までのForm 10-K(年次報告書)の複写を無料でお送りしております。

デザイン構成: Roessner & Co.　主要写真: Mark Tuschman