PERRIGO CO
Form 11-K
June 23, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

_____

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended: December 31, 2010

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission file number 0-19725

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Perrigo Company Profit-Sharing and Investment Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Perrigo Company
515 Eastern Avenue
Allegan, MI 49010

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Perrigo Company Profit-Sharing and Investment Plan
(Name of Plan)

Date: June 23, 2011 /s/ Judy L. Brown_____

Judy L. Brown
Executive Vice President and Chief Financial Officer
Perrigo Company

PERRIGO COMPANY PROFIT-SHARING AND INVESTMENT PLAN
Financial Statements
and Supplemental Schedule
For the Years Ended December 31, 2010 and 2009

PERRIGO COMPANY PROFIT-SHARING AND INVESTMENT PLAN

Financial Statements and Supplemental Schedule
Years Ended December 31, 2010 and 2009

Contents

PERRIGO COMPANY PROFIT-SHARING AND INVESTMENT PLAN

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Retirement Plan Committee
Perrigo Profit-Sharing and Investment Plan
Allegan, Michigan

We have audited the accompanying statements of net assets available for benefits of Perrigo Profit-Sharing and Investment Plan (the Plan) as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2010 and 2009, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental Schedule of Assets (Held at End of Year) as of December 31, 2010 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ BDO USA, LLP

BDO USA, LLP
Grand Rapids, Michigan
June 23, 2011

PERRIGO COMPANY PROFIT-SHARING AND INVESTMENT PLAN

Statements of Net Assets Available for Benefits

December 31,	2010	2009
Investments, at fair value		
Mutual funds	$234,702,822	$181,415,113
Money market fund	26,981,125	23,362,027
Common/collective trusts	19,105,097	15,340,585
Perrigo Company common stock	34,690,523	25,569,562
Total investments, at fair value	315,479,567	245,687,287
Receivables		
Employer profit-sharing contributions	17,384,330	14,943,061
Notes receivable from participants	7,233,369	5,216,191
Employer match contributions	199,317	137,845
Total receivables	24,817,016	20,297,097
Net Assets Available for Benefits	$340,296,583	$265,984,384

See accompanying notes to financial statements.

PERRIGO COMPANY PROFIT-SHARING AND INVESTMENT PLAN

Statements of Changes in Net Assets Available for Benefits Year ended December 31,	2010	2009
Additions		
Contributions:		
Participant	$ 14,737,998	$ 13,147,096
Employer	23,517,161	21,273,476
Interest from notes receivable from participants	339,717	364,599
Investment income:		
Interest income from cash equivalents	165,811	163,442
Net gain from mutual funds	14,961,951	39,517,304
Net gain from common/collective trusts	1,178,632	3,426,998
Net gain from Perrigo Company common stock:		
Net appreciation	14,344,817	5,386,495
Dividends	38,637	150,182
Total additions	69,284,724	83,429,592
Deductions		
Distribution of benefits to participants	12,898,248	8,781,807
Administrative fees	58,134	48,002
Total deductions	12,956,382	8,829,809
Net increase	56,328,342	74,599,783
Transfer in from another plan (Note 8)	17,983,857	7,809,847
Net Assets Available for Benefits, beginning of year	265,984,384	183,574,754
Net Assets Available for Benefits, end of year	$ 340,296,583	$ 265,984,384

See accompanying notes to financial statements.

1. Plan Description

The following description of the Perrigo Company Profit-Sharing and Investment Plan (Plan) provides only general information. Participants should refer to the Plan document or Plan summary for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan in which substantially all domestic employees of Perrigo Company, Perrigo Company of South Carolina, Perrigo Sales Company, Perrigo Research and Development, Perrigo Pharmaceuticals, Perrigo New York, Inc., Perrigo Holland, Inc. (formerly J.B. Laboratories, Inc.) and Perrigo Florida, Inc. (formerly Unico Holdings, Inc.) (collectively, the “Company” or “Employer”) are eligible to participate. The employees of Perrigo Holland were formerly part of the J.B. Laboratories, Inc. 401(k) Plan and transferred into the Plan effective January 1, 2009 (see Note 8). The minimum term of service for employees to participate in the Plan is one month of service, which means a consecutive 30-day period of employment beginning with the employee's date of hire. Plan entry dates are at the beginning of each payroll period after the minimum term requirements are satisfied.

The Plan has an automatic enrollment feature that begins with an initial pre-tax contribution rate of 2% of a participant's eligible compensation, as defined in the Plan document, and is invested in the MFS Global Total Return Fund. Automatic enrollment occurs 45 days after the employee becomes eligible to participate, as defined above. The automatic enrollment percentage increases annually by 1% up to a maximum deferral percentage of 4%. Prior to automatic enrollment, employees may elect to opt out from participating in the Plan, or they may elect to defer more than the 2% default contribution as well as choose their own investment elections offered by the Plan.

The Plan conforms to the safe harbor provisions of Sections 401(k) and 401(m) of the Internal Revenue Code (IRC). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Plan is administered by the Retirement Plan Committee (Committee).

Contributions

A participant may elect to defer, in whole percentages, an amount between 1% and 50% of eligible compensation, not to exceed Internal Revenue Service (IRS) limitations for the Plan year. The total IRS limit was $16,500 for the 2010 and 2009 Plan years. In addition, participants who are at least 50 years of age by the end of a Plan year may elect to make an additional “catch up” contribution, not to exceed the IRS limit of $5,500 for Plan years 2010 and 2009. Participants may also make a Roth contribution on an after-tax basis.

The Company may match employee contributions per Plan year at the rate of 100% of the first 2% of employee contributions and 50% of the next 2% of employee contributions. Matching contributions are effective immediately to new hires participating in the Plan. The Company has the right under the Plan to discontinue such contributions at any time.

In accordance with the safe harbor provisions, the Plan includes an annual Employer nondiscretionary contribution of 3% of an employee's eligible compensation, as defined in the Plan document. In addition, the Company may make a discretionary contribution at the option of the Board of Directors of the Company. Employees also are eligible as of

their date of hire to receive profit-sharing contributions, which are deposited in the eligible employee's investment account after the end of each Plan year. The profit-sharing contribution amounts approved for Plan years ended December 31, 2010 and 2009 were $17,384,330 and $14,943,061, respectively.

Participant Accounts

Each participant's account is credited with the participant's contributions, allocations of Employer matching, discretionary and nondiscretionary profit-sharing contributions and Plan earnings. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Currently, the Plan offers mutual funds, common/collective trusts, a money market fund and the Company's common stock as investment options for Plan participants. Participants elect which of these investment options meet their return and risk objectives.

PERRIGO COMPANY PROFIT-SHARING AND INVESTMENT PLAN

Vesting

Amounts credited to a participant's investment account relating to participant contributions and Employer matching contributions are 100% vested at all times. Prior to January 1, 2007, Employer discretionary contributions were vested based on a vesting schedule, with 100% vested after four years of service. As of January 1, 2007, all contributions in an active participant's investment account, including Employer discretionary contributions, became 100% vested. Effective January 1, 2007, active participants are immediately vested in all participant and Employer contributions.

Notes Receivable from Participants

With the consent of the Committee, participants may borrow from their investment accounts, as defined in the Plan, a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50% of their account balance. The loans are secured by an equivalent amount in the remaining portion of the participant's salary deferral account and rollover accounts. All loans must be repaid within five years, except for loans used to acquire or rehabilitate a principal residence, which must be repaid within ten years. Interest rates ranged from 3.25% to 11.5% on outstanding loans at December 31, 2010. The loans are repaid ratably through payroll deductions. Participant loans are valued at their unpaid principal balance plus any accrued but unpaid interest. The interest earned on participant loans is allocated to the respective funds, in accordance with participant elections.

Withdrawals

Subject to certain restrictions as set forth in the Plan document, a participant may make a hardship withdrawal from his or her account balance during employment. This hardship withdrawal is subject to 10% federal income tax penalty, and the participant cannot make elective deferrals for six months following the hardship withdrawal. A participant may also elect to make a similar withdrawal, provided that the participant has reached 59 and one half years of age, even if the participant is still employed.

Payment of Benefits

Upon termination of service, a participant may elect to receive either a lump-sum amount equal to the value of their vested account or installments. Participants may also elect to transfer their account balance into another qualified retirement plan.

Forfeitures

Forfeited non-vested accounts in the amount of $35,554 and $3,745 for Plan years 2010 and 2009, respectively, were reallocated to remaining Plan participants. Forfeitures are applied to participant accounts as an additional Employer discretionary contribution. Unallocated non-vested forfeiture amounts were $3,515 and $2,654 at December 31, 2010 and 2009, respectively.

Administrative Expenses

The Company pays the administrative costs of the Plan associated with any professional services provided to the Plan and the cost of communications to the participants. Administrative expenses in the form of loan fees are deducted directly from the participants' accounts.

2. Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared under the accrual method of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and changes therein. Actual results could differ from those estimates.

PERRIGO COMPANY PROFIT-SHARING AND INVESTMENT PLAN

Risks and Uncertainties

Participants in the Plan invest in various investment securities. Investment securities, including the Company's common stock, are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the financial statements.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. See Note 4 for discussion of fair value measurements.

Investment purchases and sales are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date.

Payment of Benefits

Benefits are recorded when paid.

New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS) (ASU 2011-04). ASU 2011-04 amended Accounting Standard Codification (ASC) 820, Fair Value Measurements and Disclosures, to provide a consistent definition of fair value and improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRS. Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The ASU is effective for annual periods beginning after December 15, 2011. Plan management is evaluating the impact of the adoption of the ASU on the Plan's financial statements.

In September 2010, the FASB issued ASU No. 2010-25, Plan Accounting - Defined Contribution Pension Plans (Topic 962): Reporting Loans to Participants by Defined Contribution Pension Plans (ASU 2010-25), which requires participant loans to be segregated from plan investments subject to fair value measurement, classified as notes receivable and measured at their unpaid principal balance plus accrued interest. The ASU requires retrospective application and applies to reporting periods ending after December 15, 2010. Accordingly, the Plan's participant loans have been reported as notes receivable in the statements of net assets available for benefits as of December 31, 2010 and 2009, and participant loan interest has been excluded from investment income in the related statements of changes in net assets available for benefits for the Plan years ended December 31, 2010 and 2009. In addition, participant loans are now excluded from the fair value disclosures in Note 4. Adoption of the ASU represents a reclassification within the financial statements and had no impact on net assets available for benefits or changes therein.

In January 2010, the FASB issued ASU No. 2010-06, Improving Disclosures about Fair Value Measurements. This standard requires new disclosures on the amount and reason for transfers in and out of Level 1 and 2 recurring fair value measurements. The standard also requires disclosure of activities, on a gross basis, including purchases, sales,

issuances and settlements, in the reconciliation of Level 3 recurring fair value measurements. The standard clarifies existing disclosure requirements on levels of disaggregation and disclosures about inputs and valuation techniques. The new disclosures regarding Level 1 and 2 recurring fair value measurements and clarification of existing disclosures became effective for periods beginning after December 15, 2009 and did not have a material impact on the Plan's fair value disclosures. Due to reclassification of participant loans upon adoption of ASU 2010-25 discussed in Note 2, the Plan has no Level 3 investments at December 31, 2010 and 2009. As such, the disclosures regarding the reconciliation of information in Level 3 recurring fair value measurements are required for periods beginning after December 15, 2010 and had no impact on the Plan's current fair value disclosures.

PERRIGO COMPANY PROFIT-SHARING AND INVESTMENT PLAN

Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

3. Assets in Trust Fund

Under the terms of the trust agreement with Mercer Trust Company (the “Trustee”), the Trustee manages the trust fund on behalf of the Plan. The Trustee has no discretionary investment authority over the investment options made available to participants under the Plan, including the investments in Perrigo Company common stock. Each participant is entitled to exercise voting rights attributable to the shares in Perrigo Company common stock allocated to his or her account and is notified by the Trustee prior to the time such rights are to be exercised. The Trustee is not permitted to vote any allocated share for which instructions have not been given by a participant. The Trustee is required, however, to vote any unallocated shares on behalf of the collective best interest of Plan participants and beneficiaries.

4. Investments

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset (an exit price) in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date.

Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset. The Plan utilizes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, other inputs that are observable or can be corroborated by observable market data.

Level 3 - Inputs to the valuation methodology are both significant to the fair value measurement and unobservable.

The following valuation methodologies were used to measure the fair value of the Plan's investments:

Mutual funds and money market fund: Valued at quoted market prices in an exchange and active market, which represent the net asset values of shares held by the Plan.

Common/collective trust - State Street Global Advisors S&P 500 Fund: The fair values of the Plan's interest in the State Street Global Advisors S&P 500 Fund (SSGA index fund) are based on the net asset values (NAV) reported by the fund manager as of the financial statement date and recent transaction prices. The SSGA index fund provides for daily redemptions by the Plan at reported NAV with no advance notice requirement. Redemptions on a Plan level are limited to a monthly amount not to exceed between 2% and 4% of the Plan's NAV in the SSGA index fund at the time of the redemption request. In addition, there are bi-monthly options for the Plan to withdraw from the SSGA index fund, in whole or in part. Fair values for the investments within the SSGA index fund are based on quoted prices in active markets and securities valued using either observable inputs or quotations from inactive markets. The Plan is

permitted to redeem investment units at NAV on the measurement date, and as a result, the investment is classified as a Level 2 investment. The SSGA index fund includes investments that seek to approximate the risk and return characterized by the S&P 500 Index. To achieve this objective, the SSGA index fund invests in securities and other financial instruments in other collective investments funds with similar objectives. The SSGA index fund may participate in securities lending. The Plan's investment in the SSGA index fund was transferred to the NT Collective S&P 500 Index Fund during the 2010 Plan year.

Common/collective trust - NT Collective S&P 500 Index Fund: The fair values of the Plan's interest in the NT Collective S&P 500 Index Fund (NT index fund) are based on NAV reported by the fund manager as of the financial statement date and recent transaction prices. The NT index fund provides for daily redemptions by the Plan at reported NAV with no advance notice requirement. There is no restriction in place with respect to the daily redemption of the NT index fund.

PERRIGO COMPANY PROFIT-SHARING AND INVESTMENT PLAN

Fair values for the investments within the NT index fund are based on quoted prices in active markets and securities valued using either observable inputs or quotations from inactive markets. The Plan is permitted to redeem investment units at NAV on the measurement date, and as a result, the investment is classified as a Level 2 investment. The NT index fund includes investments that seek to approximate the risk and return characterized by the S&P 500 Index. To achieve its objective, the NT index fund employs a replication technique, which generally seeks to hold each index constituent in its proportional index weight. The NT index fund may make limited use of futures and/or options for the purpose of maintaining equity exposure. The NT index fund may also participate in securities lending.

Common stock: Valued at the closing price reported on the active market on which the security is traded.

The Plan's valuation methods may result in a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Although Plan management believes the valuation methods are appropriate and consistent with the market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There were no transfers between Level 1 and Level 2 investments. Due to reclassification of participant loans upon adoption of ASU 2010-25 discussed in Note 2, the Plan has no Level 3 investments at December 31, 2010 and 2009.

The tables below set forth by level within the fair value hierarchy the Plan's investments.

	Fair Value Measurements			
December 31, 2010	Level 1	Level 2	Level 3	Total
Mutual funds:				
Growth funds	$85,163,179	$—	$—	$85,163,179
Blend funds	32,835,095	—	—	32,835,095
Value funds	75,222,064	—	—	75,222,064
Income funds	41,482,484	—	—	41,482,484
Total mutual funds	234,702,822	—	—	234,702,822
Common/collective trust	—	19,105,097	—	19,105,097
Money market fund	26,981,125	—	—	26,981,125
Common stock	34,690,523	—	—	34,690,523
Investments, at fair value	$296,374,470	$19,105,097	$—	$315,479,567

	Fair Value Measurements			
December 31, 2009	Level 1	Level 2	Level 3	Total
Mutual funds:				
Growth funds	$63,280,202	$—	$—	$63,280,202
Blend funds	25,125,666	—	—	25,125,666
Value funds	62,851,263	—	—	62,851,263
Income funds	30,157,982	—	—	30,157,982

Total mutual funds	181,415,113	—	—	181,415,113
Common/collective trusts	—	15,340,585	—	15,340,585
Money market fund	23,362,027	—	—	23,362,027
Common stock	25,569,562	—	—	25,569,562
Investments, at fair value	$230,346,702	$15,340,585	$—	$245,687,287

PERRIGO COMPANY PROFIT-SHARING AND INVESTMENT PLAN

The fair value of individual investments that represent 5% or more of the Plan's net assets available for benefits is as follows:

	December 31, 2010	December 31, 2009
Vanguard Prime Money Market Fund	$26,981,125	$23,362,027
Mutual funds:		
Pimco Total Return Fund	$38,681,630	$29,858,180
MSIF Trust Mid Cap Growth Fund	$35,097,574	$25,161,664
Eaton Vance Large Cap Value Fund	$29,013,757	$24,216,878
Harbor Capital Appreciation Fund	$28,522,181	$23,272,748
MFS Global Total Return Fund	$26,384,730	$21,879,983
Harbor International Fund	$24,414,446	$22,462,501
Neuberger & Berman Genesis Fund	$21,793,861	$16,171,884
Invesco Van Kampen Small Cap Growth Fund	$18,345,967	$13,375,108
NT Collective S&P 500 Index Fund	$19,105,097	*
Perrigo Company common stock	$34,690,523	$25,569,562

* Below 5% of net assets available for benefits

5. Related Party Transactions

Certain Plan investments throughout the year represented shares of various types of investments that were managed by the Trustee. These transactions qualify as party-in-interest transactions. The Plan investments include publicly traded common stock of the Company, the Plan Sponsor.

6. Plan Termination

Although it has not expressed any intent to do so, the Company has the right to discontinue contributions at any time and to terminate the Plan, subject to the provisions of ERISA.

7. Income Tax Status

The Plan obtained its latest determination letter on April 2, 2010, in which the IRS stated that the Plan was in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements. The Plan has been amended since receiving the determination letter. However, the Committee and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. As of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

8. Transfer of Plan Assets

The Company acquired PBM Holdings, Inc. (PBM) during the 2010 Plan year and as part of this acquisition, the Committee approved the merger of the PBM Products, LLC 401(k) Profit Sharing Plan (PBM Plan) into the Plan. As a result, all of the PBM Plan assets, totaling $17,983,857, were transferred into the Plan on December 31, 2010. The employees of PBM became eligible to participate in the Plan effective January 1, 2011.

The Company acquired J.B. Laboratories, Inc. (JBL) during the 2008 Plan year and as part of this acquisition, the Plan

PERRIGO COMPANY PROFIT-SHARING AND INVESTMENT PLAN

received assets from the J.B. Laboratories, Inc. 401(k) Profit Sharing Plan (J.B. Labs Plan). The Committee approved the merger of the J.B. Labs Plan into and with the Plan effective January 1, 2009. All assets of the J.B. Labs Plan were transferred into the Plan effective February 23, 2009. The employees of JBL became eligible to participate in the Plan effective January 1, 2009.

PERRIGO COMPANY PROFIT-SHARING AND INVESTMENT PLAN

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

EIN: 38-2799573
Plan Number: 003

December 31, 2010

(a)	(b) Identity of Issuer, Borrower, Lessor or Similar Party	(c) Description of Investment, including Shares, Maturity Date, Rate of Interest, Collateral, Par or Maturity Value		(d) Cost	(e) Current Value
	Money market fund				
	Vanguard Prime Money Market Fund	26,981,125	shares	**	$ 26,981,125
	Mutual funds				
	Pimco Total Return Fund	3,565,127	shares	**	38,681,630
	MSIF Trust Mid Cap Growth Fund	939,694	shares	**	35,097,574
	Eaton Vance Large Cap Value Fund	1,588,055	shares	**	29,013,757
	Harbor Capital Appreciation Fund	776,748	shares	**	28,522,181
	MFS Global Total Return Fund	1,983,814	shares	**	26,384,730
	Harbor International Fund	403,211	shares	**	24,414,446
	Neuberger & Berman Genesis Fund	474,192	shares	**	21,793,861
	Invesco Van Kampen Small Cap Growth Fund	1,632,194	shares	**	18,345,967
	Columbia Management Acorn Fund Int'l	157,634	shares	**	6,450,365
	MFS Int'l Growth Fund Class R4	133,006	shares	**	3,197,457
	Vanguard Inflation Protected Securities Fund	109,665	shares	**	2,800,854
					234,702,822
	Common/collective trust				
	NT Collective S&P 500 Index Fund	123,398	shares	**	19,105,097
	Common stock				
*	Perrigo Company common stock	547,774	shares	**	34,690,523
*	Participant loans	(3.25%-11.5%)		**	7,233,369
					$ 322,712,936

* A party-in-interest as defined by ERISA.

** The cost of participant-directed investments is not required to be disclosed.

PERRIGO COMPANY PROFIT-SHARING AND INVESTMENT PLAN

EXHIBIT INDEX

Exhibit Number	Description
23	Consent of BDO USA, LLP

15
eft"> (2,306) (11,042) (10,333) (36,849)
Credits/deductions issued for sales during 2009
(12,013) (35,070) (29,739) (72,619) (149,441)

Balance at December 31, 2009
$7,360 $3,598 $18,111 $29,241 $58,310

2009 compared to 2008: Returns and allowances decreased by $5.9 million in 2009 compared to 2008 primarily due to the completion of an inventory centralization and rationalization initiative conducted by a major pharmacy chain during 2009, decreased revenue from products with a higher return rate history in 2009 compared to 2008 and a decrease in ALKERAN® returns due to the March 31, 2009 conclusion of the ALKERAN® license with GSK. In addition, 2008 includes an increase in THALOMID® returns resulting from the anticipated increase in the use of REVLIMID® in multiple myeloma.
Discounts increased by $1.3 million in 2009 compared to 2008 primarily due to revenue increases in the United States and international markets, both of which offer different discount programs.
Government rebates increased by $12.6 million in 2009 compared to 2008 primarily due to increased sales levels of REVLIMID® and VIDAZA® in the United States and international markets, as well as reimbursement approvals in new markets.
Chargebacks and distributor service fees decreased by $11.5 million in 2009 compared to 2008 primarily due to reduced revenue from products with a higher chargeback history in 2009 compared to 2008 and a decrease in ALKERAN® chargebacks, partially offset by an increase in international distributor service fees due to certain programs commenced in 2009.
2008 compared to 2007: Returns and allowances decreased by $19.2 million in 2008 compared 2007 primarily due to reduced THALOMID® inventory in the sales channel resulting from the 2007 THALOMID® inventory centralization and rationalization at several major pharmacy chains, which also resulted in additional returns during 2007. In addition, 2007 includes an increase in THALOMID® returns resulting from the anticipated increase in use of REVLIMID® in multiple myeloma.
Discounts increased by $8.0 million in 2008 compared to 2007 primarily due to increased sales of REVLIMIDâ as well as the inclusion of former Pharmion products, which resulted in additional discounts taken.

Table of Contents

Government rebates increased by $7.0 million in 2008 compared to 2007 primarily due to increased international government rebates resulting from our global expansion, as well as the inclusion of former Pharmion products.
Chargebacks and distributor service fees increased by $30.1 million in 2008 compared to 2007 primarily due to the new TRICARE rebate program, as well as the inclusion of former Pharmion products.
Collaborative Agreements and Other Revenue:
2009 compared to 2008: Revenues from collaborative agreements and other sources decreased by $1.2 million to $13.7 million in 2009 compared to 2008. The decrease was primarily due to the elimination of license fees and amortization of deferred revenues related to Pharmion subsequent to the March 7, 2008 acquisition and was partly offset by an increase in milestone payments received in 2009.
2008 compared to 2007: Revenues from collaborative agreements and other sources totaled $14.9 million and $20.1 million for 2008 and 2007, respectively. The $5.2 million decrease in 2008 compared to 2007 was primarily due to the elimination of license fees and amortization of deferred revenues related to Pharmion.
Royalty Revenue:
2009 compared to 2008: Royalty revenue increased by $6.6 million to $108.8 million in 2009 compared to 2008 due to the 2009 inclusion of $9.0 million in residual ALKERAN® payments earned by us based upon GSK s ALKERAN® revenues subsequent to the conclusion of the ALKERAN® license with GSK. Royalty revenue related to Novartis sales of RITALIN® decreased by $2.1 million from 2008.
2008 compared to 2007: Royalty revenue totaled $102.2 million in 2008, representing an increase of $16.9 million compared to 2007. The increase was primarily due to amounts received from Novartis on sales of FOCALIN XR®, partly due to patients transitioning from FOCALIN® to FOCALIN XR®. We sell FOCALIN® to Novartis and receive royalties on sales of Novartis FOCALIN XR®.
Cost of Goods Sold (excluding amortization of acquired intangible assets): Cost of goods sold and related percentages for the years ended December 31, 2009, 2008 and 2007 were as follows:

In thousands $	2009	2008	2007
Cost of goods sold (excluding amortization of acquired intangible assets)	$ 216,289	$ 258,267	$ 130,211
Increase (decrease) from prior year	$ (41,978)	$ 128,056	$ 4,452
Percent increase (decrease) from prior year	(16.3)%	98.3%	3.5%
Percent of net product sales	8.4%	12.1%	10.0%

2009 compared to 2008: Cost of goods sold (excluding amortization of acquired intangible assets) decreased by $42.0 million to $216.3 million in 2009 compared to 2008 partly due to the March 31, 2009 conclusion date of the ALKERAN® license with GSK, reducing cost of goods sold by approximately $39.0 million compared to 2008. In addition, costs related to THALOMIDâ decreased as a result of lower unit volumes. Finally, 2008 included a $24.6 million inventory step-up adjustment related to the March 7, 2008 acquisition of Pharmion compared to an adjustment of $0.4 million included in 2009. The impact of these reductions was partly offset by higher costs related to increased unit volumes for REVLIMIDâ and VIDAZAâ. As a percent of net product sales, cost of goods sold (excluding amortization of acquired intangible assets) decreased to 8.4% in 2009 from 12.1% in 2008 primarily due to lower ALKERAN® sales, which carried a higher cost to sales ratio relative to our other products, and the decrease in the inventory step-up adjustment.

Table of Contents

2008 compared to 2007: Cost of goods sold increased by $128.1 million in 2008 compared to 2007 primarily due to the inclusion of costs related to VIDAZAâ and THALOMIDâ, which were obtained in the Pharmion acquisition. Also included in 2008 is $24.6 million of the $25.0 million of inventory step-up cost related to the acquisition date fair value of former Pharmion inventories. Cost of sales also increased due to an increase in material costs for ALKERANâ for injection and an increase in unit volume for REVLIMIDâ, resulting in higher royalties. As a percent of net product sales, cost of goods sold increased to 12.1% in the 2008 from 10.0% in 2007 primarily due to the inclusion of higher costs for VIDAZAâ and ALKERANâ and the $24.6 million of inventory step-up cost.

Research and Development: Research and development expenses and related percentages for the years ended December 31, 2009, 2008 and 2007 were as follows:

In thousands $	2009	2008	2007
Research and development	$ 794,848	$ 931,218	$ 400,456
Increase (decrease) from prior year	$ (136,370)	$ 530,762	$ 140,500
Percent increase (decrease) from prior year	(14.6)%	132.5%	54.0%
Percent of total revenue	29.5%	41.3%	28.5%

2009 compared to 2008: Research and development expenses decreased by $136.4 million in 2009 compared to 2008 primarily due to a $303.1 million charge included in 2008 for a royalty obligation payment to Pfizer that related to the unapproved forms of VIDAZAâ partly offset by 2009 spending increases related to drug discovery and clinical research and development in support of multiple programs across a broad range of diseases. Included in 2009 were upfront payments of $30.0 million and $4.5 million to GlobeImmune, Inc. and Array BioPharma, Inc., respectively, related to research and development collaboration agreements. Included in 2008 was an upfront payment of $45.0 million made to Acceleron Pharma, Inc. related to a research and development collaboration agreement.

The following table provides an additional breakdown of research and development expenses:

In thousands $	2009	2008	Increase (Decrease)
Human pharmaceutical clinical programs	$ 371,189	$ 288,222	$ 82,967
Other pharmaceutical programs	323,702	549,841	(226,139)
Biopharmaceutical discovery and development	85,208	77,293	7,915
Placental stem cell and biomaterials	14,749	15,862	(1,113)
Total	$ 794,848	$ 931,218	$ (136,370)

Other pharmaceutical programs for 2009 includes $34.5 million for the GlobeImmune, Inc. and Array BioPharma, Inc., or Array, research and development collaboration agreements noted above in addition to spending for toxicology, analytical research and development, quality and regulatory affairs. Other pharmaceutical programs for 2008 includes the $303.1 million VIDAZAâ royalty obligation payment, $45.0 million for the Acceleron Pharma, Inc., or Acceleron, research and development collaboration agreement noted above, in addition to spending for toxicology, analytical research and development, quality and regulatory affairs.

Table of Contents

Research and development expenditures support ongoing clinical progress in multiple proprietary development programs for REVLIMIDâ and other IMiDsâ compounds; VIDAZAâ; amrubicin, our lead compound for small cell lung cancer; apremilast (CC-10004), our lead anti-inflammatory compound that inhibits PDE-4, which results in the inhibition of multiple proinflammatory mediators such as TNF-α and which is currently being evaluated in Phase II clinical trials in the treatment of psoriasis and psoriatic arthritis; pomalidomide, which is currently being evaluated in Phase I and II clinical trials; CC-11050, for which Phase II clinical trials are planned; our kinase and ligase inhibitor programs; as well as the placental stem cell program. In June 2009, we filed a New Drug Application, or NDA, with the Japanese Ministry of Health, Labour and Welfare, or MHLW, for REVLIMIDâ in combination with dexamethasone for the treatment of patients with multiple myeloma who have received at least one prior therapy. REVLIMIDâ had previously been granted orphan drug status by the MHLW in Japan for this same indication.

Research and development expense may continue to grow 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, Business, of this Annual Report on Form 10-K.

2008 compared to 2007: Research and development expenses increased by $530.8 million in 2008 compared to 2007, primarily due to a $303.1 million charge for the October 3, 2008 royalty obligation payment to Pfizer that related to the unapproved forms of VIDAZAâ. Clinical program spending increased by $147.4 million in support of ongoing multiple proprietary development programs. Regulatory spending increased by $20.2 million primarily due to the expansion of REVLIMIDâ in international markets and costs related to apremilast. Also included in 2008 was $45.0 million in upfront payments made to Acceleron related to a research and development collaboration arrangement. The increase was partly offset by the 2007 inclusion of a combined $41.1 million in upfront payments for collaborative research and development arrangements for early stage compounds with Array and PTC Therapeutics.

Selling, General and Administrative: Selling, general and administrative expenses and related percentages for the years ended December 31, 2009, 2008 and 2007 were as follows:

In thousands $	2009	2008	2007
Selling, general and administrative	$ 753,827	$ 685,547	$ 440,962
Increase from prior year	$ 68,280	$ 244,585	$ 111,213
Percent increase from prior year	10.0%	55.5%	33.7%
Percent of total revenue	28.0%	30.4%	31.4%

2009 compared to 2008: Selling, general and administrative expenses increased by $68.3 million to $753.8 million in 2009 compared to 2008, primarily reflecting increases in marketing and sales related expenses of $75.1 million, which were partly offset by a $6.7 million reduction in bad debt expense and other customer account charges. Marketing and sales related expenses in 2009 included product launch activities for REVLIMIDâ, VIDAZAâ and THALOMID® in Europe, Canada and Australia, in addition to VIDAZAâ relaunch expenses in the United States upon receipt of an expanded FDA approval to reflect new overall survival data. The increase in expense also reflects the continued expansion of our international commercial activities.

Table of Contents

2008 compared to 2007: Selling, general and administrative expenses increased by $244.6 million in 2008 compared to 2007, primarily reflecting an increase in marketing and sales related expenses of $167.5 million, general and administrative expenses of $63.8 million and an increase in donations to non-profit foundations that assist patients with their co-payments of $13.3 million. The increase reflects marketing and sales expenses related to product launch activities for REVLIMIDâ and THALOMID® in Europe, Canada and Australia, in addition to the activities related to the relaunch of VIDAZAâ in the United States and new launches in Europe.

Amortization of Acquired Intangible Assets: Amortization of acquired intangible assets decreased by $20.6 million to $83.4 million in 2009 compared to 2008 primarily due to several intangible assets obtained in the Pharmion acquisition in March 2008 becoming fully amortized during the fourth quarter of 2008 and third quarter of 2009.

Acquired In-Process Research and Development: The $1.74 billion IPR&D charge in 2008 represents the fair value of compounds under development by Pharmion at the date of acquisition that had not yet achieved regulatory approval for marketing in certain markets or had not yet been completed and have no alternative future use. These intangibles primarily related to development and approval initiatives for VIDAZAâ IV in the EU market, the oral form of azacitidine in the U.S. and EU markets and THALOMID® in the EU market.

Interest and investment income, net: The following table provides a summary of interest and investment income, net for the years ended December 31, 2009, 2008 and 2007:

In thousands $	2009	2008	2007
Interest and investment income, net	$ 76,785	$ 84,835	$ 109,813
Increase (decrease) from prior year	$ (8,050)	$ (24,978)	$ 69,461
Percentage increase (decrease) from prior year	(9.5)%	(22.7)%	172.1%

Interest and investment income decreased by $8.1 million to $76.8 million in 2009 compared to 2008 primarily due to reduced yields on invested balances, partly offset by higher invested balances.

Interest and investment income decreased by $25.0 million to $84.8 million in 2008 compared to 2007 primarily due to lower average cash, cash equivalents and marketable securities balances resulting from the March 2008 cash payment of $746.8 million related to the Pharmion acquisition and the October 3, 2008 payment of $425.0 million to Pfizer where we prepaid our royalty obligation under the June 7, 2001 5-azacytidine license in full, in addition to reduced yields on invested balances. Interest and investment income, net included other-than-temporary impairment losses on marketable securities available for sale totaling $2.4 million in 2008 and $5.5 million in 2007.

Table of Contents

Equity in losses of affiliated companies: Under the equity method of accounting, we recorded losses of $1.1 million, $9.7 million and $4.5 million in 2009, 2008 and 2007, respectively. Included in 2008 were impairment losses of $6.0 million which were based on an evaluation of several factors, including an other-than-temporary decrease in fair value of an equity investment below our cost.

Interest expense: Interest expense was $2.0 million, $4.4 million and $11.1 million in 2009, 2008 and 2007, respectively. The $2.4 million decrease in expense in 2009 compared to 2008 and the $6.7 million expense decrease in 2008 compared to 2007 were primarily due to the June 2008 completion of convertible debt conversions related to our $400 million convertible notes issued on June 3, 2003 and the completion of amortization of their debt issuance costs.

Other income (expense), net: Other income (expense), net for the years ended December 31, 2009, 2008 and 2007 were as follows:

In thousands $	2009	2008	2007
Other income (expense), net	$ 60,461	$ 24,722	$ (2,350)
Increase (decrease) in income from prior year	$ 35,739	$ 27,072	$ (7,852)

Other income increased by $35.7 million to $60.5 million in 2009 compared to 2008 primarily due to transaction exchange gains and net gains on foreign currency forward contracts that have not been designated as hedges entered into in order to offset net foreign exchange gains and losses. In addition, 2008 included an impairment loss of $4.1 million.

Other income increased by $27.1 million to $24.7 million in 2008 compared to 2007 primarily due to favorable foreign exchange rates, which was partly offset by an other-than-temporary impairment loss recorded on an equity investment. The $2.4 million expense in 2007 included expenses related to a termination benefit resulting from the modification of certain outstanding stock options of a terminated employee and was partly offset by foreign exchange gains.

Income tax provision:

2009 compared to 2008: The income tax provision increased by $34.2 million to $199.0 million in 2009 compared to 2008. The 2009 effective tax rate of 20.4% reflects the impact from our low tax Swiss manufacturing operations and our overall global mix of income. The income tax provision included a $17.0 million net tax benefit, which was primarily the result of filing 2008 income tax returns with certain items being more favorable than originally estimated, reduction in a valuation allowance related to capital loss carryforwards and the settlement of tax examinations, partially offset by an increase in unrecognized tax benefits related to certain ongoing income tax audits.

2008 compared to 2007: The income tax provision decreased by $125.7 million to $164.8 million in 2008 compared to 2007. The effective tax rate of negative 12% reflects non-deductible IPR&D charges incurred in connection with the acquisition of Pharmion. The effective tax rate, excluding the impact of IPR&D and the expense related to the prepayment of our royalty obligation for unapproved products, was 24.8%, which reflects the benefit of our low tax Swiss manufacturing operations and our overall global mix of income.

Table of Contents

Net income (loss): Net income (loss) and per common share amounts for the years ended December 31, 2009, 2008 and 2007 were as follows:

In thousands $, except per share amounts	2009	2008	2007
Net income (loss)	$ 776,747	$ (1,533,653)	$ 226,433
Per common share amounts:			
Basic	$ 1.69	$ (3.46)	$ 0.59
Diluted [(1)]	$ 1.66	$ (3.46)	$ 0.54
Weighted average shares:			
Basic	459,304	442,620	383,225
Diluted	467,354	442,620	431,858

(1) In computing diluted earnings per share for 2007, the numerator has been adjusted to add back the after-tax amount of interest expense recognized in the year on our convertible debt. No adjustment to the numerator or denominator was made in 2008 due to the anti-dilutive effect of any potential common stock as a result of our net loss. As of their maturity date, June 1, 2008, substantially all of our convertible notes were converted into shares of

common stock.

2009 compared to 2008: Net income for 2009 reflects the earnings impact from higher sales of REVLIMID® and VIDAZA®, which was partly due to sales increases in the United States and our continued expansion into new international markets and the granting of full marketing authorization by the EC of VIDAZA® for specified treatment of adult patients. The earnings generated from increased sales were partly offset by increased R&D spending, the costs related to new product launches and our ongoing expansion of international operations. Net loss for 2008 included $1.74 billion in IPR&D charges related to our acquisition of Pharmion and a $303.1 million charge for the October 2008 royalty obligation payment to Pfizer related to unapproved forms of VIDAZA®.

2008 compared to 2007: Net income decreased by $1.76 billion in 2008 compared to 2007 primarily due to $1.74 billion in IPR&D charges and $102.3 million in acquired intangibles amortization related to the acquisition of Pharmion in March 2008, in addition to a $303.1 million charge for the October 2008 royalty obligation payment to Pfizer related to the unapproved forms of VIDAZA®. These costs were partly offset by an increase in net revenues provided by REVLIMID® and VIDAZA®.

Liquidity and Capital Resources

Cash flows from operating, investing and financing activities for the years ended December 31, 2009, 2008 and 2007 were as follows:

				Increase (Decrease)	
				2009 versus	2008 versus
In thousands $	2009	2008	2007	2008	2007
Net cash provided by operating activities	$ 909,855	$ 182,187	$ 477,500	$ 727,668	$ (295,313)
Net cash used in investing activities	$ (856,078)	$ (522,246)	$ (990,186)	$ (333,832)	$ 467,940
Net cash provided by (used in) financing activities	$ (61,872)	$ 281,629	$ 287,695	$ (343,501)	$ (6,066)

Table of Contents

Operating Activities: Net cash provided by operating activities in 2009 increased by $727.7 million to $909.9 million as compared to 2008. The increase in net cash provided by operating activities was primarily attributable to:

- higher net income,
- timing of receipts and payments in the ordinary course of business and
- the October 3, 2008 prepayment of our royalty obligation under the June 7, 2001 5-azacytidine license in full for $425.0 million.

Also see discussion of cash, cash equivalents, marketable securities and working capital below.

Investing Activities: Net cash used in investing activities in 2009 increased by $333.8 million to $856.1 million as compared to 2008. The increase in net cash used in investing activities was primarily attributable to net purchases of marketable securities available for sale of $749.3 million in 2009 compared to net proceeds from net sales of marketable securities available for sale of $312.1 million in 2008, partly offset by the $746.8 million of cash paid to acquire Pharmion in 2008.

Capital expenditures made in 2009, 2008 and 2007 related primarily to the expansion of our manufacturing capabilities, upgrades to our facilities, as well as spending on computer and laboratory equipment to accommodate our business growth. In 2009, capital expenditures included the cost of developing an enhanced risk management system and in 2008, capital expenditures included the cost of implementing the Oracle Enterprise Business Suite, or EBS. In 2007, capital expenditures included the cost of building our international headquarters in Boudry, Switzerland and computer equipment. For 2010, we are forecasting capital expenditures in the range of approximately $140 million to $150 million compared to approximately $93.4 million in 2009, and we expect to fund this with our operating cash flows.

Financing Activities: Net cash used in financing activities was $61.9 million in 2009 compared to net cash provided by financing activities of $281.6 million in 2008. The increase in net cash used in financing activities compared to net cash provided by financing activities was primarily attributable to:

- purchase of $209 million of treasury shares in 2009
- a decrease in the proceeds from the exercise of common stock options and warrants in 2009 and
- a decrease in the tax benefit from share-based compensation arrangements in 2009.

Cash, cash equivalents, marketable securities and working capital: Working capital and cash, cash equivalents and marketable securities for the years ended December 31, 2009 and 2008 were as follows:

In thousands $	2009	2008	2009 Increase
Cash, cash equivalents and marketable securities	$ 2,996,752	$ 2,222,091	$ 774,661
Working capital (1)	$ 3,302,109	$ 2,299,122	$ 1,002,987

(1) Includes cash, cash equivalents and marketable securities, accounts receivable, net of allowances, inventory and other current assets, less accounts payable, accrued expenses,

income taxes payable and other current liabilities.

Cash, Cash Equivalents and Marketable Securities Available for Sale: We invest our excess cash primarily in money market funds, U.S. Treasury fixed rate securities, U.S. government-sponsored agency fixed rate securities, U.S. government-sponsored agency mortgage-backed fixed rate securities, Federal Deposit Insurance Corporation, or FDIC, guaranteed fixed rate corporate debt, non-U.S. government issued securities and non-U.S. government guaranteed securities. All liquid investments with maturities of three months or less from the date of purchase are classified as cash equivalents and all investments with maturities of greater than three months from the date of purchase are classified as marketable securities available for sale. We determine the appropriate classification of our investments in marketable debt and equity securities at the time of purchase. The increase in cash, cash equivalents and marketable securities available for sale at the end of 2009 compared to 2008 was primarily due to increased cash generated from operations, which more than offset the cash paid out under our share repurchase program announced in April 2009 and capital expenditures.

Table of Contents

Accounts Receivable, Net: Accounts receivable, net increased by $126.4 million to $438.6 million in 2009 compared to 2008 primarily due to increased sales of REVLIMID® and VIDAZA®. Days of sales outstanding, or DSO, in 2009 amounted to 56 days compared to 42 days in 2008. The DSO increase was primarily due to increased international sales for which the collection period is longer than for U.S. sales. We expect this trend to continue as our international sales continue to expand.

Inventory: Inventory balances increased by $0.5 million to $100.7 million in 2009 compared to 2008. The increase reflected higher levels of REVLIMID® and VIDAZA® inventories, which were mostly offset by the elimination of ALKERAN® inventories resulting from the conclusion of the GSK supply agreement and reductions in THALOMID® due to lower sales volumes.

Other Current Assets: Other current assets increased by $68.5 million to $258.9 million in 2009 compared to 2008 primarily due to an increase in the fair value of foreign currency forward derivative contracts and an increase in prepaid expenses, primarily sales, use and value added taxes.

Accounts Payable, Accrued Expenses and Other Current Liabilities: Accounts payable, accrued expenses and other current liabilities decreased by $28.7 million to $446.0 million in 2009 compared to 2008. The decrease was primarily due to the impact of changes in the fair value of foreign currency forward derivative contracts, which was partly offset by an increase in clinical trial accruals and accrued payroll related expenses, resulting from our expanded business activities.

Income Taxes Payable (Current and Non-Current): Income taxes payable increased $59.5 million in 2009 compared to 2008 primarily from the current provision for income taxes of $225.9 million partially offset by tax payments of $60.0 million and a tax benefit on stock option exercises of $103.4 million.

We expect continued growth in our expenditures, particularly those related to research and product development, clinical trials, regulatory approvals, international expansion, commercialization of products and capital investments. However, we anticipate that existing cash, cash equivalents and marketable securities available for sale, combined with cash received from expected net product sales and royalty agreements, will 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, 2009:

	Payment Due By Period				
In thousands $	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Operating leases	$ 26,578	$ 37,207	$ 15,815	$ 19,541	$ 99,141
Manufacturing facility note payable	3,964	7,832	7,736	7,736	27,268
Other contract commitments	97,121	60,424			157,545
Total	$ 127,663	$ 105,463	$ 23,551	$ 27,277	$ 283,954

Operating leases: We lease office and research facilities under various operating lease agreements in the United States and various international markets. The non-cancelable lease terms for the operating leases expire at various dates between 2010 and 2018 and include renewal options. In general, we are also required to reimburse the lessors for real estate taxes, insurance, utilities, maintenance and other operating costs associated with the leases. For more information on the major facilities that we occupy under lease arrangements refer to Part I, Item 2, Properties of this Annual Report on Form 10-K.

Table of Contents

Manufacturing Facility Note Payable: In December 2006, we purchased an API manufacturing facility and certain other assets and liabilities from Siegfried located in Zofingen, Switzerland. At December 31, 2009, the fair value of our note payable to Siegfried approximated the carrying value of the note of $25.0 million.

Other Contract Commitments: Other contract commitments include $146.2 million in contractual obligations related to product supply contracts. In addition, we have committed to invest $20.0 million in an investment fund over a ten-year period, which is callable at any time. On December 31, 2009, our remaining investment commitment was $10.5 million. For more information refer to Note 19 of the Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Income Taxes Payable: We have provided a liability for unrecognized tax benefits related to various federal, state and foreign income tax matters of $450.2 million at December 31, 2009 of which $27.8 million is classified as current. The remaining balance of $422.4 million is classified as non-current because the timing of the settlement of these amounts is not reasonably estimable as of December 31, 2009. We do not expect a settlement of the unrecognized tax benefits classified as non-current within the next 12 months.

Collaboration Arrangements: We have entered into certain research and development collaboration arrangements with third parties that include the funding of certain development, manufacturing and commercialization efforts with the potential for future milestone and royalty payments upon the achievement of pre-established developmental, regulatory and /or commercial targets. See Note 17 to the Consolidated Financial Statements included in this Annual Report on 10-K for a description of our collaboration agreements. Our obligation to fund these efforts is contingent upon continued involvement in the programs, the successful development of research compounds that we choose to license and/or the lack of any adverse events which could cause the discontinuance of the programs.

The table of contractual obligations in this Annual Report on Form 10-K does not include potential milestone payments totaling approximately $3.750 billion, which are either contingent on the achievement of various research, development and regulatory approval milestones (approximately $2.220 billion) or are sales-based milestones (approximately $1.530 billion). Research, development and regulatory approval milestones depend primarily upon future favorable clinical developments and regulatory agency actions, neither of which may ever occur. Sales-based milestones are contingent on generating certain levels of future sales of products. Since the achievement and timing of these milestones is neither determinable nor reasonably estimable, such contingencies have not been included in the contractual obligations table or recorded on our consolidated balance sheets.

New Accounting Principles

In June 2009, the Financial Accounting Standards Board, or FASB, established the FASB Accounting Standards Codification™, or ASC, as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in preparation of financial statements in conformity with generally accepted accounting principles in the United States. All other accounting literature not included in the ASC is now nonauthoritative. The ASC was effective for financial statements issued for interim and annual periods ending after September 15, 2009 and its adoption did not have any impact on our consolidated financial statements. The ASC is updated through the FASB s issuance of Accounting Standard Updates, or ASUs. Summarized below are recently issued accounting pronouncements as described under the new ASC structure.

In September 2006, the FASB issued ASC No. 825, Fair Value Measurements, or ASC 825, which establishes a framework for measuring fair value and expands disclosures about fair value measurements. The FASB partially deferred the effective date of ASC 825 for non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis to fiscal years beginning after November 15, 2008. Our adoption of ASC 825 related to non-financial assets beginning January 1, 2009 did not have any impact on our consolidated financial statements.

Table of Contents

In December 2007, the FASB ratified ASC No. 808, Accounting for Collaborative Arrangements Related to the Development and Commercialization of Intellectual Property, or ASC 808, which provides guidance for ASC No. 730, Research and Development, related to how the parties to a collaborative agreement should account for costs incurred and revenue generated on sales to third parties, how sharing payments pursuant to a collaboration agreement should be presented in the income statement and certain related disclosure requirements. The guidance for ASC 808 was effective for us beginning January 1, 2009 on a retrospective basis and did not have any impact on our consolidated financial statements.

In December 2007, the FASB issued ASC No. 805, Business Combinations, or ASC 805, which requires an acquirer to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. This Statement also requires the capitalization of research and development assets acquired in a business combination at their acquisition date fair values, separately from goodwill. In addition, ASC 805 requires that any post-acquisition adjustments to deferred tax asset valuation allowances and liabilities related to uncertain tax positions be recognized in current period income tax expense. ASC 805 was effective for us beginning January 1, 2009 and we accounted for post-acquisition tax-related adjustments for pre-2009 business combinations and will account for future business combinations and certain other developments from past combinations in accordance with its provisions.

In December 2007, the FASB issued an amendment to ASC No. 810, Noncontrolling Interests in Consolidated Financial Statements, which changes the accounting for and reporting of noncontrolling interests (formerly known as minority interests) in consolidated financial statements. The amendment was effective for us beginning January 1, 2009 and did not have any impact on our consolidated financial statements.

In March 2008, the FASB issued an amendment to ASC No. 815, Disclosures about Derivative Instruments and Hedging Activities, which is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity s financial position, financial performance and cash flows. The amendment was effective for us beginning January 1, 2009 and the expanded disclosures are included in Note 6.

In April 2008, the FASB issued an amendment to ASC No. 350, Determination of the Useful Life of Intangible Assets, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The amendment was effective for us beginning January 1, 2009 and did not have any impact on our consolidated financial statements.

In May 2008, the FASB issued an amendment to ASC No. 470 Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement), which requires separate accounting for the debt and equity components of convertible debt issuances that have a cash settlement feature permitting settlement partially or fully in cash upon conversion. A component of such debt issuances that is representative of the approximate fair value of the conversion feature at inception should be bifurcated and recorded to equity, with the resulting debt discount amortized to interest expense in a manner that reflects the issuer s nonconvertible, unsecured debt borrowing rate. The requirements for separate accounting must be applied retrospectively to previously issued convertible debt issuances as well as prospectively to newly issued convertible debt issuances, negatively affecting both net income and earnings per share, in financial statements issued for fiscal years beginning after December 15, 2008. Since our past convertible debt issuance did not include a cash settlement feature, the amendment did not have any impact on our consolidated financial statements.

Table of Contents

In June 2008, the FASB issued ASC No. 260, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities, or ASC 260. The ASC addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method and requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents as a separate class of securities in calculating earnings per share. ASC 260 was effective for us beginning January 1, 2009. Since our past share-based payment awards did not include non-forfeitable rights to dividends or dividend equivalents, the adoption of ASC 260 did not have any impact on our consolidated financial statements.

In November 2008, the FASB ratified ASC No. 323, Equity Method Investment Accounting Considerations, or ASC 323, which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. ASC 323 was effective for us beginning January 1, 2009 and did not have any impact on our consolidated financial statements.

In November 2008, the FASB ratified an amendment to ASC No. 350, Accounting for Defensive Intangible Assets, which clarifies the accounting for certain separately identifiable intangible assets which an acquirer does not intend to actively use but intends to hold to prevent its competitors from obtaining access to them. The amendment requires an acquirer in a business combination to account for a defensive intangible asset as a separate unit of accounting, which should be amortized to expense over the period the asset diminishes in value. The amendment was effective for us beginning January 1, 2009 and we will account for defensive intangible assets acquired in future business combinations in accordance with its provisions.

In April 2009, the FASB issued an amendment to ASC No. 820, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, or ASC 820. This amendment provides additional guidance for estimating fair value in accordance with ASC 820 when the volume and level of activity for the asset or liability have significantly decreased and also includes guidance on identifying circumstances that indicate a transaction is not orderly for fair value measurements. This amendment shall be applied prospectively with retrospective application not permitted. This amendment was effective for interim and annual periods ending after June 15, 2009. The adoption did not have any impact on our consolidated financial statements.

In April 2009, the FASB issued an amendment to ASC 320, Recognition and Presentation of Other-Than-Temporary Impairments. This amendment was issued to make the other-than-temporary impairments guidance more operational and to improve the presentation of other-than-temporary impairments in the financial statements. This amendment replaces the existing requirement that the entity s management assert it has both the intent and ability to hold an impaired debt security until recovery with a requirement that management assert it does not have the intent to sell the security, and it is more likely than not it will not have to sell the security before recovery of its cost basis. This amendment provides increased disclosure about the credit and noncredit components of impaired debt securities that are not expected to be sold and also requires increased and more frequent disclosures regarding expected cash flows, credit losses and an aging of securities with unrealized losses. Although this amendment does not result in a change in the carrying amount of debt securities, it does require that the portion of an other-than-temporary impairment not related to a credit loss for a held-to-maturity security be recognized in a new category of other comprehensive income and be amortized over the remaining life of the debt security as an increase in the carrying value of the security. This amendment was effective for interim and annual periods ending after June 15, 2009. The adoption of this amendment did not have any impact on our consolidated financial statements.

Table of Contents

In April 2009, the FASB issued an amendment to ASC 825, Interim Disclosures About Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments not measured on the balance sheet at fair value in interim financial statements as well as in annual financial statements. Prior to this amendment, fair values for these assets and liabilities were only disclosed annually. This amendment applies to all financial instruments within the scope of ASC 825 and requires all entities to disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments. This amendment was effective for interim periods ending after June 15, 2009. This amendment does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this amendment requires comparative disclosures only. The adoption did not have any impact on our consolidated financial statements.

In April 2009, the FASB issued an amendment to ASC No. 805, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies. This amendment clarifies application issues associated with initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This amendment was effective for us beginning January 1, 2009 and we will account for assets or liabilities arising from contingencies acquired in future business combinations in accordance with its provisions.

In May 2009, the FASB issued ASC No. 855, Subsequent Events, or ASC 855, which established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. It sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. ASC 855 was effective for financial statements issued for interim and annual periods ending after June 15, 2009.

In June 2009, the FASB issued an amendment to ASC No. 860, Accounting for Transfers of Financial Assets, which eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets and requires additional disclosures. This amendment clarifies the determination whether a transferor and all of the entities included in the transferor s financial statements being presented have surrendered control over transferred financial assets. It also enhances information reported to users of financial statements by providing greater transparency about transfers of financial assets and a company s continuing involvement in transferred financial assets. This amendment will be effective for our fiscal year beginning January 1, 2010. We are currently evaluating the impact, if any, that the adoption of this amendment will have on our consolidated financial statements.

In June 2009, the FASB issued an amendment to ASC 810, Consolidation of Variable Interest Entities, which changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity s purpose and design and a company s ability to direct the activities of the entity that most significantly impact the entity s economic performance. This amendment requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and will require a company to provide additional disclosures about its involvement with variable interest entities, any significant changes in risk exposure due to that involvement and how its involvement with a variable interest entity affects the company s financial statements. This amendment will be effective for our fiscal year beginning January 1, 2010. We are currently evaluating the impact, if any, that the adoption of this amendment will have on our consolidated financial statements.

Table of Contents

In August 2009, the FASB issued ASU No. 2009-05, Measuring Liabilities at Fair Value, or ASU 2009-05, which amends ASC 820 to provide clarification of a circumstances in which a quoted price in an active market for an identical liability is not available. A reporting entity is required to measure fair value using one or more of the following methods: 1) a valuation technique that uses a) the quoted price of the identical liability when traded as an asset or b) quoted prices for similar liabilities (or similar liabilities when traded as assets) and/or 2) a valuation technique that is consistent with the principles of ASC 820. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to adjust to include inputs relating to the existence of transfer restrictions on that liability. The adoption of this ASU did not have an impact on our consolidated financial statements.

In September 2009, the FASB issued ASU No. 2009-12, Fair Value Measurements and Disclosure, or ASU 2009-12, which provides additional guidance on using the net asset value per share, provided by an investee, when estimating the fair value of an alternate investment that does not have a readily determinable fair value and enhances the disclosures concerning these investments. ASU 2009-12 was effective for our interim and annual periods ending after December 15, 2009.

In October 2009, the FASB issued ASU No. 2009-13, Multiple-Deliverable Revenue Arrangements, or ASU 2009-13, which amends existing revenue recognition accounting pronouncements that are currently within the scope of ASC 605. This guidance eliminates the requirement to establish the fair value of undelivered products and services and instead provides for separate revenue recognition based upon management s estimate of the selling price for an undelivered item when there is no other means to determine the fair value of that undelivered item. ASU 2009-13 is effective for us prospectively for revenue arrangements entered into or materially modified beginning January 1, 2011. We are currently evaluating the impact, if any, that the adoption of this amendment will have on our consolidated financial statements.

Critical Accounting Estimates and Significant Accounting Policies

A critical accounting policy is one that 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 estimates and policies to be critical:

Revenue Recognition: Revenue from the sale of products is recognized when title and risk of loss of the product is transferred to the customer. Provisions for discounts, early payments, rebates, sales returns and distributor chargebacks under terms customary in the industry are provided for in the same period the related sales are recorded. We record estimated reductions to revenue for volume-based discounts and rebates at the time of the initial sale. The estimated reductions to revenue for such volume-based discounts and rebates are based on the sales terms, historical experience and trend analysis.

We recognize revenue from royalties based on licensees sales of our products or products using our technologies. Royalties are recognized as earned in accordance with the contract terms when royalties from licensees can be reasonably estimated and collectibility is reasonably assured. If royalties cannot be reasonably estimated or collectibility of a royalty amount is not reasonably assured, royalties are recognized as revenue when the cash is received.

Gross to Net Sales Accruals: We record gross to net sales accruals for sales returns and allowances, sales discounts, government rebates, and chargebacks and distributor service fees.

Table of Contents

THALOMID® is distributed in the United States under our S.T.E.P.S.® program which we developed and is a proprietary comprehensive education and risk-management distribution program with the objective of providing for the safe and appropriate distribution and use of THALOMID®. Internationally, THALOMID® is also distributed under mandatory risk-management distribution programs tailored to meet local competent authorities specifications to help ensure the safe and appropriate distribution and use of THALOMID®. These programs may vary by country and, depending upon the country and the design of the risk-management program, the product may be sold through hospitals or retail pharmacies. REVLIMID® is distributed in the United States primarily through contracted pharmacies under the RevAssist® program, which is a proprietary risk-management distribution program tailored specifically to help ensure the safe and appropriate distribution and use of REVLIMID®. Internationally, REVLIMID® is also distributed under mandatory risk-management distribution programs tailored to meet local competent authorities specifications to help ensure the safe and appropriate distribution and use of REVLIMID®. These programs may vary by country and, depending upon the country and the design of the risk-management program, the product may be sold through hospitals or retail pharmacies. VIDAZA® is distributed through the more traditional pharmaceutical industry supply chain. VIDAZA® is not subjected to the same risk-management distribution programs as THALOMID® and REVLIMID®.

We base our sales returns allowance on estimated on-hand retail/hospital inventories, measured end-customer demand as reported by third-party sources, actual returns history and other factors, such as the trend experience for lots where product is still being returned or inventory centralization and rationalization initiatives conducted by major pharmacy chains, as applicable. If the historical data we use to calculate these estimates does not properly reflect future returns, then a change in the allowance would be made in the period in which such a determination is made and revenues in that period could be materially affected. Under this methodology, we track actual returns by individual production lots. Returns on closed lots, that is, lots no longer eligible for return credits, are analyzed to determine historical returns experience. Returns on open lots, that is, lots still eligible for return credits, are monitored and compared with historical return trend rates. Any changes from the historical trend rates are considered in determining the current sales return allowance. THALOMID® is drop-shipped directly to the prescribing pharmacy and, as a result, wholesalers do not stock the product. REVLIMID® is distributed primarily through hospitals and contracted pharmacies, lending itself to tighter controls of inventory quantities within the supply channel and, thus, resulting in lower returns activity to date.

Sales discount accruals are based on payment terms extended to customers.

Government rebate accruals are based on estimated payments due to governmental agencies for purchases made by third parties under various governmental programs. U.S. Medicaid rebate accruals are based on historical payment data and estimates of future Medicaid beneficiary utilization applied to the Medicaid unit rebate amount formula established by the Center for Medicaid and Medicare Services. Certain international markets have government-sponsored programs that require rebates to be paid and accordingly the rebate accruals are determined primarily on estimated eligible sales.

Chargebacks 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 service fee accruals are based on contractual fees to be paid to the wholesale distributor for services provided. On January 28, 2008, the Fiscal Year 2008 National Defense Authorization Act was enacted, which expands TRICARE to include prescription drugs dispensed by TRICARE retail network pharmacies. TRICARE is a health care program of the U.S. Department of Defense Military Health System that provides civilian health benefits for military personnel, military retirees and their dependents. TRICARE rebate accruals reflect this program expansion and are based on estimated Department of Defense eligible sales multiplied by the TRICARE rebate formula.

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.

We account for interest and penalties related to uncertain tax positions as part of our provision for income taxes. These unrecognized tax benefits relate primarily to issues common among multinational corporations in our industry. We apply a variety of methodologies in making these estimates which include studies performed by independent economists, advice from industry and subject experts, evaluation of public actions taken by the IRS and other taxing authorities, as well as our own industry experience. We provide estimates for unrecognized tax benefits. If our estimates are not representative of actual outcomes, our results of operations could be materially impacted.

Table of Contents

We periodically evaluate the likelihood of the realization of deferred tax assets, and reduce the carrying amount of these deferred tax assets by a valuation allowance to the extent we believe a portion will not be realized. We consider many factors when assessing the likelihood of future realization of deferred tax assets, including our recent cumulative earnings experience by taxing jurisdiction, expectations of future taxable income, carryforward periods available to us for tax reporting purposes, various income tax strategies and other relevant factors. Significant judgment is required in making this assessment and, to the extent future expectations change, we would have to assess the recoverability of our deferred tax assets at that time. At December 31, 2009, it was more likely than not that we would realize our deferred tax assets, net of valuation allowances.

Share-Based Compensation: The cost of share-based compensation is recognized in the Consolidated Statements of Operations based on the fair value of all awards granted, using the Black-Scholes method of valuation. The fair value of each award is determined and the compensation cost is recognized over the service period required to obtain full vesting. Compensation cost to be recognized reflects an estimate of the number of awards expected to vest after taking into consideration an estimate of award forfeitures based on actual experience.

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 operations and a new cost basis for the security established. The determination of whether an available-for-sale marketable security is other-than-temporarily impaired requires significant judgment and requires consideration of available quantitative and qualitative evidence in evaluating the potential impairment. Factors evaluated to determine whether the investment is other-than-temporarily impaired include: significant deterioration in the issuer s earnings performance, credit rating, asset quality, business prospects of the issuer, adverse changes in the general market conditions in which the issuer operates, length of time that the fair value has been below our cost, our expected future cash flows from the security, our intent not to sell and an evaluation as to whether it is more likely than not that we will not have to sell before recovery of our cost basis. Assumptions associated with these factors are subject to future market and economic conditions, which could differ from our assessment.

Derivatives and Hedging Activities: All derivative instruments are recognized on the balance sheet at their fair value. Changes in the fair value of derivative instruments are recorded each period in current earnings or other comprehensive income (loss), depending on whether a derivative instrument is designated as part of a hedging transaction and, if it is, the type of hedging transaction. For a derivative to qualify as a hedge at inception and throughout the hedged period, we formally document the nature and relationships between the hedging instruments and hedged item. We assess, both at inception and on an on-going basis, whether the derivative instruments that are used in cash flow hedging transactions are highly effective in offsetting the changes in cash flows of hedged items. We assess hedge effectiveness on a quarterly basis and record the gain or loss related to the ineffective portion of derivative instruments, if any, to current earnings. If we determine that a forecasted transaction is no longer probable of occurring, we discontinue hedge accounting and any related unrealized gain or loss on the derivative instrument is recognized in current earnings. We use derivative instruments, including those not designated as part of a hedging transaction, to manage our exposure to movements in foreign exchange rates. The use of these derivative instruments modifies the exposure of these risks with the intent to reduce our risk or cost. We do not use derivative instruments for speculative trading purposes and are not a party to leveraged derivatives.

Table of Contents

Investment in Affiliated Companies: We apply the equity method of accounting to our investments in common stock of affiliated companies and certain investment funds, which primarily invest in companies conducting business in life sciences such as biotechnology, pharmaceuticals, medical technology, medical devices, diagnostics and health and wellness.

Equity investments are reviewed on a regular basis for possible impairment. If an investment s fair value is determined to be less than its net carrying value and the decline is determined to be other-than-temporary, the investment is written down to its fair value. Such an evaluation is judgmental and dependent on specific facts and circumstances. Factors considered in determining whether an other-than-temporary decline in value has occurred include: market value or exit price of the investment based on either market-quoted prices or future rounds of financing by the investee; length of time that the market value was below its cost basis; financial condition and business prospects of the investee; our intent and ability to retain the investment for a sufficient period of time to allow for recovery in market value of the investment; issues that raise concerns about the investee s ability to continue as a going concern; and any other information that we may be aware of related to the investment.

Accounting for Long-Term Incentive Plans: We have established 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 covering a three-year period. We currently have three three-year performance cycles running concurrently ending December 31, 2010, 2011 and 2012. Performance measures for each LTIP are based on the following components in the last year of the three-year cycle: 25% on non-GAAP earnings per share, 25% on non-GAAP net income and 50% on total non-GAAP revenue, as defined.

Payouts may be in the range of 0% to 200% of the participant s salary for the plans. Awards are payable in cash or, at our discretion, in our common stock based upon our stock price at the payout date. We accrue 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 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 an award based on actual performance, if higher, through the date of the change in control.

Accruals recorded for the LTIP entail making certain assumptions concerning future non-GAAP earnings per share, non-GAAP net income and non-GAAP revenues, as defined; the actual results of which could be materially different than the assumptions used. Accruals for the LTIP are reviewed on a regular basis and revised accordingly so that the liability recorded reflects updated estimates of future payouts. In estimating the accruals, management considers actual results to date for the performance period, expected results for the remainder of the performance period, operating trends, product development, pricing and competition.

Table of Contents

Valuation of acquired intangible assets and acquired in-process research and development: We have acquired intangible assets primarily through business combinations. When identifiable intangible assets, including in-process research and development, are acquired we determine the fair values of these assets as of the acquisition date. Discounted cash flow models are typically used in these valuations, and the models require the use of significant estimates and assumptions including but not limited to:

- projecting regulatory approvals,
- estimating future cash flows from product sales resulting from completed products and in-process projects and
- developing appropriate discount rates and probability rates.

Goodwill and Other Intangible Assets: Goodwill represents the excess of purchase price over fair value of net assets acquired in a business combination accounted for by the purchase method of accounting and is not amortized, but subject to impairment testing at least annually or when a triggering event occurs that could indicate a potential impairment. We test our goodwill annually for impairment each November 30. Intangible assets with definite useful lives are amortized to their estimated residual values over their estimated useful lives and reviewed for impairment if certain events occur. We currently have no intangible assets with indefinite useful lives.

Table of Contents

ITEM 7A. 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, 2009, our market risk sensitive instruments consisted of marketable securities available for sale, our manufacturing facility note payable and certain foreign currency forward contracts.

Marketable Securities Available for Sale: At December 31, 2009, our marketable securities available for sale consisted primarily of U.S. Treasury fixed rate securities, U.S. government-sponsored agency fixed rate securities, U.S. government-sponsored agency mortgage-backed fixed rate securities, FDIC guaranteed fixed rate corporate debt, non-U.S. government issued fixed rate securities, non-U.S. government guaranteed fixed rate securities and a marketable equity security. U.S. government-sponsored agency securities include general unsecured obligations of the issuing agency, including issues from the Federal Home Loan Bank, or FHLB, Federal National Mortgage Association, or Fannie Mae, and Federal Home Loan Mortgage Corporation, or Freddie Mac. U.S. government-sponsored agency mortgage-backed securities include fixed rate asset-backed securities issued by Fannie Mae, Freddie Mac and Government National Mortgage Association, or Ginnie Mae. Federal Deposit Insurance Corporation, or FDIC, guaranteed corporate debt includes obligations of bank holding companies that meet certain criteria set forth under the Federal Temporary Liquidity Guarantee Program, or TLGP, and is unconditionally guaranteed by the FDIC.

Fannie Mae, Freddie Mac, FHLB and Ginnie Mae are regulated by the Federal Housing Finance Agency, or FHFA. Working with the Congress and the Office of the President, the U.S. Treasury and the Federal Reserve have pledged to continue to provide capital and liquidity to these U.S. government-sponsored agencies. We have not recorded any impairment against our holdings in these securities due to the support of the U.S. government of these agencies.

Non-U.S. government issued securities consist of direct obligations of highly-rated governments of nations other then the United States. Non-U.S. government guaranteed securities consist of obligations of agencies and other entities that are explicitly guaranteed by highly-rated governments of nations other then the United States. We have not recorded impairments against our holdings in these securities due to the support of the governments of these agencies and entities.

Marketable securities available for sale are carried at fair value, held for an unspecified period of time and are intended for use in meeting 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 debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization, along with realized gains and losses and other than temporary impairment charges, is included in interest and investment income, net.

Table of Contents

As of December 31, 2009, 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:

In thousands $	Less than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
Principal amount	$ 514,553	$ 1,234,906	$ 103,003	$ 9,777	$ 1,862,239
Fair value	$ 524,766	$ 1,252,237	$ 106,628	$ 10,437	$ 1,894,068
Average interest rate	1.1%	1.6%	2.5%	2.9%	1.5%

Note Payable: In December 2006, we purchased an API manufacturing facility and certain other assets and liabilities from Siegfried. At December 31, 2009, the fair value of our note payable to Siegfried approximated the carrying value of the note of $25.0 million (See Note 11 of the Notes to the Consolidated Financial Statements included in this Annual Report). Assuming other factors are held constant, an increase in interest rates generally will result in a decrease in the fair value of the note. The note is denominated in Swiss francs and its fair value will also be affected by changes in the U.S. dollar / Swiss franc exchange rate. The carrying value of the note reflects the U.S. dollar / Swiss franc exchange rate and Swiss interest rates.

Foreign Currency Forward Contracts: We use foreign currency forward contracts to hedge specific forecasted transactions denominated in foreign currencies and to reduce exposures to foreign currency fluctuations of certain assets and liabilities denominated in foreign currencies.

We enter into foreign currency forward contracts to protect against changes in anticipated foreign currency cash flows resulting from changes in foreign currency exchange rates, primarily associated with non-functional currency denominated revenues and expenses of foreign subsidiaries. The foreign currency forward hedging contracts outstanding at December 31, 2009 and 2008 had settlement dates within 24 months. These foreign currency forward contracts are designated as cash flow hedges under ASC 815 and, accordingly, to the extent effective, any unrealized gains or losses on them are reported in other comprehensive income (loss), or OCI, and reclassified to operations in the same periods during which the underlying hedged transactions affect operations. Any ineffectiveness on these foreign currency forward contracts is reported in other income, net. Foreign currency forward contracts entered into to hedge forecasted revenue and expenses were as follows:

	Notional Amount	
Foreign Currency	2009	2008
Euro	$ 1,107,340	$ 704,198

The notional settlement amounts of the foreign currency forward contracts outstanding as of December 31, 2009 and 2008 were $1.107 billion and $704.2 million, respectively. We consider the impact of our own and the counterparties credit risk on the fair value of the contracts as well as the ability of each party to execute its obligations under the contract. As of December 31, 2009 and 2008, credit risk did not materially change the fair value of our foreign currency forward contracts.

Table of Contents

We recognized reductions in net product sales for certain effective cash flow hedge instruments of $36.4 million for 2009 and $0.4 million for 2008. These settlements were recorded in the same period as the related forecasted sales occurred. We recognized an increase in research and development expenses for the settlement of certain effective cash flow hedge instruments of $0.6 million for 2009 and a decrease in research and development expenses for the settlement of certain effective cash flow hedge instruments of $4.0 million for 2008. These settlements were recorded in the same period as the related forecasted research and development expenses occurred. We recognized an increase in other income, net for the settlement of certain effective cash flow hedge instruments of $11.6 million for the year ended December 31, 2008. These settlements were recorded in the same period as the related forecasted expenses occurred. Changes in time value, which we excluded from the hedge effectiveness assessment, were included in other income, net.

We also enter into foreign currency forward contracts to reduce exposures to foreign currency fluctuations of certain recognized assets and liabilities denominated in foreign currencies. These foreign currency forward contracts have not been designated as hedges under ASC 815 and, accordingly, any changes in their fair value are recognized in other income, net in the current period. The aggregate notional amount of the foreign currency forward non-designated hedging contracts outstanding at December 31, 2009 and 2008 were $483.2 million and $56.6 million, respectively.

Although not predictive in nature, we believe a hypothetical 10% threshold reflects a reasonably possible near-term change in foreign currency rates. Assuming that the December 31, 2009 exchange rates were to change by a hypothetical 10%, the fair value of the foreign currency forward contracts would change by approximately $154.1 million. However, since the contracts either hedge specific forecasted intercompany transactions denominated in foreign currencies or hedge assets and liabilities denominated in currencies other than the entities functional currencies, any change in the fair value of the contract would be either reported in other comprehensive income (loss) and reclassified to earnings in the same periods during which the underlying hedged transactions affect earnings or remeasured through earnings each period along with the underlying hedged item.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CELGENE CORPORATION AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

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 (the Company) as of December 31, 2009 and 2008, 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, 2009. 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, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, 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.

As discussed in the Notes to the consolidated financial statements, the Company has, as of January 1, 2009, changed its method of accounting for business combinations, as of January 1, 2008, changed its method of accounting for the measurement of the fair value of financial assets and liabilities, and, as of January 1, 2007, changed its method of recognizing and measuring the tax effects related to uncertain tax positions, each due to the adoption of new accounting requirements issued by the Financial Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2010 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP
Short Hills, New Jersey
February 18, 2010

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

	December 31, 2009	2008
Assets		
Current assets:		
Cash and cash equivalents	$ 1,102,172	$ 1,092,386
Marketable securities available for sale	1,894,580	1,129,705
Accounts receivable, net of allowances of $10,787 and $9,391 at December 31, 2009 and 2008, respectively	438,617	312,243
Inventory	100,683	100,176
Deferred income taxes	49,817	16,415
Other current assets	258,935	190,441
Total current assets	3,844,804	2,841,366
Property, plant and equipment, net	297,792	248,971
Investment in affiliated companies	21,476	18,392
Intangible assets, net	349,542	434,764
Goodwill	578,116	588,822
Other assets	297,581	312,955
Total assets	$ 5,389,311	$ 4,445,270
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 36,629	$ 53,859
Accrued expenses	315,608	306,120
Income taxes payable	46,874	51,162
Current portion of deferred revenue	1,827	1,419
Other current liabilities	93,767	114,688
Total current liabilities	494,705	527,248
Deferred revenue, net of current portion	6,527	3,127
Non-current income taxes payable	422,358	358,578
Other non-current liabilities	71,115	64,989
Total liabilities	994,705	953,942

Commitments and Contingencies

Stockholders equity:

Preferred stock, $.01 par value per share, 5,000,000 shares authorized; none outstanding at December 31, 2009 and 2008		
Common stock, $.01 par value per share, 575,000,000 shares authorized; issued 467,629,433 and 463,274,296 shares at December 31, 2009 and 2008, respectively	4,676	4,633
Common stock in treasury, at cost; 8,337,961 and 4,144,667 shares at December 31, 2009 and 2008, respectively	(362,521)	(157,165)
Additional paid-in capital	5,474,122	5,180,397
Accumulated deficit	(632,246)	(1,408,993)
Accumulated other comprehensive loss	(89,425)	(127,544)
Total stockholders equity	4,394,606	3,491,328
Total liabilities and stockholders equity	$ 5,389,311	$ 4,445,270

See accompanying Notes to Consolidated Financial Statements

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)

	Years Ended December 31,		
	2009	**2008**	**2007**
Revenue:			
Net product sales	$ 2,567,354	$ 2,137,678	$ 1,300,441
Collaborative agreements and other revenue	13,743	14,945	20,109
Royalty revenue	108,796	102,158	85,270
Total revenue	2,689,893	2,254,781	1,405,820
Expenses:			
Cost of goods sold (excluding amortization expense)	216,289	258,267	130,211
Research and development	794,848	931,218	400,456
Selling, general and administrative	753,827	685,547	440,962
Amortization of acquired intangible assets	83,403	103,967	9,070
Acquired in-process research and development		1,740,000	
Total expenses	1,848,367	3,718,999	980,699
Operating income (loss)	841,526	(1,464,218)	425,121
Other income and expense:			
Interest and investment income, net	76,785	84,835	109,813
Equity in losses of affiliated companies	1,103	9,727	4,488
Interest expense	1,966	4,437	11,127
Other income (expense), net	60,461	24,722	(2,350)
Income (loss) before income taxes	975,703	(1,368,825)	516,969
Income tax provision	198,956	164,828	290,536
Net income (loss)	$ 776,747	$ (1,533,653)	$ 226,433
Net income (loss) per common share:			
Basic	$ 1.69	$ (3.46)	$ 0.59
Diluted	$ 1.66	$ (3.46)	$ 0.54
Weighted average shares (in thousands):			

Basic	459,304	442,620	383,225
Diluted	467,354	442,620	431,858

See accompanying Notes to Consolidated Financial Statements

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Years Ended December 31,		
	2009	**2008**	**2007**
Cash flows from operating activities:			
Net income (loss)	$ 776,747	$ (1,533,653)	$ 226,433
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation of long-term assets	41,682	33,797	22,057
Amortization of intangible assets	84,386	104,365	9,478
Allocation of pre-paid royalties	36,045	10,739	
Provision for accounts receivable allowances	2,664	6,232	9,489
Deferred income taxes	(26,939)	(104,588)	(10,077)
Acquired in-process research and development		1,740,000	
Share-based compensation cost	145,929	106,578	58,825
Equity in losses of affiliated companies	518	8,884	3,578
Share-based employee benefit plan expense	11,515	8,314	5,365
Unrealized change in value of foreign currency forward contracts	(9,738)	8,250	(70)
Realized (gain) loss on marketable securities available for sale	(31,013)	1,206	6,232
Other, net	8,715	2,224	(287)
Change in current assets and liabilities, excluding the effect of the 2008 acquisition:			
Accounts receivable	(122,615)	(107,685)	(47,367)
Inventory	1,540	(25,867)	(23,967)
Other operating assets	(53,847)	(129,199)	(19,933)
Accounts payable and other operating liabilities	652	(17,087)	83,729
Income tax payable	39,823	69,610	157,621
Deferred revenue	3,791	67	(3,606)
Net cash provided by operating activities	909,855	182,187	477,500
Cash flows from investing activities:			
Proceeds from sales of marketable securities available for sale	2,258,376	1,148,116	1,654,354
Purchases of marketable securities available for sale	(3,007,673)	(835,967)	(2,547,686)
Payments for acquisition of business, net of cash acquired		(746,779)	
Capital expenditures	(93,384)	(77,379)	(64,359)
Investment in affiliated companies	(3,603)	(12,855)	(1,621)
Purchases of investment securities	(13,127)	(9,436)	(23,356)
Other	3,333	12,054	(7,518)
Net cash used in investing activities	(856,078)	(522,246)	(990,186)
Cash flows from financing activities:			

Purchase of treasury shares	(209,461)		
Net proceeds from exercise of common stock options and warrants	49,751	128,583	144,703
Excess tax benefit from share-based compensation arrangements	97,838	153,046	142,992
Net cash provided by (used in) financing activities	(61,872)	281,629	287,695
Effect of currency rate changes on cash and cash equivalents	17,881	(67,457)	3,849
Net increase (decrease) in cash and cash equivalents	9,786	(125,887)	(221,142)
Cash and cash equivalents at beginning of year	1,092,386	1,218,273	1,439,415
Cash and cash equivalents at end of year	$ 1,102,172	$ 1,092,386	$ 1,218,273

See accompanying Notes to Consolidated Financial Statements

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Dollars in thousands)

	Years Ended December 31,		
	2009	**2008**	**2007**
Supplemental schedule of non-cash investing and financing activity:			
Change in net unrealized (gain) loss on marketable securities available for sale	$ (3,326)	$ 87,349	$ (81,325)
Matured shares tendered in connection with stock option exercises	$ (2,014)	$ (7,646)	$ (6,457)
Conversion of convertible notes	$	$ 196,543	$ 203,334
Supplemental disclosure of cash flow information:			
Interest paid on convertible notes	$	$ 1,640	$ 6,700
Income taxes paid	$ 70,539	$ 29,319	$

See accompanying Notes to Consolidated Financial Statements

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
(Dollars in thousands)

Years Ended December 31, 2009, 2008 and 2007	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balances at December 31, 2006	3,801	(148,097)	2,209,889	(101,773)	12,357	1,976,177
Net income				226,433		226,433
Other comprehensive income:						
Increase in unrealized gains on available for sale securities, net of $29,631 tax					47,834	47,834
Reclassification of losses on available for sale securities included in net income, net of $3,860 tax					6,232	6,232
Pension liability adjustment					(31)	(31)
Currency translation adjustments					17,490	17,490
Comprehensive income						$ 297,958
Mature shares tendered related to option exercise		(6,457)				(6,457)
Costs related to 2006 secondary stock offering			(3)			(3)
Conversion of long-term convertible notes	168		203,166			203,334
Exercise of stock options and warrants	103		146,763			146,866
Issuance of common stock for employee benefit plans		5,035	2,901			7,936
Expense related to share-based compensation			58,825			58,825
Income tax benefit upon exercise of stock options			159,308			159,308
Balances at December 31, 2007	4,072	(149,519)	2,780,849	124,660	83,882	2,843,944
Net loss				(1,533,653)		(1,533,653)
Other comprehensive income:						
Increase in unrealized gains on available for sale securities, net of $5,211 tax					8,413	8,413
Reversal of unrealized gains on Pharmion investment, net of $38,904 tax					(62,806)	(62,806)
Reclassification of losses on available for sale securities included in net loss, net of $736 tax					1,188	1,188
Unrealized losses on cash flow hedges					(50,117)	(50,117)
Pension liability adjustment					(3,290)	(3,290)
Net asset transfer of common control foreign subsidiaries			4,337		(4,337)	
Currency translation adjustments					(100,477)	(100,477)
Comprehensive (loss)						$ (1,740,742)
Mature shares tendered related to option exercise		(7,646)	3,861			(3,785)
Acquisition of Pharmion Corp.	308		1,793,838			1,794,146

Conversion of long-term convertible notes	162		196,381			196,543
Exercise of stock options and warrants	90		128,439			128,529
Issuance of common stock for employee benefit plans	1		5,178			5,179
Expense related to share-based compensation			106,951			106,951
Income tax benefit upon exercise of stock options			160,563			160,563
Balances at December 31, 2008	$ 4,633	$ (157,165)	$ 5,180,397	$ (1,408,993)	$ (127,544)	$ 3,491,328
Net income				776,747		776,747
Other comprehensive income:						
Increase in unrealized gains on available for sale securities, net of $11,316 tax					14,642	14,642
Reclassification of gains on available for sale securities included in net income, net of $20,675 tax					(31,013)	(31,013)
Unrealized gains on cash flow hedges					55,479	55,479
Pension liability adjustment					5,180	5,180
Net asset transfer of common control foreign subsidiaries			(3,198)		3,198	
Currency translation adjustments					(9,367)	(9,367)
Comprehensive income						$ 811,668
Mature shares tendered related to option exercise		(2,014)	1,213			(801)
Exercise of stock options and warrants	43	(33)	50,491			50,501
Shares purchased under share repurchase program		(209,461)				(209,461)
Issuance of common stock for employee benefit plans		6,152	2,784			8,936
Expense related to share-based compensation			143,659			143,659
Income tax benefit upon exercise of stock options			98,776			98,776
Balances at December 31, 2009	$ 4,676	$ (362,521)	$ 5,474,122	$ (632,246)	$ (89,425)	$ 4,394,606

See accompanying Notes to Consolidated Financial Statements

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(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 a global integrated biopharmaceutical company primarily engaged in the discovery, development and commercialization of innovative therapies designed to treat cancer and immune-inflammatory diseases.

The Company s primary commercial stage products include REVLIMID®, THALOMID® (inclusive of Thalidomide Celgene™ and Thalidomide Pharmion™, subsequent to the acquisition of Pharmion Corporation, or Pharmion), VIDAZA® and FOCALIN®. FOCALIN® is sold exclusively to Novartis Pharma AG, or Novartis. The Company also derives revenues from a licensing agreement with Novartis, which entitles it to royalties on FOCALIN XR® and the entire RITALIN® family of drugs, and sales of bio-therapeutic products and services through the Company s Cellular Therapeutics subsidiary. ALKERAN® was licensed from GlaxoSmithKline, or GSK, and sold under the Celgene label through March 31, 2009, the conclusion date of the ALKERAN® license with GSK. For the ensuing two years, the Company will continue to earn residual payments based upon GSK s ALKERAN® revenues.

The consolidated financial statements include the accounts of Celgene Corporation and its subsidiaries. Investments in limited partnerships and interests where the Company has an equity interest of 50% or less and does not otherwise have a controlling financial interest are accounted for by either the equity or cost method. Certain prior year amounts have been reclassified 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 related to product development, regulatory approval, market acceptance, scope of patent and proprietary rights, intense competition, rapid technological change and product liability.

In January 2010, the Company acquired Gloucester Pharmaceuticals Inc., or Gloucester, a privately held pharmaceutical company, for $340.0 million in cash plus $300.0 million in contingent U.S. and international regulatory milestone payments. The acquisition is expected to advance the Company s leadership position in the development of disease-altering therapies through innovative approaches for patients with rare and debilitating blood cancers. Gloucester developed ISTODAX® (romidepsin), which was approved in November 2009 by the U.S. Food and Drug Administration, or FDA, for the treatment of cutaneous T-cell lymphoma, or CTCL, in patients who have received at least one prior systemic therapy. Additionally, ISTODAX® has received both orphan drug designation for the treatment of non-Hodgkin s T-cell lymphomas, which includes CTCL and peripheral T-cell lymphoma, or PTCL, and Fast Track status in PTCL from the FDA. The European Agency for the Evaluation of Medicinal Products (EMEA) has granted orphan status designation for ISTODAX® for the treatment of both CTCL and PTCL. Due to the limitations on access to Gloucester information prior to the acquisition date and the limited time since the acquisition date, the initial accounting for the business combination is incomplete at this time. As a result, the Company is unable to provide the contingent consideration disclosures and amounts recognized as of the acquisition date for the major classes of assets acquired and liabilities assumed, including the information required for pre-acquisition contingencies and goodwill.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financial Instruments: Certain financial instruments reflected in the Consolidated Balance Sheets, (e.g., cash, cash equivalents, accounts receivable, certain other assets, accounts payable and certain other liabilities) are recorded at cost, which approximates 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 determined utilizing the valuation techniques appropriate to the type of security (See Note 5).

Derivative Instruments and Hedges: All derivative instruments are recognized on the balance sheet at their fair value. Changes in the fair value of derivative instruments are recorded each period in current earnings or other comprehensive income (loss), depending on whether a derivative instrument is designated as part of a hedging transaction and, if it is, the type of hedging transaction. For a derivative to qualify as a hedge at inception and throughout the hedged period, the Company formally documents the nature and relationships between the hedging instruments and hedged item. The Company assesses, both at inception and on an on-going basis, whether the derivative instruments that are used in cash flow hedging transactions are highly effective in offsetting the changes in cash flows of hedged items. The Company assesses hedge ineffectiveness on a quarterly basis and records the gain or loss related to the ineffective portion of derivative instruments, if any, to current earnings. If the Company determines that a forecasted transaction is no longer probable of occurring, it discontinues hedge accounting and any related unrealized gain or loss on the derivative instrument is recognized in current earnings. The Company uses derivative instruments, including those not designated as part of a hedging transaction, to manage its exposure to movements in foreign exchange rates. The use of these derivative instruments modifies the exposure of these risks with the intent to reduce the Company s risk or cost. The Company does not use derivative instruments for speculative trading purposes and is not a party to leveraged derivatives.

Cash, Cash Equivalents and Marketable Securities Available for Sale: The Company invests its excess cash primarily in money market funds, U.S. Treasury fixed rate securities, U.S. government-sponsored agency fixed rate securities, U.S. government-sponsored agency mortgage-backed fixed rate securities, Federal Deposit Insurance Corporation, or FDIC, guaranteed fixed rate corporate debt, non-U.S. government issued securities and non-U.S. government guaranteed securities. All liquid investments with maturities of three months or less from the date of purchase are classified as cash equivalents and all investments with maturities of greater than three months from date of purchase are classified as marketable securities available for sale. The Company determines the appropriate classification of its investments in marketable debt and equity securities at the time of purchase. Marketable securities available for sale are carried at fair value, held for an unspecified period of time and are intended for use in meeting the Company s 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 debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization, along with realized gains and losses and other than temporary impairment charges, is included in interest and investment income, net.

A decline in the market value of any available-for-sale security below its carrying value that is determined to be other-than-temporary would result in a charge to earnings and decrease in the security s carrying value down to its newly established fair value. Factors evaluated to determine if an investment is other-than-temporarily impaired include significant deterioration in 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 Company s intent not to sell and an evaluation as to whether it is more likely than not that the Company will not have to sell before recovery of its cost basis; and issues that raise concerns about the issuer s ability to continue as a going concern.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 money market funds, U.S. Treasury fixed rate securities, U.S. government-sponsored agency fixed rate securities, U.S. government-sponsored agency mortgage-backed fixed rate securities and FDIC guaranteed fixed rate corporate debt, non-U.S. government issued securities and non-U.S. government guaranteed securities (See Note 7). The Company may also invest in unrated or below investment grade securities, such as 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 sells its products in the United States primarily through wholesale distributors and contracted pharmacies. Therefore, wholesale distributors and large pharmacy chains account for a large portion of the Company s U.S. trade receivables and net product revenues (See Note 20). International sales are primarily made directly to hospitals, clinics and retail chains. 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 primarily based on the credit worthiness of its customers, aging of receivable balances and general economic conditions.

Inventory: Inventories are recorded at the lower of cost or market, with cost determined on a first-in, first-out basis. The Company periodically reviews the composition of inventory in order to identify obsolete, slow-moving or otherwise non-saleable items. If non-saleable items are observed and there are no alternate uses for the inventory, the Company will record a write-down to net realizable value in the period that the decline in value is first recognized. Included in inventory are raw materials used in the production of preclinical and clinical products, which are charged to research and development expense when consumed.

Property, Plant and Equipment: Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation of plant and equipment is recorded 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, including anticipated renewal options. The estimated useful lives of plant and equipment are as follows:

Buildings	40 years
Building and operating equipment	15 years
Manufacturing machinery and equipment	10 years
Other machinery and equipment	5 years
Furniture and fixtures	5 years
Computer equipment and software	3-7 years

Maintenance and repairs are charged to operations as incurred, while expenditures for improvements which extend the life of an asset are capitalized.

Investment in Affiliated Companies: The Company applies the equity method of accounting to its investments in common stock of affiliated companies and certain investment funds, which primarily invest in companies conducting business in life sciences such as biotechnology, pharmaceuticals, medical technology, medical devices, diagnostics and health and wellness.

Equity investments are reviewed on a regular basis for possible impairment. If an investment s fair value is determined to be less than its net carrying value and the decline is determined to be other-than-temporary, the investment is written down to its fair value. Such an evaluation is judgmental and dependent on specific facts and circumstances. Factors considered in determining whether an other-than-temporary decline in value has occurred include: market value or exit price of the investment based on either market-quoted prices or future rounds of financing by the investee; length of time that the market value was below its cost basis; financial condition and business prospects of the investee; the Company s intent and ability to retain the investment for a sufficient period of time to allow for recovery in market value of the investment; issues that raise concerns about the investee s ability to continue as a going concern; any other information that the Company may be aware of related to the investment.

77

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Goodwill and Other Intangible Assets: Goodwill represents the excess of purchase price over fair value of net assets acquired in a business combination accounted for by the purchase method of accounting and is not amortized, but subject to impairment testing at least annually or when a triggering event occurs that could indicate a potential impairment. The Company tests its goodwill annually for impairment each November 30. Intangible assets with definite useful lives are amortized to their estimated residual values over their estimated useful lives and reviewed for impairment if certain events occur as described in Impairment of Long-Lived Assets below. The Company currently has no intangible assets with indefinite useful lives.

Impairment of Long-Lived Assets: Long-lived assets, such as property, plant and equipment 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 or asset group to the estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of the assets exceed their estimated future undiscounted net cash flows, an impairment charge is recognized by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of their carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the Consolidated Balance Sheet.

Foreign Currency Translation: Operations in non-U.S. entities are recorded in the functional currency of each entity. For financial reporting purposes, the functional currency of an entity is determined by a review of the source of an entity s most predominant cash flows. The results of operations for non-U.S. dollar functional currency entities are translated from functional 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. Adjustments resulting from translating the financial statements of the Company s foreign entities into the U.S. dollar are excluded from the determination of net income and are recorded as a component of other comprehensive income (loss). Transaction gains and losses are recorded in other income (expense), net in the Consolidated Statements of Operations. The Company had net foreign exchange gains of $54.5 million, $4.7 million, and $1.1 million in 2009, 2008, and 2007, respectively.

Research and Development Costs: Research and development costs are expensed as incurred. These include all internal costs, external costs related to services contracted by the Company. 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. Milestone payments made to third parties subsequent to regulatory approval are capitalized and amortized over the remaining useful life of the related product.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 a deferred tax asset will not be realized. The Company recognizes the benefit of an uncertain tax position that it has taken or expects to take on income tax returns it files if such tax position is more likely than not to be sustained.

Revenue Recognition: Revenue from the sale of products is recognized when title and risk of loss of the product is transferred to the customer. Provisions for discounts, early payments, rebates, sales returns and distributor chargebacks under terms customary in the industry are provided for in the same period the related sales are recorded. The Company records estimated reductions to revenue for free goods and volume-based discounts at the time of the initial sale. The estimated reductions to revenue for such free goods and volume-based discounts are based on the sales terms, historical experience and trend analysis. The cost of free goods is included in Cost of Goods Sold (excluding amortization of acquired intangible assets).

The Company bases its sales returns allowance on estimated on-hand retail/hospital inventories, measured end-customer demand as reported by third-party sources, actual returns history and other factors, such as the trend experience for lots where product is still being returned or inventory centralization and rationalization initiatives conducted by major pharmacy chains. If the historical data used by the Company to calculate these estimates does not properly reflect future returns, then a change in the allowance would be made in the period in which such a determination is made and revenues in that period could be materially affected. Under this methodology, the Company tracks actual returns by individual production lots. Returns on closed lots, that is, lots no longer eligible for return credits, are analyzed to determine historical returns experience. Returns on open lots, that is, lots still eligible for return credits, are monitored and compared with historical return trend rates. Any changes from the historical trend rates are considered in determining the current sales return allowance.

The Company recognizes revenue from royalties based on licensees sales of its products or products using its technologies. Royalties are recognized as earned in accordance with the contract terms when royalties from licensees can be reasonably estimated and collectibility is reasonably assured. If royalties cannot be reasonably estimated or collectibility of a royalty amount is not reasonably assured, royalties are recognized as revenue when the cash is received.

Share-Based Compensation: The cost of share-based compensation is recognized in the Consolidated Statements of Operations based on the fair value of all awards granted, using the Black-Scholes method of valuation. The fair value of each award is determined and the compensation cost is recognized over the service period required to obtain full vesting. Compensation cost to be recognized reflects an estimate of the number of awards expected to vest after taking into consideration an estimate of award forfeitures based on actual experience.

Earnings Per Share: Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income adjusted to add back the after-tax amount of interest recognized in the period associated with any convertible debt issuance that may be dilutive by the weighted-average number of common shares outstanding during the period increased to include all additional common shares that would have been outstanding as if the outstanding convertible debt was converted into shares of common stock and assuming potentially dilutive common shares, resulting from option exercises, restricted stock units, warrants and other incentives had been issued and any proceeds thereof used to repurchase common stock at the average market price during the period. The assumed proceeds used to repurchase common stock is 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 excess income tax benefit that would be credited to paid-in capital upon exercise. As of their maturity date, June 1, 2008, substantially all of the Company s convertible notes were converted into shares of common stock.

79

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Comprehensive Income: The components of comprehensive income (loss) consist of net income (loss), changes in pension liability, changes in net unrealized gains (losses) on marketable securities classified as available-for-sale, net unrealized gains (losses) related to cash flow hedges and changes in foreign currency translation adjustments.

A summary of accumulated other comprehensive income (loss), net of tax, is summarized as follows:

	Pension Liability	Net Unrealized Gains (Losses) From Marketable Securities	Net Unrealized Gains (Losses) From Hedges	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2007	$ (31)	$ 69,788	$	$ 14,125	$ 83,882
Period Change	(3,290)	(53,205)	(50,117)	(104,814)	(211,426)
Balance December 31, 2008	(3,321)	16,583	(50,117)	(90,689)	(127,544)
Period Change	5,180	(16,371)	55,479	(6,169)	38,119
Balance December 31, 2009	$ 1,859	$ 212	$ 5,362	$ (96,858)	$ (89,425)

Capitalized Software Costs: The Company capitalizes software costs incurred in connection with developing or obtaining software. Capitalized software costs are included in property, plant and equipment, net and are amortized over their estimated useful life of three to seven years from the date the systems are ready for their intended use.

New Accounting Principles: In June 2009, the Financial Accounting Standards Board, or FASB, established the FASB Accounting Standards Codification™, or ASC, as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in preparation of financial statements in conformity with generally accepted accounting principles in the United States. All other accounting literature not included in the ASC is now nonauthoritative. The ASC was effective for financial statements issued for interim and annual periods ending after September 15, 2009 and its adoption did not have any impact on the Company s consolidated financial statements. The ASC is updated through the FASB s issuance of Accounting Standard Updates, or ASUs. Summarized below are recently issued accounting pronouncements as described under the new ASC structure.

In December 2007, the FASB issued ASC No. 805, Business Combinations, or ASC 805, which requires an acquirer to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. This Statement also requires the capitalization of research and development assets acquired in a business combination at their acquisition date fair values, separately from goodwill. In addition, ASC 805 requires that any post-acquisition adjustments to deferred tax asset valuation allowances and liabilities related to uncertain tax positions be recognized in current period income tax expense. ASC 805 was effective for the Company beginning January 1, 2009. The Company accounted for post-acquisition tax-related adjustments for pre-2009 business combinations and will account for future business combinations in accordance with its provisions.

In March 2008, the FASB issued an amendment to ASC No. 815, Disclosures about Derivative Instruments and Hedging Activities, or ASC 815, which is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity s financial position, financial performance and cash flows. The amendment was effective for the Company beginning January 1, 2009 and the expanded disclosures are included in Note 6.

80

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In November 2008, the FASB ratified an amendment to ASC No. 350, Accounting for Defensive Intangible Assets, which clarifies the accounting for certain separately identifiable intangible assets which an acquirer does not intend to actively use but intends to hold to prevent its competitors from obtaining access to them. The amendment requires an acquirer in a business combination to account for a defensive intangible asset as a separate unit of accounting, which should be amortized to expense over the period the asset diminishes in value. The amendment was effective for the Company beginning January 1, 2009 and the Company will account for defensive intangible assets acquired in future business combinations in accordance with its provisions.

In April 2009, the FASB issued an amendment to ASC No. 805, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies. This amendment clarifies application issues associated with initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This amendment was effective for the Company beginning January 1, 2009 and the Company will account for assets or liabilities arising from contingencies acquired in future business combinations in accordance with its provisions.

In June 2009, the FASB issued an amendment to ASC No. 860, Accounting for Transfers of Financial Assets, which eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets and requires additional disclosures. This amendment clarifies the determination whether a transferor and all of the entities included in the transferor s financial statements being presented have surrendered control over transferred financial assets. It also enhances information reported to users of financial statements by providing greater transparency about transfers of financial assets and a company s continuing involvement in transferred financial assets. This amendment will be effective for the Company s fiscal year beginning after January 1, 2010. The Company is currently evaluating the impact, if any, that the adoption of this amendment will have on its consolidated financial statements.

In June 2009, the FASB issued an amendment to ASC 810, Consolidation of Variable Interest Entities, which changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity s purpose and design and a company s ability to direct the activities of the entity that most significantly impact the entity s economic performance. This amendment requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and will require a company to provide additional disclosures about its involvement with variable interest entities, any significant changes in risk exposure due to that involvement and how its involvement with a variable interest entity affects the company s financial statements. This amendment will be effective for the Company s fiscal year beginning January 1, 2010. The Company is currently evaluating the impact, if any, that the adoption of this amendment will have on its consolidated financial statements.

In September 2009, the FASB issued ASU No. 2009-12, Fair Value Measurements and Disclosure, or ASU 2009-12, which provides additional guidance on using the net asset value per share, provided by an investee, when estimating the fair value of an alternate investment that does not have a readily determinable fair value and enhances the disclosures concerning these investments. ASU 2009-12 was effective for the Company s interim and annual periods ending after December 15, 2009.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In October 2009, the FASB issued ASU No. 2009-13, Multiple-Deliverable Revenue Arrangements, or ASU 2009-13, which amends existing revenue recognition accounting pronouncements that are currently within the scope of ASC 605. This guidance eliminates the requirement to establish the fair value of undelivered products and services and instead provides for separate revenue recognition based upon management s estimate of the selling price for an undelivered item when there is no other means to determine the fair value of that undelivered item. ASU 2009-13 is effective for the Company prospectively for revenue arrangements entered into or materially modified beginning January 1, 2011. The Company is currently evaluating the impact, if any, that the adoption of this amendment will have on its consolidated financial statements.

2. Acquisition of Pharmion Corporation

On March 7, 2008, Celgene acquired all of the outstanding common stock and stock options of Pharmion in a transaction accounted for under the purchase method of accounting for business combinations. Celgene paid a combination of $920.8 million in cash and approximately 30.8 million shares of Celgene common stock valued at $1.749 billion to Pharmion shareholders. The operating results of Pharmion are included in the Company s consolidated financial statements from the date of acquisition.

The 2008 acquisition was accounted for using the purchase method of accounting for business combinations and the allocation of the purchase price paid resulted in goodwill of $556.4 million, developed product rights of $509.7 million and an in-process research and development charge of $1.740 billion.

The following table provides unaudited pro forma financial information for 2008 as if the acquisition of Pharmion had occurred as of the beginning of the period presented. For the year presented, the unaudited pro forma results include the nonrecurring charge for in-process research and development, or IPR&D, amortization of acquired intangible assets, elimination of expense and income related to pre-acquisition agreements with Pharmion, reduced interest and investment income attributable to cash paid for the acquisition and the amortization of the inventory step-up to fair value of acquired Pharmion product inventories. The unaudited pro forma results do not reflect any operating efficiencies or potential cost savings that may result from the combined operations of Celgene and Pharmion. Accordingly, these unaudited pro forma results are presented for illustrative purposes and are not intended to represent or be indicative of the actual results of operations of the combined company that would have been achieved had the acquisition occurred at the beginning of the period presented, nor are they intended to represent or be indicative of future results of operations.

	2008
Total revenue	$ 2,307,135
Net loss	$ (1,578,940)
Net loss per common share: basic and diluted	$ (3.57)

Prior to the acquisition, Celgene had licensed exclusive rights relating to the development and commercial use of THALOMID® and its distribution system to Pharmion, and also maintained a THALOMID® supply agreement with Pharmion. The effective settlement of these arrangements resulted in no settlement gain or loss as the contractual terms were deemed to be at market rates due to several factors including, but not limited to, the continued absence of European marketing authorization for THALOMID® since the agreements were executed by unrelated entities in December 2004, the review of similar recent agreements entered into by pharmaceutical and biotechnology companies containing similar economic terms and the lack of a termination penalty for either party to the agreements. In addition, the Company has valued the reacquired THALOMID®-related rights when valuing the developed product rights acquired. Any assets and liabilities that existed between Celgene and Pharmion as of the acquisition date have been eliminated in the accompanying consolidated financial statements.

82

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Restructuring

The March 7, 2008 acquisition cost of Pharmion included $58.6 million in restructuring liabilities primarily related to the planned exit of certain business activities, involuntary terminations and the relocation of certain Pharmion employees. Payments totaling $31.0 million were made in 2008. The remaining balance of these restructuring liabilities totaled $27.6 million and $2.6 million as of December 31, 2008 and December 31, 2009, respectively. The following table summarizes changes to the restructuring liabilities during the year ended December 31, 2009:

	Balance December 31, 2008	Payments	Adjustments	Balance December 31, 2009	Cumulative Payments
Severance costs	$ 1,654	$ (1,635)	$	$ 19	$ (17,419)
Contract termination fees	22,485	(12,344)	(9,600) [1]	541	(21,011)
Facility closing costs	2,664	(805)		1,859	(3,736)
Other	834	(637)		197	(4,213)
Total restructuring costs	$ 27,637	$ (15,421)	$ (9,600)	$ 2,616	$ (46,379)

(1) In 2009, the Company amended two manufacturing contracts on terms other than those that had been expected. These adjustments were credited to goodwill.

4. Earnings per Share (EPS)

(Amounts in thousands, except per share)	2009	2008	2007
Net income (loss)	$ 776,747	$ (1,533,653)	$ 226,433
Interest expense on convertible debt, net of tax			5,394
Net income (loss) for diluted computation	$ 776,747	$ (1,533,653)	$ 231,827
Weighted average shares:			
Basic	459,304	442,620	383,225
Effect of dilutive securities:			

Options, warrants and other incentives	8,050		16,710
Convertible debt			31,923
Diluted	467,354	442,620	431,858
Net Income (Loss) Per Share:			
Basic	$ 1.69	$ (3.46)	$ 0.59
Diluted	$ 1.66	$ (3.46)	$ 0.54

The total number of potential common shares excluded from the diluted earnings per share computation because the exercise price of the stock options exceeded the average price of the Company s common stock was 23,337,108, 14,563,880 and 7,018,350 shares in 2009, 2008 and 2007, respectively.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008, an additional 19,762,916 of potential common shares were excluded from the diluted loss per share calculation because their effect was anti-dilutive as a result of the Company s 2008 net loss.

5. Financial Instruments and Fair Value Measurement

The table below presents information about assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2009 and 2008 with the valuation techniques the Company utilized to determine such fair value, as required since accounting pronouncement revisions adopted by the Company in 2008. Fair values determined based on Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. The Company s Level 1 assets consist of marketable equity securities. Fair values determined based on Level 2 inputs utilize observable quoted prices for similar assets and liabilities in active markets and observable quoted prices for identical or similar assets in markets that are not very active. The Company s Level 2 assets consist primarily of U.S. Treasury fixed rate securities, U.S. government-sponsored agency fixed rate securities, U.S. government-sponsored agency mortgage-backed fixed rate obligations, FDIC guaranteed fixed rate corporate debt, non-U.S. government issued fixed rate securities, non-U.S. government guaranteed fixed rate securities and forward currency contracts. Fair values determined based on Level 3 inputs utilize unobservable inputs and include valuations of assets or liabilities for which there is little, if any, market activity. The Company s Level 3 securities at December 31, 2009 consisted of warrants for the purchase of equity securities in a non-publicly traded company in which the Company has invested and which is party to a collaboration and option agreement with the Company.

The Company s Level 3 assets at December 31, 2008 consisted of a private cash fund with a carrying value calculated pursuant to the amortized cost method, which values each investment at its acquisition cost as adjusted for amortization of premium or accumulation of discount over the investment s remaining life, net of impairment.

	Balance at December 31, 2009	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities	$ 1,894,580	$ 512	$ 1,894,068	$
Warrants	1,598			1,598
Cash equivalents	183,224		183,224	
Forward currency contracts	7,008		7,008	
	$ 2,086,410	$ 512	$ 2,084,300	$ 1,598

	Balance at December 31, 2008	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

Available-for-sale securities	$ 1,129,705	$ 407	$ 1,118,244	$ 11,054
Forward currency contracts	(57,486)		(57,486)	
	$ 1,072,219	$ 407	$ 1,060,758	$ 11,054

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table is a roll-forward of the fair value of Level 3 securities (significant unobservable inputs):

	2009	2008
Balance at beginning of year	$ 11,054	$ 37,038
Net gains (realized and unrealized)	3,204	
Net purchases, issuances and settlements	(12,660)	(25,984)
Transfers in and/or out of Level 3		
Balance at end of year	$ 1,598	$ 11,054

6. Derivative Instruments and Hedging Activities

Foreign Currency Forward Contracts: Effective January 1, 2009, the Company adopted the enhanced disclosure requirement required under ASC 815 for derivative instruments and hedging activities by providing additional information about its objectives for using derivative instruments, the level of derivative activity the Company engages in, as well as how derivative instruments and related hedged items affect its financial position and performance. Since the enhanced disclosure requirements under ASC 815 require only additional disclosures concerning derivatives and hedging activities, the adoption did not affect the presentation of the Company s financial position or results of operations.

The Company uses foreign currency forward contracts to hedge specific forecasted transactions denominated in foreign currencies and to reduce exposures to foreign currency fluctuations of certain assets and liabilities denominated in foreign currencies.

The Company enters into foreign currency forward contracts to protect against changes in anticipated foreign currency cash flows resulting from changes in foreign currency exchange rates, primarily associated with non-functional currency denominated revenues and expenses of foreign subsidiaries. The foreign currency forward hedging contracts outstanding at December 31, 2009 and 2008 had settlement dates within 24 months. These foreign currency forward contracts are designated as cash flow hedges under ASC 815 and, accordingly, to the extent effective, any unrealized gains or losses on them are reported in other comprehensive income (loss), or OCI, and reclassified to operations in the same periods during which the underlying hedged transactions affect operations. Any ineffectiveness on these foreign currency forward contracts is reported in other income, net. Foreign currency forward contracts entered into to hedge forecasted revenue and expenses were as follows:

	Notional Amount	
Foreign Currency	2009	2008
Euro	$ 1,107,340	$ 704,198

The Company considers the impact of its own and the counterparties credit risk on the fair value of the contracts as well as the ability of each party to execute its obligations under the contract on an ongoing basis. As of December 31, 2009 and 2008, credit risk did not materially change the fair value of the Company s foreign currency forward contracts.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company also enters into foreign currency forward contracts to reduce exposures to foreign currency fluctuations of certain recognized assets and liabilities denominated in foreign currencies. These foreign currency forward contracts have not been designated as hedges and, accordingly, any changes in their fair value are recognized in other income, net in the current period. The aggregate notional amount of the foreign currency forward non-designated hedging contracts outstanding at December 31, 2009 and 2008 were $483.2 million and $56.6 million, respectively.

The following table summarizes the fair value and presentation in the consolidated balance sheets for derivative instruments as of December 31, 2009 and 2008:

	December 31, 2009			
	Asset Derivatives		Liability Derivatives	
Instrument	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts designated as hedging instruments*	Other current assets	$ 25,403	Other current assets	$ 21,346
	Other current liabilities		Other current liabilities	14,591
	Other non-current assets	11,645	Other non current assets	
	Other non-current liabilities	28	Other non current liabilities	89
Foreign currency forward contracts not designated as hedging instruments	Other current assets	6,593	Other current assets	547
	Other current liabilities	75	Other current liabilities	164
Total		$ 43,744		$ 36,737

	December 31, 2008			
	Asset Derivatives		Liability Derivatives	
Instrument	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts designated as hedging instruments	Other current assets	$ 1,744	Other current assets	$ 192
	Other current liabilities	748	Other current liabilities	50,748
Foreign currency forward contracts not designated as hedging instruments	Other current assets	30	Other current assets	
	Other current liabilities	2,104	Other current liabilities	11,172
Total		$ 4,626		$ 62,112

* Derivative instruments in this category are subject to master netting

arrangements and are presented on a net basis in the Consolidated Balance Sheets in accordance with ASC 210-20.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables summarize the effect of derivative instruments designated as hedging instruments on the Consolidated Statements of Operations for the years ended December 31, 2009 and 2008:

	December 31, 2009				
Instrument	Amount of Gain/(Loss) Recognized in OCI on Derivative *(Effective Portion)*	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income *(Effective Portion)*	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income *(Effective Portion)*	Location of Gain/(Loss) Recognized in Income on Derivative *(Ineffective Portion and Amount Excluded From Effectiveness Testing)*	Amount of Gain/(Loss) Recognized in Income on Derivative *(Ineffective Portion and Amount Excluded From Effectiveness Testing)*
Foreign currency forward contracts	$ 20,327(1)	Net product sales	$ (36,429)	Other income, net	$ (2,034)(2)
		Research and development	$ (627)		

(1) Losses of $7,114 are expected to be reclassified from Accumulated OCI into operations in the next 12 months.

(2) The amount of net losses recognized in income represents $1,903 in gains related to the ineffective portion of the hedging relationships and $3,937 of losses related to

amounts excluded from the assessment of hedge effectiveness.

	December 31, 2008				
Instrument	Amount of Gain/(Loss) Recognized in OCI on Derivative *(Effective Portion)*	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income *(Effective Portion)*	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income *(Effective Portion)*	Location of Gain/(Loss) Recognized in Income on Derivative *(Amount Excluded From Effectiveness Testing)*	Amount of Gain/(Loss) Recognized in Income on Derivative *(Amount Excluded From Effectiveness Testing)*
Foreign currency forward contracts	$ (65,378)	Net product sales	$ (399)	Other income, net	$ (1,155)(1)
		Research and development	$ 4,033		
		Other income, net	$ 11,627		

(1) Hedge ineffectiveness was insignificant and included with the amount excluded from effectiveness testing.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the effect of derivative instruments not designated as hedging instruments on the Consolidated Statements of Operations for the years ended December 31, 2009 and 2008:

Instrument	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Recognized in Income on Derivative 2009	2008
Foreign currency forward contracts	Other income, net	$ 6,479	$ 11,561

7. Cash, Cash Equivalents and Marketable Securities Available-for-Sale

Money market funds of $860.9 million and $691.0 million at December 31, 2009 and 2008, respectively, were recorded at cost, which approximates fair value and are included in cash and cash equivalents.

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, 2009 and 2008 were as follows:

December 31, 2009	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
U.S. Treasury securities	$ 502,112	$ 244	$ (1,573)	$ 500,783
U.S. government-sponsored agency securities	307,421	558	(1,006)	306,973
U.S. government-sponsored agency MBS	654,251	3,317	(2,035)	655,533
FDIC guaranteed corporate debt	215,819	1,185	(376)	216,628
Non-U.S. government issued securities	13,609		(49)	13,560
Non-U.S. government guaranteed securities	200,675	499	(583)	200,591
Marketable equity securities	407	105		512
Total available-for-sale marketable securities	$ 1,894,294	$ 5,908	$ (5,622)	$ 1,894,580

December 31, 2008	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
U.S. Treasury securities	$ 263,541	$ 8,394	$	$ 271,935
U.S. government-sponsored agency securities	571,072	16,985	(212)	587,845
U.S. government-sponsored agency MBS	229,847	3,241	(429)	232,659
FDIC guaranteed corporate debt	25,546	265	(6)	25,805
Private cash fund shares	11,054			11,054
Marketable equity securities	407			407
Total available-for-sale marketable securities	$ 1,101,467	$ 28,885	$ (647)	$ 1,129,705

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

U.S. government-sponsored agency securities include general unsecured obligations of the issuing agency. U.S. government-sponsored mortgage-backed securities, or MBS, include fixed rate asset-backed securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. FDIC guaranteed corporate debt includes obligations of bank holding companies that meet certain criteria set forth under the Temporary Liquidity Guaranty Program and are unconditionally guaranteed by the FDIC. Non-U.S. government issued securities consist of direct obligations of highly-rated governments of nations other then the United States. Non-U.S. government guaranteed securities consist of obligations of agencies and other entities that are explicitly guaranteed by highly-rated governments of nations other then the United States. Net unrealized gains in U.S. Treasury fixed rate securities, U.S. government-sponsored agency fixed rate securities, U.S. government-sponsored agency mortgage-backed fixed rate obligations and FDIC guaranteed corporate fixed rate debt primarily reflect the impact of decreased interest rates at December 31, 2009 and 2008.

The fair value of available-for-sale securities with unrealized losses at December 31, 2009 was as follows:

	Less than 12 months		12 months or longer		Total	
December 31, 2009	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss
U.S. Treasury securities	$ 431,242	$ (1,573)	$	$	$ 431,242	$ (1,573)
U.S. government-sponsored agency securities	197,105	(985)	1,801	(21)	198,906	(1,006)
U.S. government-sponsored agency MBS	296,799	(1,954)	8,054	(81)	304,853	(2,035)
FDIC guaranteed corporate debt	79,751	(376)			79,751	(376)
Non-U.S. government issued securities	3,980	(49)			3,980	(49)
Non-U.S. government guaranteed securities	104,214	(583)			104,214	(583)
Total	$ 1,113,091	$ (5,520)	$ 9,855	$ (102)	$ 1,122,946	$ (5,622)

The Company believes that the decline in fair value of securities held at December 31, 2009 below their cost is temporary and intends to retain its investment in these securities for a sufficient period of time to allow for recovery in the market value of these investments. During the years ended December 31, 2008 and 2007, the Company determined that certain securities had sustained an other-than-temporary impairment partly due to a reduction in future estimated cash flows and an adverse change in an investee s business operations. The Company recognized impairment losses of $6.5 million and $5.5 million, respectively, in those years which were recorded in interest and investment income, net.

Duration periods of available-for-sale debt securities were as follows at December 31, 2009:

	Amortized Cost	Fair Value
Duration of one year or less	$ 523,047	$ 524,766
Duration of one through three years	1,253,268	1,252,237
Duration of three through five years	106,958	106,628

Duration of over five years	10,614	10,437
Total	$ 1,893,887	$ 1,894,068

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Inventory

A summary of inventories by major category at December 31, 2009 and 2008 follows:

	2009	2008
Raw materials	$ 26,345	$ 16,910
Work in process	41,282	33,170
Finished goods	33,056	50,096
Total	$ 100,683	$ 100,176

9. Property, Plant and Equipment

Property, plant and equipment at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Land	$ 20,353	$ 20,233
Buildings	114,719	64,691
Building and operating equipment	11,826	5,268
Leasehold improvements	27,669	23,286
Machinery and equipment	105,753	90,751
Furniture and fixtures	19,913	16,772
Computer equipment and software	107,760	63,093
Construction in progress	29,480	62,263
Subtotal	437,473	346,357
Less accumulated depreciation and amortization	139,681	97,386
Total	$ 297,792	$ 248,971

10. Investment in Affiliated Companies

At December 31, 2009, the Company held 10,364,864 shares of EntreMed, Inc., or EntreMed, common stock, representing an ownership interest of approximately 11.8% in EntreMed. The Company also holds 3,350,000 shares of EntreMed voting preferred shares that are convertible into 16,750,000 shares of common stock and determined that it has the ability to exercise significant influence over EntreMed and therefore applies the equity method of accounting to its common stock investment. The Company also owns an interest in two limited partnership investment funds to which it applies the equity method of accounting.

A summary of the Company s equity investment in affiliated companies follows:

Investment in Affiliated Companies	2009	2008
Investment in affiliated companies (1)	$ 18,810	$ 14,862
Excess of investment over share of equity (2)	2,666	3,530
Investment in affiliated companies	$ 21,476	$ 18,392

90

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Equity in Losses of Affiliated Companies	2009	2008	2007
Affiliated companies losses [1]	$ 1,103	$ 9,727	$ 4,187
Amortization of intangibles			301
Equity in losses of affiliated companies	$ 1,103	$ 9,727	$ 4,488

(1) The Company records its interest and share of losses based on its ownership percentage.

(2) Consists of goodwill.

Additional equity method investments totaling $3.6 million and $12.9 million were made during 2009 and 2008, respectively. Affiliated losses for 2008 included other-than-temporary impairment losses of $6.0 million. These impairment losses were based on an evaluation of several factors, including a decrease in fair value of the equity investment below its cost.

11. Other Financial Information

Accrued expenses at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Compensation	$ 92,095	$ 79,743
Interest, royalties, license fees and milestones	16,773	17,690
Sales returns	7,360	17,799
Rebates, distributor chargebacks and distributor services	47,352	34,196
Clinical trial costs and grants	75,530	73,286
Restructuring reserves	2,616	27,637
Professional services	8,792	12,010
Other	65,090	43,759
Total	$ 315,608	$ 306,120

Other current liabilities at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Foreign currency forward contracts	$ 14,679	$ 59,068
Sales, use and value added tax	64,767	40,971
Other	14,321	14,649

Total	$ 93,767	$ 114,688

Other non-current liabilities at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Deferred compensation and long-term incentives	$ 46,482	$ 33,566
Notes payable Siegfried, net of current portion	21,063	22,203
Other	3,570	9,220
Total	$ 71,115	$ 64,989

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Notes Payable: The Company has a note payable to Siegfried Ltd. and Siegfried Dienste AG (referred to here together as Siegfried) with a present value of approximately $25.0 million and $26.0 million at December 31, 2009 and 2008, respectively. The remaining payments on the note are 4.1 million Swiss Francs payable in each of 2010 and 2011 and 4.0 million Swiss Francs payable in each of the subsequent five years. Amounts due within one-year at December 31, 2009 and 2008 were $4.0 million and $3.8 million, respectively, and were included in other current liabilities with the remainder included in other non-current liabilities. The Company imputed interest on the note payable using the effective yield method with a discount rate of 7.68%. At December 31, 2009 and 2008, the fair value of the note payable to Siegfried approximated the carrying value of the note of $25.0 million and $26.0 million, respectively.

In June 2003, the Company issued an aggregate principal amount of $400.0 million of unsecured convertible notes due June 2008, referred to herein as the convertible notes. The convertible notes had 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 was convertible into 82.5592 shares of common stock as adjusted, or a conversion price of $12.1125 per share. As of their maturity date, June 1, 2008, pursuant to the terms of the indenture, as amended, governing the convertible notes, substantially all of the convertible notes were converted into an aggregate 33,022,740 shares of common stock at the conversion price, with the balance paid in cash.

12. Intangible Assets and Goodwill

Intangible Assets: The Company s intangible assets consist of developed product rights from the Pharmion acquisition, contract-based licenses, technology and an acquired workforce. Remaining amortization periods related to these intangibles range from two to eleven years. A summary of intangible assets by category follows:

December 31, 2009	Gross Carrying Value	Accumulated Amortization	Intangible Assets, Net	Weighted Average Life (Years)
Acquired developed product rights	$ 530,000	$ (185,733)	$ 344,267	6.5
License	4,250	(1,229)	3,021	13.8
Technology	2,750	(629)	2,121	4.3
Acquired workforce	348	(215)	133	5.0
Total	$ 537,348	$ (187,806)	$ 349,542	6.5

December 31, 2008	Gross Carrying Value	Accumulated Amortization	Intangible Assets, Net	Weighted Average Life (Years)
Acquired developed product rights	$ 533,339	$ (102,331)	$ 431,008	6.5
License	4,250	(922)	3,328	13.8
Technology	290	(59)	231	12.6
Acquired workforce	337	(140)	197	5.0
Total	$ 538,216	$ (103,452)	$ 434,764	6.5

The decrease in gross carrying value of intangibles at December 31, 2009 compared to December 31, 2008 was primarily due to the elimination of the $3.3 million intangible related to RIMIFON®, which was obtained in the Pharmion acquisition and sold in March of 2009, partly offset by the addition of two intangibles included under

Technology totaling $2.5 million.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Amortization of intangible assets was $84.3 million, $104.4 million and $9.5 million for the years ended December 31, 2009, 2008 and 2007, respectively. The decrease in amortization expense in 2009 compared to 2008 was due to several acquired developed product rights becoming fully amortized during 2009 and the latter part of 2008. Assuming no changes in the gross carrying amount of intangible assets, the amortization of intangible assets for the next five years is estimated to be approximately $65.3 million for the year ending December 31, 2010, $64.8 million for the year ending December 31, 2011 and approximately $64.5 million for each of the years ending December 31, 2012 through 2014.

Goodwill: At December 31, 2009, the Company s goodwill related to the March 7, 2008 acquisition of Pharmion and the October 21, 2004 acquisition of Penn T Limited. The goodwill related to the Pharmion acquisition reflects the allocation of the Pharmion purchase price.

The change in carrying value of goodwill is summarized as follows:

Balance, December 31, 2007	$ 39,033
Acquisition of Pharmion	566,414
Tax benefit on the exercise of Pharmion converted stock options	(12,054)
Foreign currency translation	(4,571)
Balance, December 31, 2008	$ 588,822
Tax benefit on the exercise of Pharmion converted stock options	(1,570)
Adjustments to Pharmion net assets acquired	(444)
Adjustments to Pharmion restructuring liabilities	(9,600)
Foreign currency translation	908
Balance at December 31, 2009	$ 578,116

13. Related Party Transactions

Under a license agreement between EntreMed and Royalty Pharma Finance Trust, or Royalty Pharma, EntreMed is entitled to share in the THALOMID® royalty payments that the Company pays to Royalty Pharma on annual THALOMID® sales in the United States and certain international markets above an established threshold. The Company s share of EntreMed s royalties, based on its ownership percentage in EntreMed, is eliminated from cost of goods sold and reflected in equity in losses of affiliated companies (see Note 10).

14. 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: At December 31, 2009, the Company was authorized to issue up to 575,000,000 shares of common stock of which shares of common stock issued totaled 467,629,433.

Treasury Stock: During 2009, 2008 and 2007, certain employees exercised stock options containing a reload feature and, pursuant to the Company s stock option plan, tendered 39,681, 118,551 and 106,517 mature shares, respectively, related to stock option exercises. Such tendered shares are reflected as treasury stock.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On May 26, 2009, the Company entered into an agreement to purchase shares of its common stock from Morgan Stanley & Co. Inc., for an aggregate purchase price of $100.0 million under an Accelerated Share Repurchase, or ASR, program. The Company entered into this agreement as part of a $500.0 million share repurchase program approved by its Board of Directors in April 2009. In addition, shares were purchased on the open market under the share repurchase program. As of December 31, 2009, an aggregate 4,314,625 shares have been repurchased at a total cost of $209.5 million.

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

	Common Stock	Common Stock in Treasury
December 31, 2006	380,092,309	(4,057,553)
Exercise of stock options and warrants	10,271,307	
Issuance of common stock for employee benefit plans		137,954
Treasury stock mature shares tendered related to option exercises		(106,517)
Conversion of long-term convertible notes	16,787,078	
December 31, 2007	407,150,694	(4,026,116)
Issuance of common stock for the Pharmion acquisition	30,817,855	
Exercise of stock options and warrants	8,965,026	
Issuance of common stock for employee benefit plans	114,220	
Treasury stock mature shares tendered related to option exercises		(118,551)
Conversion of long-term convertible notes	16,226,501	
December 31, 2008	463,274,296	(4,144,667)
Exercise of stock options and warrants	4,355,137	(648)
Issuance of common stock for employee benefit plans		161,660
Treasury stock mature shares tendered related to option exercises		(39,681)
Shares repurchased under share repurchase program		(4,314,625)
December 31, 2009	467,629,433	(8,337,961)

Rights Plan: During 1996, the Company adopted a shareholder rights plan, or the Rights Plan. The Rights Plan expired on February 17, 2010 and the Company did not adopt an updated plan. Prior to its expiration, the Rights Plan involved 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 entitled the holder to purchase one-tenth of a share of common stock. The Rights traded in tandem with the common stock until, and were exercisable upon, certain triggering events, and the exercise price was based on the estimated long-term value of the Company s common stock. In certain circumstances, the Rights Plan permitted the holders to purchase shares of the Company s common stock at a discounted rate. The Company s Board of Directors retained 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.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Share-Based Compensation

On June 17, 2009, the stockholders of the Company approved an amendment and restatement of the 2008 Stock Incentive Plan, or the Plan, which included the following key modifications:

Adoption of an aggregate share reserve of 70,781,641 shares of common stock. This number includes the current share reserve of 52,372,191 shares of common stock, 18,100,000 additional new shares of common stock and 309,450 shares of common stock reserved but not yet granted under the Directors Incentive Plan. Each share of common stock subject to full value awards (e.g., restricted stock, other stock-based awards or performance awards denominated in common stock) will be counted as 1.6 shares against the aggregate share reserve under the Plan;

Specifying that the maximum amount of shares of common stock subject to any award under the Plan that may become subject to accelerated vesting will not be greater that 5% of the total shares reserved for awards under the Plan, except that, with respect to any participant other than a named executive officer, such 5% limit will not apply to any accelerated vesting as a result of a change in control or a participant s retirement, disability, death, layoff pursuant to a reduction in workforce or termination of employment due to a business acquisition;

Clarification that the total number of shares of common stock available for awards will be reduced by (i) the total number of stock options or stock appreciation rights exercised, regardless of whether any of the shares of common stock underlying such awards are not actually issued to the participant as the result of a net settlement and (ii) any shares of common stock used to pay any exercise price or tax withholding obligation with respect to any stock option or stock appreciation right. Shares of common stock repurchased by the Company on the open market with the proceeds of a stock option exercise price will not be added to the aggregate share reserve; and

an extension of the term of the Plan through April 15, 2019.

In lieu of the current awards under the Plan, an automatic grant to Non-Employee Directors as follows (subject to adjustment in accordance with the Plan):

upon initial election or appointment to the Board of Directors, an award of a nonqualified stock option to purchase 25,000 shares of common stock (this award is consistent with the previous initial award under the Directors Incentive Plan and vest in four equal annual installments commencing on the first anniversary of the date of grant); and

upon election as a continuing member of the Board of Directors, an award of a nonqualified stock option to purchase 12,333 shares of common stock and 2,055 Restricted Stock Units, or RSUs, in each case, pro rated for partial years (this award will be in lieu of the previous annual award under the Directors Incentive Plan of an option to purchase 18,500 shares of common stock). The stock options vest in full on the first anniversary of the date of the grant and the Restricted Stock Units, or RSUs vest ratably over a three-year period. The foregoing split between stock options and RSUs is based on a two-thirds and one-third mix of stock options to RSUs, respectively, using a three-to-one ratio of stock options to RSUs in calculating the number of RSUs. No discretionary award is permitted to be granted to Non-Employee Directors, and the Compensation Committee will administer the Plan with respect to awards for Non-Employee Directors (rather than the Board of Directors as previously provided under the Directors Incentive Plan).

95

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

With respect to options granted under the Plan, the exercise price may not be less than the market closing price of the common stock on the date of grant. In general, options granted under the 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 unless the participant meets the retirement provision under which the option would have a maximum of three additional years to vest. The vesting period for options granted under the Plan is subject to certain acceleration provisions if a change in control, as defined in the Plan, occurs. Plan participants may elect to exercise options at any time during the option term. However, any shares so purchased which have not vested as of the date of exercise shall be subject to forfeiture, which will lapse in accordance with the established vesting time period.

As a result of the acquisition of Anthrogenesis in December 2002, the Company acquired the Anthrogenesis Qualified Employee Incentive Stock Option Plan and the Non-Qualified Recruiting and Retention Stock Option Plan. Neither plan has been approved by the Company s stockholders. No future awards will be granted under either plan. Stock options issued and outstanding under both plans are fully vested at December 31, 2009.

Shares of common stock available for future share-based grants under all plans were 25,899,044 at December 31, 2009.

The following table summarizes the components of share-based compensation cost charged to the consolidated statements of operations for years ended December 31, 2009, 2008 and 2007:

	2009	2008	2007
Cost of goods sold (excluding amortization of acquired intangible assets)	$ 4,444	$ 2,535	$ 2,061
Research and development	64,751	44,007	16,685
Selling, general and administrative	74,624	60,036	35,963
Other income and expense, net			4,116
Total share-based compensation expense	$ 143,819	$ 106,578	$ 58,825
Tax benefit related to share-based compensation expense	32,400	21,527	10,220
Reduction in net income	$ 111,419	$ 85,051	$ 48,605
Reduction in earnings per share:			
Basic	$ 0.24	$ 0.19	$ 0.13
Diluted	$ 0.24	$ 0.19	$ 0.11

Included in share-based compensation expense for the years ended December 31, 2009, 2008 and 2007 was compensation expense related to non-qualified stock options of $117.0 million, $77.5 million and $34.0 million, respectively.

Share-based compensation cost included in inventory was $1.9 million and $0.8 million at December 31, 2009 and 2008, respectively. As of December 31, 2009, there was $317.9 million of total unrecognized compensation cost related to stock options granted under the plans. That cost will be recognized over an expected remaining weighted-average period of 2.5 years.

The Company uses the Black-Scholes method of valuation to determine the fair value of share-based awards. Compensation cost for the portion of the awards for which the requisite service has not been rendered that are outstanding is recognized in the Consolidated Statement of Operations over the remaining service period based on the award s original estimate of fair value and the estimated number of awards expected to vest after taking into consideration an estimated forfeiture rate.

96

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company does not recognize a deferred tax asset for excess tax benefits that have not been realized and has adopted the tax law method as its accounting policy regarding the ordering of tax benefits to determine whether an excess tax benefit has been realized.

Cash received from stock option exercises for the years ended December 31, 2009, 2008 and 2007 was $49.8 million, $128.6 million and $144.7 million, respectively, and the excess tax benefit recognized was $97.8 million, $153.0 million and $143.0 million, respectively.

The weighted-average grant-date fair value per share of the stock options granted during the years ended December 31, 2009, 2008 and 2007 was $20.10, $25.94 and $24.54, respectively. The Company estimated the fair value of options granted using a Black-Scholes option pricing model with the following assumptions:

	2009	2008	2007
Risk-free interest rate	1.67% 2.91%	1.46% 4.02%	3.45% 5.00%
Expected volatility	37% 54%	39% 55%	37% 43%
Weighted average expected volatility	46%	44%	38%
Expected term (years)	3.8 5.0	3.5 4.9	2.9 4.9
Expected dividend yield	0%	0%	0%

The fair value of stock options granted after January 1, 2006 is allocated to compensation cost on a straight-line basis. The fair value of stock options granted before January 1, 2006 was recognized over the attribution period using the graded vesting attribution approach. Compensation cost is allocated over the requisite service periods of the awards, which are generally the vesting periods.

The risk-free interest rate is based on the U.S. Treasury zero-coupon curve. Expected volatility of stock option awards is estimated based on the implied volatility of the Company s publicly traded options with settlement dates of six months. The use of implied volatility was based upon the availability of actively traded options on the Company s common stock and the assessment that implied volatility is more representative of future stock price trends than historical volatility. The expected term of an employee share option is the period of time for which the option is expected to be outstanding. The Company has made a determination of expected term by analyzing employees historical exercise experience from its history of grants and exercises in the Company s option database and management estimates. Forfeiture rates are estimated based on historical data.

In December 2005, the Board of Directors approved a resolution to grant the 2006 annual stock option awards under the 1998 Incentive Stock Plan, currently renamed the 2008 Stock Incentive Plan, in 2005. All stock options awarded were granted fully vested. Half of the options granted had an exercise price of $34.05 per option, which was at a 5% premium to the closing price of the Company s common stock of $32.43 per share on the grant date of December 29, 2005; the remaining options granted had an exercise price of $35.67 per option, which was at a 10% premium to the closing price of the Company s common stock of $32.43 per share 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. The granting of these fully vested options resulted in the Company not being required to recognize cumulative compensation expense of approximately $70.8 million for the four-year period ended December 31, 2009.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock option transactions for the years ended December 31, 2009, 2008 and 2007 under all plans are as follows:

	Options	Weighted Average Exercise Price Per Option	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In Thousands)
Outstanding at December 31, 2006	37,111,688	$ 18.18	6.0	$ 959,600
Changes during the Year:				
Granted	6,719,342	61.71		
Exercised	(10,271,307)	14.30		
Forfeited	(834,095)	30.22		
Expired	(8,194)	45.88		
Outstanding at December 31, 2007	32,717,434	28.03	6.1	702,341
Changes during the Year:				
Granted	9,551,924	57.31		
Issued Pharmion acquisition	1,206,031	56.17		
Exercised	(8,965,026)	14.76		
Forfeited	(639,940)	52.15		
Expired	(64,813)	59.60		
Outstanding at December 31, 2008	33,805,610	40.39	6.5	617,873
Changes during the Year:				
Granted	8,969,773	47.77		
Exercised	(4,069,828)	12.52		
Forfeited	(1,115,718)	56.90		
Expired	(139,801)	60.50		
Outstanding at December 31, 2009	37,450,036	44.63	7.0	516,856
Vested at December 31, 2009 or expected to vest in the future	36,814,800	$ 44.48	6.7	$ 513,601
Vested at December 31, 2009	19,365,444	$ 34.91	5.2	$ 437,304

The total intrinsic value of stock options exercised during the years ended December 31, 2009, 2008 and 2007 was $157.3 million, $443.7 million and $470.5 million, respectively. The Company primarily utilizes newly issued shares to satisfy the exercise of stock options. The total fair value of shares vested during the years ended December 31,

2009, 2008 and 2007 was $29.3 million, $30.4 million and $38.9 million, respectively.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes information concerning options outstanding under all plans at December 31, 2009:

	Options Outstanding			Options Vested		
Range of Exercise Prices	Number Outstanding	Weighted Average Exercise Price Per Option	Weighted Average Remaining Term (Years)	Number Vested	Weighted Average Exercise Price Per Option	Weighted Average Remaining Term (Years)
$2.49 10.00	2,041,481	$ 5.72	2.2	2,041,481	$ 5.72	2.2
10.01 20.00	3,951,845	14.26	4.2	3,951,845	14.26	4.2
20.01 30.00	2,395,009	25.42	4.5	2,395,009	25.42	4.5
30.01 40.00	5,099,552	36.35	6.9	3,019,143	34.62	5.3
40.01 50.00	6,234,655	45.25	6.4	2,821,041	43.43	3.4
50.01 60.00	10,018,183	55.28	8.3	2,608,443	57.21	6.9
60.01 73.92	7,709,311	67.62	8.1	2,528,482	67.58	7.8
	37,450,036	$ 44.63	6.8	19,365,444	$ 34.91	4.9

Stock options granted to executives at the vice-president level and above under the Plan, formerly the 1998 Stock Incentive Plan, after September 18, 2000, contained a reload feature which provided 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 Plan and (2) the optionee pays the exercise price for the portion of the stock option exercised or the minimum statutory 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 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. The reload stock option is 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 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. As of December 31, 2009, 236,380 options that contain the reload features noted above are still outstanding and are included in the tables above. The Plan was amended to eliminate the reload feature for all stock options granted on or after October 1, 2004.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restricted Stock Units: The Company began issuing restricted stock units, or RSUs, under its equity program during the second quarter of 2009 in order to provide an effective incentive award with a strong retention component. Equity awards may, at the option of employee participants, be divided between stock options and RSUs based on a two-thirds and one-third mix, respectively, using a three-to-one ratio of stock options to RSUs in calculating the number of RSUs to be granted. The fair value of RSUs is determined based on the closing price of the Company s common stock on the grant dates. Information regarding the Company s RSUs for 2009 is as follows:

Nonvested RSUs	Share Equivalent	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2008		$
Changes during the period:		
Granted	510,404	40.39
Vested		
Forfeited	(7,964)	39.16
Nonvested at December 31, 2009	502,440	$ 40.41

There were no RSUs that vested during 2009. The Company expects to primarily utilize newly issued shares to satisfy the vesting of RSUs.

As of December 31, 2009, there was $14.8 million of total unrecognized compensation cost related to nonvested awards of RSUs. That cost is expected to be recognized over a weighted-average period of 2.3 years. The Company recognizes compensation cost on a straight-line basis over the requisite service period for the entire award, as adjusted for expected forfeitures.

Warrants: In connection with its acquisition of Anthrogenesis, the Company assumed the Anthrogenesis warrants outstanding, which were convertible 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, 2009, Celgene had 72,868 warrants outstanding to acquire an equivalent number of shares of Celgene common stock at a weighted average exercise price of $3.25 per warrant. Warrants exercised in 2009 totaled 305,784. No warrants were exercised in 2008 and 2007. The remaining warrants expire on various dates from 2010 to 2012.

16. Employee Benefit Plans

The Company sponsors an employee savings and retirement plan, which qualifies under Section 401(k) of the Internal Revenue Code, as amended, or the Code, for its U.S. employees. The Company s contributions to the U.S. savings plan are discretionary and have historically been made in the form of the Company s common stock (See Note 14). Such contributions are based on specified percentages of employee contributions up to 6% of eligible compensation or a maximum permitted by law. Total expense for contributions to the U.S. savings plans were $10.6 million, $8.3 million and $5.4 million in 2009, 2008 and 2007, respectively. The Company also sponsors defined contribution plans in certain foreign locations. Participation in these plans is subject to the local laws that are in effect for each country and may include statutorily imposed minimum contributions. The Company also maintains defined benefit plans in certain foreign locations for which the obligations and the net periodic pension costs were determined to be immaterial at December 31, 2009.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In 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, and amended the plan in February 2008. This plan operates as the Company s ongoing deferred compensation plan and is intended to comply with the American Jobs Creation Act of 2004, which added new Section 409A to the 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 froze the 2000 deferred compensation plan, effective as of December 31, 2004, and 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 an amended 90% of the participant s base salary, 100% of cash bonuses and equity compensation allowed under Section 409A of the Code. Company contributions to the deferred compensation plan represent a match to certain participants deferrals up to a specified percentage (currently ranging from 10% to 20%, depending on the employee s position as specified in the plan, and ranging from 10% to 25% through December 31, 2006) of the participant s base salary. The Company recorded expense of $0.4 million, $0.5 million and $0.6 million related to the deferred compensation plans in 2009, 2008 and 2007, respectively. The Company s recurring matches are fully vested, upon contribution. All other Company contributions to the plan do not vest until the specified requirements are met. At December 31, 2009 and 2008, the Company had a deferred compensation liability included in other non-current liabilities in the consolidated balance sheets of approximately $36.6 million and $25.5 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.

The Company has established 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 covering a three-year period. The Company currently has three separate three-year performance cycles running concurrently ending December 31, 2010, 2011 and 2012. Performance measures for the Plans are based on the following components in the last year of the three-year cycle: 25% on non-GAAP earnings per share, 25% on non-GAAP net income and 50% on total non-GAAP revenue, as defined.

Payouts may be in the range of 0% to 200% of the participant s salary for the LTIPs. The estimated payout for the concluded 2009 Plan is $5.9 million, which is included in other current liabilities at December 31, 2009, and the maximum potential payout, assuming maximum objectives are achieved for the 2010, 2011 and 2012 Plans are $9.6 million, $10.7 million and $11.5 million, respectively. Such awards are payable in cash or, at the Company s discretion, payable in common stock based upon its stock price on 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, 2009, 2008 and 2007, the Company recognized expense related to the LTIP of $5.5 million, $6.3 million and $6.9 million, respectively.

17. Sponsored Research, License and Other Agreements

Novartis Pharma AG: The Company entered into an agreement with Novartis in which the Company 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. The Company has retained the exclusive commercial rights to FOCALIN® and FOCALIN XR® for oncology-related disorders, such as chronic fatigue associated with chemotherapy. The Company also granted Novartis rights to all of its related intellectual property and patents, including formulations of the currently marketed RITALIN LA®. The Company also sells FOCALIN® to Novartis and receives royalties on sales of all of Novartis FOCALIN XR® and RITALIN® family of ADHD-related

products.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Array BioPharma Inc.: The Company has a research collaboration agreement with Array BioPharma Inc., or Array, focused on the discovery, development and commercialization of novel therapeutics in cancer and inflammation. As part of this agreement, the Company made an upfront payment in September 2007 to Array of $40.0 million, which was recorded as research and development expense, in return for an option to receive exclusive worldwide rights for compounds developed against two of the four research targets defined in the agreement, except for Array s limited U.S. co-promotional rights. In June 2009, the Company made an additional upfront payment of $4.5 million to expand the research targets defined in the agreement, which was recorded as research and development expense. Array will be responsible for all discovery and clinical development through Phase I or Phase IIa and be entitled to receive, for each compound, potential milestone payments of approximately $200.0 million, if certain discovery, development and regulatory milestones are achieved and $300.0 million if certain commercial milestones are achieved, as well as royalties on net sales.

The Company s option will terminate upon the earlier of either a termination of the agreement, the date the Company has exercised its options for compounds developed against two of the four research targets defined in the agreement, or September 21, 2012, unless the term is extended. The Company may unilaterally extend the option term for two additional one-year terms until September 21, 2014 and the parties may mutually extend the term for two additional one-year terms until September 21, 2016. Upon exercise of a Company option, the agreement will continue until the Company has satisfied all royalty payment obligations to Array. Upon the expiration of the agreement, Array will grant the Company a fully paid-up, royalty-free license to use certain intellectual properties of Array to market and sell the compounds and products developed under the agreement. The agreement may expire on a product-by-product and country-by-country basis as the Company satisfies its royalty payment obligation with respect to each product in each country.

Prior to its expiration as described above, the agreement may be terminated by:

(iii) the Company at its sole discretion, or

(iv) either party if the other party:

(x) materially breaches any of its material obligations under the agreement, or

(y) files for bankruptcy.

If the agreement is terminated by the Company at its sole discretion or by Array for a material breach by the Company, then the Company s rights to the compounds and products developed under the agreement will revert to Array. If the agreement is terminated by Array for a material breach by the Company, then the Company will also grant to Array a non-exclusive, royalty-free license to certain intellectual property controlled by the Company necessary to continue the development of such compounds and products. If the agreement is terminated by the Company for a material breach by Array, then, among other things, the Company s payment obligations under the agreement could be either reduced by 50% or terminated entirely.

PTC Therapeutics, Inc.: In September 2007, the Company invested $20.0 million, of which $1.1 million represented research and development expense, in Series F-2 Convertible Preferred Stock of PTC Therapeutics, Inc., or PTC, and in December 2009, we invested an additional $1.5 million in Series G Convertible Preferred Stock of PTC. In September 2007, we also entered into a separate research and option agreement whereby PTC would perform discovery research activities. Under the agreement, both parties could subsequently agree to advance research on certain discovery targets and enter into a separate pre-negotiated collaboration and license agreement which would replace the original research and option agreement.

On July 16, 2009, the Company and PTC agreed to advance research on one discovery target and entered into a pre-negotiated collaboration and license agreement under which PTC is eligible to receive quarterly research fees, as defined in the agreement, and is entitled to receive potential milestone payments of approximately $129.0 million if certain development, regulatory and sales-based milestones are achieved.

102

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

PTC will also receive tiered royalties on worldwide net sales. Under the agreement, the Company may transfer certain research and development activities from PTC to the Company and upon such transfer the Company will no longer fund such quarterly research fees to PTC.

The agreement will continue until the Company has satisfied all royalty payment obligations to PTC. Upon the Company s full satisfaction of its royalty payment obligations to PTC under the agreement, the license granted to the Company by PTC under the agreement will become a non-exclusive, fully paid-up, sub-licensable, royalty-free license to use certain intellectual property of PTC to market and sell the products developed under the agreement. The agreement may expire on a product-by-product and country-by-country basis as the Company satisfies its royalty payment obligation with respect to each product in each country.

Prior to its expiration as described above, the agreement may be terminated by:

(iii) the Company at its sole discretion following the first anniversary of the agreement, or

(iv) either party if the other party:

(x) materially breaches any of its material obligations under the agreement, or

(y) files for bankruptcy.

If the agreement is terminated by the Company at its sole discretion or by PTC for a material breach by the Company, then all licenses granted to the Company under the agreement will terminate. If PTC materially breaches any of its obligations under the agreement, the Company can either terminate the agreement, in which case all licenses and rights granted under the agreement are terminated, or elect to continue the agreement, in which case all milestone obligations cease and future royalties payable by the Company under the agreement will be reduced by between 50% and 70%.

Acceleron Pharma: The Company has a worldwide strategic collaboration with Acceleron Pharma, or Acceleron, for the joint development and commercialization of ACE-011, currently being studied for treatment of chemotherapy induced anemia in metastatic breast cancer, metastatic bone disease and renal anemia. The collaboration combines both companies resources and commitment to developing products for the treatment of cancer and cancer-related bone loss. The agreement also includes an option for certain discovery stage programs. Under the terms of the agreement, the Company and Acceleron will jointly develop, manufacture and commercialize Acceleron s products for bone loss. The Company made an upfront payment to Acceleron in February 2008 of $50.0 million, which included a $5.0 million equity investment in Acceleron, with the remainder recorded as research and development expense. In addition, in the event of an initial public offering of Acceleron, the Company will purchase a minimum of $7.0 million of Acceleron common stock.

Acceleron will retain responsibility for initial activities, including research and development, through the end of Phase IIa clinical trials, as well as manufacturing the clinical supplies for these studies. In turn, the Company will conduct the Phase IIb and Phase III clinical studies and will oversee the manufacture of Phase III and commercial supplies. Acceleron will pay a share of the development expenses and is eligible to receive development, regulatory approval and sales-based milestones of up to $510.0 million for the ACE-011 program and up to an additional $437.0 million for each of the three discovery stage programs. The companies will co-promote the products in North America. Acceleron will receive tiered royalties on worldwide net sales.

The agreement will continue until the Company has satisfied all royalty payment obligations to Acceleron and the Company has either exercised or forfeited all of its options under the agreement. Upon the Company s full satisfaction of its royalty payment obligations to Acceleron under the agreement, all licenses granted to the Company by Acceleron under the agreement will become fully paid-up, perpetual, non-exclusive, irrevocable and royalty-free licenses. The agreement may expire on a product-by-product and country-by-country basis as the Company satisfies its royalty payment obligation with respect to each product in each country.

103

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Prior to its expiration as described above, the agreement may be terminated by:

(iii) the Company at its sole discretion, or

(iv) either party if the other party:

(z) materially breaches any of its material obligations under the agreement, or

(aa) files for bankruptcy.

If the agreement is terminated by the Company at its sole discretion or by Acceleron for a material breach by the Company, then all licenses granted to the Company under the agreement will terminate and the Company will also grant to Acceleron a non-exclusive license to certain intellectual property of the Company related to the compounds and products. If the agreement is terminated by the Company for a material breach by Acceleron, then, among other things, (A) the licenses granted to Acceleron under the agreement will terminate, (B) the licenses granted to the Company will continue in perpetuity, (C) all future royalties payable by the Company under the agreement will be reduced by 50% and (D) the Company s obligation to make any future milestone payments will terminate.

Cabrellis Pharmaceuticals Corp.: The Company, as a result of its acquisition of Pharmion, obtained an exclusive license to develop and commercialize amrubicin in North America and Europe pursuant to a license agreement with Dainippon Sumitomo Pharma Co. Ltd, or DSP. Pursuant to Pharmion s acquisition of Cabrellis Pharmaceutics Corp., or Cabrellis, prior to the Company s acquisition of Pharmion, the Company will pay $12.5 million for each approval of amrubicin in an initial indication by regulatory authorities in the United States and the European Union, or E.U., to the former shareholders of Cabrellis. Upon approval of amrubicin for a second indication in the United States or E.U., the Company will pay an additional $10.0 million for each market to the former shareholders of Cabrellis. Under the terms of the license agreement for amrubicin, the Company is required to make milestone payments of $7.0 million and $1.0 million to DSP upon regulatory approval of amrubicin in the United States and upon receipt of the first approval in the E.U., respectively, and up to $17.5 million upon achieving certain annual sales levels in the United States. Pursuant to the supply agreement for amrubicin, the Company is to pay DSP a semiannual supply price calculated as a percentage of net sales for a period of ten years. In September 2008, amrubicin was granted fast track product designation by the FDA for the treatment of small cell lung cancer after first-line chemotherapy.

The amrubicin license expires on a country-by-country basis and on a product-by-product basis upon the later of (i) the tenth anniversary of the first commercial sale of the applicable product in a given country after the issuance of marketing authorization in such country and (ii) the first day of the first quarter for which the total number of generic product units sold in a given country exceeds 20% of the total number of generic product units sold plus licensed product units sold in the relevant country during the same calendar quarter.

Prior to its expiration as described above, the amrubicin license may be terminated by:

(iii) the Company at its sole discretion,

(iv) either party if the other party:

(x) materially breaches any of its material obligations under the agreement, or

(y) files for bankruptcy,

(iii) DSP if the Company takes any action to challenge the title or validity of the patents owned by DSP, or

(iv) DSP in the event of a change in control of the Company.

If the agreement is terminated by the Company at its sole discretion or by DSP under circumstances described in clauses (ii)(x) and (iii) above, then the Company will transfer its rights to the compounds and products developed under the agreement to DSP and will also grant to DSP a non-exclusive, perpetual, royalty-free license to certain intellectual property controlled by the Company necessary to continue the development of such compounds and products. If the agreement is terminated by the Company for a material breach by DSP, then, among other things, DSP

will grant to the Company an exclusive, perpetual, paid-up license to all of the intellectual property of DSP necessary to continue the development, marketing and selling of the compounds and products subject to the agreement.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GlobeImmune, Inc.: In September 2007, the Company made a $3.0 million equity investment in GlobeImmune, Inc., or GlobeImmune. In April 2009 and May 2009, the Company made additional $0.1 million and $10.0 million equity investments, respectively, in GlobeImmune. In addition, the Company has a collaboration and option agreement with GlobeImmune focused on the discovery, development and commercialization of novel therapeutics in cancer. As part of this agreement, the Company made an upfront payment in May 2009 of $30.0 million, which was recorded as research and development expense, to GlobeImmune in return for the option to license compounds and products based on the GI-4000, GI-6200, GI-3000 and GI-10000 oncology drug candidate programs as well as oncology compounds and products resulting from future programs controlled by GlobeImmune. GlobeImmune will be responsible for all discovery and clinical development until the Company exercises its option with respect to a drug candidate program and GlobeImmune will be entitled to receive potential milestone payments of approximately $230.0 million for the GI-4000 program, $145.0 million for each of the GI-6200, GI-3000 and GI-10000 programs as well as $161.0 million for each additional future program if certain development, regulatory and sales-based milestones are achieved. GlobeImmune will also receive tiered royalties on worldwide net sales.

The Company s options with respect to the GI-4000, GI-6200, GI-3000 and GI-10000 oncology drug candidate programs will terminate if the Company does not exercise its respective options after delivery of certain reports from GlobeImmune on the completed clinical trials with respect to each drug candidate program, as set forth in the initial development plan specified in the agreement. If the Company does not exercise its options with respect to any drug candidate program or future program, the Company s option with respect to the oncology products resulting from future programs controlled by GlobeImmune will terminate three years after the last of the options with respect to the GI-4000, GI-6200, GI-3000 and GI-10000 oncology drug candidate programs terminates. Upon exercise of a Company option, the agreement will continue until the Company has satisfied all royalty payment obligations to GlobeImmune. Upon the expiration of the agreement, on a product by product, country by country basis, GlobeImmune will grant the Company an exclusive, fully paid-up, royalty-free, perpetual, license to use certain intellectual properties of GlobeImmune to market and sell the compounds and products developed under the agreement. The agreement may expire on a product-by-product and country-by-country basis as the Company satisfies its royalty payment obligation with respect to each product in each country.

Prior to its expiration as described above, the agreement may be terminated by:

(iii) the Company at its sole discretion, or

(iv) either party if the other party:

(x) materially breaches any of its material obligations under the agreement, or

(y) files for bankruptcy.

If the agreement is terminated by the Company at its sole discretion or by GlobeImmune for a material breach by the Company, then the Company s rights to the compounds and products developed under the agreement will revert to GlobeImmune. If the agreement is terminated by the Company for a material breach by GlobeImmune, then, among other things, the Company s royalty payment obligations under the agreement will be reduced by 50%, the Company s development milestone payment obligations under the agreement will be reduced by 50% or terminated entirely and the Company s sales milestone payment obligations under the agreement will be terminated entirely.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Income Taxes

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

	2009	2008	2007
U.S.	$ 431,253	$ (1,364,947)	$ 617,714
Non-U.S.	544,450	(3,878)	(100,745)
Income before income taxes	$ 975,703	$ (1,368,825)	$ 516,969

The provision (benefit) for taxes on income is as follows:

	2009	2008	2007
United States:			
Taxes currently payable:			
Federal	$ 148,630	$ 213,576	$ 223,985
State and local	51,959	36,263	66,893
Deferred income taxes	(25,721)	(94,326)	(7,601)
Total U.S. tax provision	174,868	155,513	283,277
International:			
Taxes currently payable	25,306	19,577	9,735
Deferred income taxes	(1,218)	(10,262)	(2,476)
Total international tax provision	24,088	9,315	7,259
Total provision	$ 198,956	$ 164,828	$ 290,536

Amounts are reflected in the preceding tables based on the location of the taxing authorities. As of December 31, 2009, the Company has not made a U.S. tax provision on $2.846 billion of unremitted earnings of its international subsidiaries. These earnings are expected to be reinvested overseas indefinitely. 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 most 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 Statements 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, tax planning strategies and other relevant factors. Significant judgment is required in making this assessment.

106

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At December 31, 2009 and 2008 the tax effects of temporary differences that give rise to deferred tax assets and liabilities were as follows:

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Federal, state and international NOL carryforwards	$ 10,138		$ 62,954	
Prepaid and deferred items			25,834	
Deferred revenue	2,659		1,586	
Capitalized research expenses	34,344		29,823	
Tax credit carryforwards	73,818		65,171	
Non-qualified stock options	74,474		39,972	
Plant and equipment, primarily differences in depreciation	572		1,089	
Inventory	5,091		2,408	
Other assets	47,836	(614)	42,867	(338)
Intangibles	52,263	(126,996)	38,937	(143,610)
Accrued and other expenses	95,003		99,696	
Unrealized gains on securities		(143)		(10,725)
Subtotal	396,198	(127,753)	410,337	(154,673)
Valuation allowance	(58,347)		(61,269)	
Total deferred taxes	$ 337,851	$ (127,753)	$ 349,068	$ (154,673)
Net deferred tax asset	$ 210,098	$	$ 194,395	$

At December 31, 2009 and 2008, deferred tax assets and liabilities were classified on the Company s balance sheet as follows:

	2009	2008
Current assets	$ 49,817	$ 16,415
Other assets (non-current)	160,282	177,998
Current liabilities	(1)	(18)
Other non-current liabilities		
Net deferred tax asset	$ 210,098	$ 194,395

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

Percentages	2009	2008	2007
U.S. statutory rate	35.0%	(35.0)%	35.0%
Foreign tax rate differences	(16.3)	(7.3)	12.7
State taxes, net of federal benefit	1.1	0.4	6.5
Change in valuation allowance	(0.6)	1.5	0.8

In-process R&D		52.1	
Other	1.2	0.3	1.2
Effective income tax rate	20.4%	12.0%	56.2%

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At December 31, 2009, the Company had combined state net operating loss, or NOL, carryforwards of approximately $431.7 million that will expire in the years 2010 through 2029. The Company also has research and experimentation credit carryforwards of approximately $40.8 million that will expire in the years 2015 through 2028. Excess tax benefits related to stock option deductions incurred after December 31, 2005 are required to be recognized in the period in which the tax deduction is realized through a reduction of income taxes payable. As a result, the Company has not recorded deferred tax assets for certain stock option deductions included in its NOL carryforwards and research and experimentation credit carryforwards. At December 31, 2009, deferred tax assets have not been recorded on combined state NOL carryforwards of approximately $226.0 million and for research and experimentation credits of approximately $18.8 million. These stock option tax benefits will be recorded as an increase in additional paid-in capital when realized.

At December 31, 2009 and 2008, it was more likely than not that the Company would realize its deferred tax assets, net of valuation allowances. The principal valuation allowance relates to Swiss deferred tax assets and is the result of the Swiss tax holiday.

The Company realized stock option deduction benefits in 2009, 2008 and 2007 for income tax purposes and has increased additional paid-in capital in the amount of approximately $98.8 million**,** $160.6 million and $159.3 million, respectively. The Company has recorded deferred income taxes as a component of accumulated other comprehensive income resulting in deferred income tax liabilities at December 31, 2009 and 2008 of $0.1 million and $10.7 million, respectively.

The Company s U.S. federal income tax returns have been audited by the IRS through the fiscal year ended December 31, 2005. Tax returns for the fiscal years ended December 31, 2006 and 2007 are currently under examination by the IRS. The Company is also subject to audits by various state and foreign taxing authorities, including, but not limited to, most U.S. states and major European and Asian countries where the Company has operations.

The Company regularly reevaluates its tax positions and the associated interest and penalties, if applicable, resulting from audits of federal, state and foreign income tax filings, as well as changes in tax law that would reduce the technical merits of the position to below more likely than not. The Company believes that its accruals for tax liabilities are adequate for all open years. Many factors are considered in making these evaluations, including past history, recent interpretations of tax law and the specifics of each matter. Because tax regulations are subject to interpretation and tax litigation is inherently uncertain, these evaluations can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. The Company applies a variety of methodologies in making these estimates and assumptions, which include studies performed by independent economists, advice from industry and subject experts, evaluation of public actions taken by the Internal Revenue Service and other taxing authorities, as well as the Company s industry experience. These evaluations are based on estimates and assumptions that have been deemed reasonable by management. However, if management s estimates are not representative of actual outcomes, the Company s results of operations could be materially impacted.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unrecognized tax benefits, generally represented by liabilities on the balance sheet, arise when the estimated benefit recorded in the financial statements differs from the amounts taken or expected to be taken in a tax return because of the uncertainties described above. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2009	2008
Balance at beginning of year	$ 385,840	$ 209,965
Increases related to prior year tax positions	16,322	
Decreases related to prior year tax positions		
Increases related to current year tax positions	76,110	175,875
Settlements	(35,783)	
Lapse of statute		
Balance at end of year	$ 442,489	$ 385,840

The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes. Accrued interest at December 31, 2009 and 2008 is approximately $21.2 million and $13.4 million, respectively.

The Company effectively settled examinations with the IRS and with a foreign taxing jurisdiction in early 2009. The foreign examination related to a subsidiary acquired in the Pharmion acquisition. These settlements resulted in a net decrease in the liability for unrecognized tax benefits related to tax positions taken in prior years of $35.8 million. In 2009, the Company recorded an increase in the liability for unrecognized tax benefits for prior years related to ongoing income tax audits in various taxing jurisdictions.

These unrecognized tax benefits relate primarily to issues common among multinational corporations. If recognized, unrecognized tax benefits of approximately $400.8 million would have a net impact on the effective tax rate. The Company s tax returns are under routine examination in many taxing jurisdictions. The Company anticipates that certain of these examinations may be settled in their ordinary course and it is reasonably possible that the amounts of unrecognized tax benefits will decrease by $27.8 million over the next 12 months as part of these settlements. Liabilities for unrecognized tax benefits that the Company anticipates will be settled within one year are classified as current liabilities. The liability for unrecognized tax benefits is expected to increase in the next 12 months relating to operations occurring in that period.

19. Commitments, Contingencies and Legal Proceedings

Leases: The Company leases offices and research facilities under various operating lease agreements in the United States and international markets. At December 31, 2009, the non-cancelable lease terms for the operating leases expire at various dates between 2010 and 2018 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.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Future minimum lease payments under noncancelable operating leases as of December 31, 2009 are:

	Operating Leases
2010	$ 26,578
2011	22,299
2012	14,908
2013	8,536
2014	7,279
Thereafter	19,541
Total minimum lease payments	$ 99,141

Total rental expense under operating leases was approximately $24.4 million in 2009, $20.4 million in 2008 and $11.7 million in 2007.

Lines of Credit: The Company maintains lines of credit with several banks to support its hedging programs and to facilitate the issuance of bank letters of credit and guarantees on behalf of its subsidiaries. Lines of credit supporting the Company s hedging programs as of December 31, 2009 allowed the Company to enter into derivative contracts with settlement dates through 2011. As of December 31, 2009, the Company has entered into derivative contracts with net notional amounts totaling $1.107 billion. Lines of credit facilitating the issuance of bank letters of credit and guarantees as of December 31, 2009 allowed the Company to have letters of credit and guarantees issued on behalf of its subsidiaries totaling $30.3 million.

Other Commitments: The Company s obligations related to product supply contracts totaled $146.2 million at December 31, 2009. The Company also owns an interest in two limited partnership investment funds. The Company has committed to invest an additional $10.5 million into one of the funds which is callable any time within a ten-year period, which expires on February 28, 2016.

Collaboration Arrangements: The Company has entered into certain research and development collaboration arrangements with third parties that include the funding of certain development, manufacturing and commercialization efforts with the potential for future milestone and royalty payments upon the achievement of pre-established developmental, regulatory and /or commercial targets. The Company s obligation to fund these efforts is contingent upon continued involvement in the programs and/or the lack of any adverse events which could cause the discontinuance of the programs. Due to the nature of these arrangements, the future potential payments are inherently uncertain, and accordingly no amounts have been recorded in the Company s consolidated balance sheets at December 31, 2009 or 2008, respectively (See Note 17).

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.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Legal Proceedings:

The Company and certain of its subsidiaries are involved in various patent, commercial and other claims; government investigations; and other legal proceedings that arise from time to time in the ordinary course of the Company s business.

Patent proceedings include challenges to scope, validity or enforceability of its patents relating to its various products or processes. Although the Company believe it has substantial defenses to these challenges with respect to all of its material patents, there can be no assurance as to the outcome of these matters, and a loss in any of these cases could result in a loss of patent protection for the drug at issue, which could lead to a significant loss of sales of that drug and could materially affect future results of operations.

Among the principal matters pending to which the Company is a party, are the following:

THALOMID®

Barr Laboratories, Inc., or Barr, a generic drug manufacturer located in Pomona, New York, filed an ANDA for the treatment of ENL in the manner described in the Company s label and seeking permission from the FDA to market a generic version of 50mg, 100mg and 200mg THALOMID®. Barr has notified us that it merged with Teva, and Barr is now Barr Pharmaceuticals, LLC, a wholly-owned subsidiary of Teva. Under the federal Hatch-Waxman Act of 1984, any generic manufacturer may file an ANDA with a certification (a Paragraph IV certification) challenging the validity or infringement of a patent listed in the FDA s Orange Book four years after the pioneer company obtains approval of its NDA. On or after December 5, 2006, Barr mailed notices of Paragraph IV certifications alleging that the following patents listed for THALOMID® in the Orange Book are invalid, unenforceable, and/or not infringed: U.S. Patent Nos. 6,045,501 (the 501 patent), 6,315,720 (the 720 patent), 6,561,976 (the 976 patent), 6,561,977 977 patent), 6,755,784 (the 784 patent), 6,869,399 (the 399 patent), 6,908,432 (the 432 patent), and 7,141,018 patent). The 501, 976, and 432 patents do not expire until August 28, 2018, while the remaining patents do not expire until October 23, 2020. On January 18, 2007, the Company filed an infringement action in the U.S. District Court of New Jersey against Barr. By bringing suit, the Company is entitled to a 30-month stay, from the date of its receipt of the Paragraph IV certification, the last of which will expire in November 2010, against the FDA s approval of a generic applicant s application to market a generic version of THALOMID®. In June 2007, U.S. Patent No. 7,230,012, or 012 patent, was issued to the Company claiming formulations of thalidomide and was then timely listed in the Orange Book. Barr sent the Company a supplemental Paragraph IV certification against the 012 patent and alleged that the claims of the 012 patent, directed to formulations which encompass THALOMID®, were invalid. On August 23, 2007, the Company filed an infringement action in the U.S. District Court of New Jersey with respect to the 012 patent. On or after October 4, 2007, Barr filed a second supplemental notice of Paragraph IV certifications relating to the 150 mg dosage strength of THALOMID® alleging that the 501 patent, 720 patent, 976 patent, 977 patent, 784 patent, 399 patent, 432 patent and the 018 patent are invalid, unenforceable, and/or not infringed. On November 14, 2007, the Company filed an infringement action in the U.S. District Court of New Jersey against Barr which entitled us to a second 30-month stay, expiring in November 2010. All three actions have subsequently been consolidated. The Company intends to enforce its patent rights. If the ANDA is approved by the FDA, and Barr is successful in challenging the Company s patents listed in the Orange Book for THALOMID®, Barr would be permitted to sell a generic thalidomide product. If the Company is unsuccessful in the suits and the FDA were to approve a comprehensive education and risk-management distribution program for a generic version of thalidomide, sales of THALOMID® could be significantly reduced in the United States by the entrance of a generic thalidomide product, consequently reducing the Company s revenue.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In July 2008, the Company and its co-plaintiff Children s Medical Center Corp., or CMCC, asserted two Orange-Book listed patents (U.S. Patent Nos. 5,629,327 and 6,235,756) relating to uses of thalidomide for the treatment of various cancers, including multiple myeloma. The Company filed the action in response to Notices of Paragraph IV certification in connection with Barr s ANDA seeking approval to market generic versions for the Company s THALOMID® capsules. Because both of those patents were listed in the Orange Book when Barr originally filed its ANDA (Barr originally failed to certify under Paragraph IV against either patent), a second 30-month stay applies, and Barr s ANDA may not receive final approval until November 2010. Barr has asserted counterclaims seeking declarations of noninfringement, invalidity, and unenforceability. In December 2008, the Company and CMCC asserted a third Orange-Book patent relating to uses of thalidomide for the treatment of various cancers, including multiple myeloma. The Company filed the action in response to Notices of Paragraph IV certification in connection with Barr s ANDA seeking approval to market generic versions for its THALOMID® capsules. Barr has asserted counterclaims seeking declarations of noninfringement and invalidity. All of the above thalidomide actions have been consolidated.

The parties have completed the bulk of fact discovery, and general fact discovery is now closed. The parties expect the Court to resolve Barr s motion in February 2010. No schedule has been set for claim construction or expert discovery. No trial date has been set.

FOCALIN® and FOCALIN XR®

On August 19, 2004, the Company, together with its exclusive licensee Novartis, filed an infringement action in the U.S. District Court of New Jersey against Teva Pharmaceuticals USA, Inc., or Teva, in response to notices of Paragraph IV certifications made by Teva in connection with the filing of an ANDA for FOCALIN®. The notification letters from Teva contend that U.S. Patent Nos. 5,908,850, or 850 patent, and 6,355,656, or 656 patent, are invalid. After the suit was filed, Novartis listed another patent, U.S. Patent No. 6,528,530, or 530 patent, in the Orange Book in association with the FOCALIN® NDA. The original 2004 action asserted infringement of the 850 patent. Teva amended its answer during discovery 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 in the original 2004 action expired on February 28, 2006. At about the time of the filing of the 850 patent infringement action, reexamination proceedings for the 656 patent were initiated in the U.S. PTO. On September 28, 2006, the U.S. PTO issued a Notice of Intent to Issue Ex Parte Reexamination Certificate, and on March 27, 2007, the Reexamination Certificate for the 656 patent issued. On December 21, 2006, the Company and Novartis filed an action in the U.S. District Court of New Jersey against Teva for infringement of the 656 patent. Teva filed an amended answer and counterclaim on March 23, 2007. The amended counterclaim seeks a declaratory judgment of patent invalidity, noninfringement, and unenforceability. The statutory 30-month stay, to which Paragraph IV certifications (including those below) are entitled to, expired on January 9, 2007, and Teva proceeded to market with a generic version of FOCALIN®. Plaintiffs complaints included a request for an injunction against future sales of Teva s generic products, as well as a claim for money damages for actual sales. This action has been resolved pursuant to a confidential settlement agreement dated December 9, 2009. Pursuant to the settlement agreement, the parties sought (and the Court allowed) a 60-day stay of the litigation, in order to allow for review of the settlement agreement by the Federal Trade Commission and Department of Justice. The case was dismissed on February 1, 2010.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On September 14, 2007, the Company, together with its exclusive licensee Novartis, filed an infringement action in the U.S. District Court for the District of New Jersey against Teva Pharmaceuticals USA, Inc. in response to a notice of a Paragraph IV certification made by Teva in connection with the filing of an ANDA for FOCALIN XR®. The notification letter from Teva contends that claims in U.S. Patent Nos. 5,908,850 and 6,528,530 are invalid, unenforceable, and not infringed by the proposed Teva products, and it contends that U.S. Patent Nos. 5,837,284 and 6,635,284 are invalid and not infringed by the proposed Teva products. The Company and Novartis asserted each of these patents and additionally asserted U.S. Patent No. 6,355,656 in its complaint against Teva. Subsequently, plaintiffs added claims for infringement of U.S. Patent No. 7,431,944. This action has been resolved pursuant to a confidential settlement agreement dated December 9, 2009. Pursuant to the settlement agreement, the parties sought (and the Court allowed) a 60-day stay of the litigation, in order to allow for review of the settlement agreement by the Federal Trade Commission and Department of Justice. The case was dismissed on February 1, 2010.

On October 5, 2007, the Company, together with its exclusive licensee Novartis, filed an infringement action in the U.S. District Court for the District of New Jersey against IntelliPharmaCeutics Corp., or IPC, in response to a notice of a Paragraph IV certification made by IPC in connection with the filing of an ANDA for FOCALIN XR®. The notification letter from IPC contends that claims in U.S. Patent Nos. 5,908,850, 5,837,284, and 6,635,284 are not infringed by the proposed IPC products. The notification letter also contends that claims in U.S. Patent Nos. 5,908,850, 6,355,656, 6,528,530, 5,837,284, and 6,635,284 are invalid, and that claims in U.S. Patent Nos. 5,908,850, 6,355,656 and 6,528,530 are unenforceable. In its complaint against IPC, the Company and Novartis asserted U.S. Patent Nos. 5,908,850, 6,355,656, 6,528,530, 5,837,284, and 6,635,284. IPC filed an answer and counterclaim on November 20, 2007. The counterclaim seeks a declaratory judgment of patent invalidity, non infringement, and unenforceability with respect to Patent Nos. 5,908,850, 6,355,656, and 6,528,530, and it seeks a declaratory judgment of patent invalidity and non infringement with respect to Patent Nos. 5,837,284 and 6,635,284. The Company and Novartis subsequently added claims against IPC for infringement of United States patent No. 7,431,944. Fact discovery has expired and claim construction briefing has been completed. Expert discovery has yet to be completed. On October 23, 2009, the court administratively struck the pleadings relating to claim construction, in order to afford the parties a chance to determine whether a settlement can be reached. If the Company is unsuccessful in proving infringement or defending its patents, Novartis sales of FOCALIN XR® could be significantly reduced in the United States by the entrance of a generic FOCALIN XR® product, consequently reducing the Company s revenue from royalties associated with these sales. If settlement cannot be reached, the claim construction and other litigation proceedings will move forward.

On November 8, 2007, the Company, together with its exclusive licensee Novartis, filed an infringement action in the U.S. District Court for the District of New Jersey against Actavis South Atlantic LLC and Abrika Pharmaceuticals, Inc. (collectively, Actavis) in response to a notice of a Paragraph IV certification made by Actavis in connection with the filing of an ANDA for FOCALIN XR®. The notification letter from Actavis contends that claims in U.S. Patent Nos. 5,908,850, 6,355,656, 5,837,284, and 6,635,284 are not infringed by the proposed Actavis products, and it contends that claims in U.S. Patent Nos. 5,908,850, 6,355,656, 6,528,530, 5,837,284 and 6,635,284 are invalid. In its complaint against Actavis, the Company and Novartis asserted U.S. Patent Nos. 5,908,850, 6,355,656, 6,528,530, 5,837,284, and 6,635,284. Actavis filed an answer and counterclaim, seeking a declaratory judgment of patent invalidity, non-infringement, and unenforceability with respect to the patents-in-suit. Plaintiffs subsequently added claims against Actavis for infringement of U.S. Patent No. 7,431,944. Fact discovery has expired and claim construction briefing has been completed. Expert discovery has yet to be completed. No trial date has been set. On October 23, 2009, the court administratively struck the pleadings relating to claim construction, in order to afford the parties a chance to determine whether a settlement can be reached. If the Company is unsuccessful in proving infringement or defending its patents, Novartis sales of FOCALIN XR® could be significantly reduced in the United States by the entrance of a generic FOCALIN XR® product, consequently reducing the Company s revenue from royalties associated with these sales. If settlement cannot be reached, the claim construction and other litigation proceedings will move forward.

113

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On November 16, 2007, the Company, together with its exclusive licensee Novartis, filed an infringement action in the U.S. District Court for the District of New Jersey against Barr and Barr Pharmaceuticals, Inc. in response to a notice of a Paragraph IV certification made by Barr in connection with the filing of an ANDA for FOCALIN XR®. The notification letter from Barr contends that claims in U.S. Patent Nos. 5,908,850, 6,355,656, 5,837,284, and 6,635,284 are not infringed by the proposed Barr products, and it contends that claims in U.S. Patent Nos. 5,908,850, 6,355,656, 6,528,530, 5,837,284 and 6,635,284 are invalid. In its complaint against Barr, the Company and Novartis asserted U.S. Patent Nos. 5,908,850, 6,355,656, 6,528,530, 5,837,284, and 6,635,284. The Company and Novartis subsequently added claims against Barr for infringement of U.S. Patent No. 7,431,944. Fact discovery has expired, claim construction briefing has been completed, and no trial date has been set. This action has been resolved pursuant to a confidential settlement agreement dated December 9, 2009. Pursuant to the settlement agreement, the parties sought (and the Court allowed) a 60-day stay of the litigation, in order to allow for review of the settlement agreement by the Federal Trade Commission and Department of Justice. The case was dismissed on February 1, 2010.

On December 5, 2008, the Company, together with its exclusive licensee Novartis, filed an infringement action in the United States District Court for the District of New Jersey against KV Pharmaceutical Company (KV) in response to two notices of Paragraph IV certification made by KV in connection with its filing of an ANDA for generic versions of the FOCALIN XR® products. In its complaint against KV, the Company and Novartis asserted U.S. Patent Nos. 5,908,850, 6,355,656, 6,528,530, 5,837,284, 6,635,284, and 7,431,944. KV filed an answer and counterclaim on January 20, 2009, seeking a declaratory judgment of patent invalidity, non-infringement and unenforceability with respect to the patents-in-suit. Fact discovery is complete or substantially complete, and claim construction briefing has been completed. Expert discovery has yet to be completed. No trial date has been set. On October 23, 2009, the court administratively struck the pleadings relating to claim construction, in order to afford the parties a chance to determine whether a settlement can be reached. If the Company is unsuccessful in proving infringement or defending its patents, Novartis sales of FOCALIN XR® could be significantly reduced in the United States by the entrance of a generic FOCALIN XR® product, consequently reducing the Company s revenue from royalties associated with these sales. If settlement cannot be reached, the claim construction and other litigation proceedings will move forward.

RITALIN LA®

On December 4, 2006, the Company, together with its exclusive licensee Novartis, filed an infringement action in the U.S. District Court for the District of New Jersey against Abrika Pharmaceuticals, Inc. and Abrika Pharmaceuticals, LLP, (collectively, Abrika Pharmaceuticals) in response to a notice of a Paragraph IV certification made by Abrika Pharmaceuticals in connection with the filing of an ANDA for RITALIN LA® 20 mg, 30 mg, and 40 mg generic products. The notification letter from Abrika Pharmaceuticals contends that claims in U.S. Patent Nos. 5,837,284 and 6,635,284 are invalid and are not infringed by the proposed Abrika Pharmaceuticals products. In its complaint against Abrika Pharmaceuticals, the Company and Novartis asserted U.S. Patent Nos. 5,837,284 and 6,635,284. Abrika Pharmaceuticals filed an answer and counterclaim in the New Jersey court on June 1, 2007. The counterclaim seeks a declaratory judgment of patent invalidity, noninfringement, and unenforceability with respect to the patents-in-suit. On September 26, 2007, Abrika Pharmaceuticals sent a Paragraph IV certification to the Company and Novartis in connection with the filing of an ANDA supplement with respect to Abrika Pharmaceuticals proposed generic 10 mg RITALIN LA® product. The Company and Novartis filed an amended complaint against Abrika Pharmaceuticals on November 5, 2007 that includes infringement allegations directed to Abrika Pharmaceuticals proposed generic 10 mg RITALIN LA® product. Abrika Pharmaceuticals filed an answer and counterclaim to the amended complaint on December 5, 2007. The counterclaim seeks a declaratory judgment of patent invalidity, noninfringement, and unenforceability with respect to the patents-in-suit. If the Company is unsuccessful in proving infringement or defending its patents, Novartis sales of RITALIN LA® could be significantly reduced in the United States by the entrance of a generic RITALIN LA® product, consequently reducing its revenue from royalties associated with these sales. Fact discovery has expired and claim construction briefing has been completed. Expert discovery will commence after the court has construed the claims of the patents-in-suit. No trial date has been set.

114

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On October 4, 2007, the Company, together with its exclusive licensee Novartis, filed an infringement action in the U.S. District Court for the District of New Jersey against KV Pharmaceutical Company (KV) in response to a notice of a Paragraph IV certification made by KV in connection with the filing of an ANDA for RITALIN LA®. The notification letter from KV contends that claims in U.S. Patent Nos. 5,837,284 and 6,635,284 are not infringed by the proposed KV products. In its complaint against KV, the Company and Novartis asserted United States Patent Nos. 5,837,284 and 6,635,284. KV filed an answer and counterclaim on November 26, 2007. The counterclaim seeks a declaratory judgment of patent invalidity, noninfringement, and unenforceability with respect to the patents-in-suit. No pretrial or trial dates have been set. If the Company is unsuccessful in proving infringement or defending its patents, Novartis sales of RITALIN LA® could be significantly reduced in the United States by the entrance of a generic RITALIN LA® product, consequently reducing its revenue from royalties associated with these sales. KV s counterclaims also include antitrust allegations, which have been severed and stayed from the rest of the case for a separate trial (if necessary). Fact discovery has expired and claim construction briefing has been completed. Expert discovery will commence after the court has construed the claims of the patents-in-suit. No trial date has been set. On October 23, 2009, the court administratively struck the pleadings relating to claim construction, in order to afford the parties a chance to determine whether a settlement can be reached. If settlement cannot be reached, the claim construction and other litigation proceedings will move forward.

On October 31, 2007, the Company, together with its exclusive licensee Novartis, filed an infringement action in the U.S. District Court for the District of New Jersey against Barr and Barr Pharmaceuticals, Inc. (collectively, Barr), in response to a notice of a Paragraph IV certification made by Barr in connection with the filing of an ANDA for RITALIN LA®. The notification letter from Barr contends that claims in U.S. Patent Nos. 5,837,284 and 6,635,284 are invalid and not infringed by the proposed Barr products. In its complaint against Barr, the Company and Novartis asserted United States Patent Nos. 5,837,284 and 6,635,284. If the Company is unsuccessful in proving infringement or defending its patents, Novartis sales of RITALIN LA® could be significantly reduced in the United States by the entrance of a generic RITALIN LA® product, consequently reducing the Company s revenue from royalties associated with these sales. Fact discovery has expired and claim construction briefing has been completed. Expert discovery will commence after the court has construed the claims of the patents-in-suit. No trial date has been set. Barr has notified the Company that it merged with Teva, and Barr is now Barr Pharmaceuticals, LLC, a wholly-owned subsidiary of Teva. On October 23, 2009, the court administratively struck the pleadings relating to claim construction, in order to afford the parties a chance to determine whether a settlement can be reached. If settlement cannot be reached, the claim construction and other litigation proceedings will move forward.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Geographic and Product Information

Operations by Geographic Area: Revenues within the United States primarily consist of sales of REVLIMID®, THALOMID®, VIDAZA® and ALKERAN®. Revenues are also derived from collaboration agreements and royalties. Outside of the United States, revenues are primarily derived from sales of REVLIMID®, THALOMID®, VIDAZA® and from royalties received from third parties for sales of RITALIN® LA.

Revenues	2009	2008	2007
United States	$ 1,732,179	$ 1,581,889	$ 1,202,067
Europe	908,130	657,929	194,173
Other	49,584	14,963	9,580
Total revenues	$ 2,689,893	$ 2,254,781	$ 1,405,820

Long-Lived Assets (1)	2009	2008
United States	$ 147,876	$ 119,234
Europe	145,740	126,466
All Other	4,176	3,271
Total long lived assets	$ 297,792	$ 248,971

(1) Long-lived assets consist of net property, plant and equipment.

Revenues by Product: Total revenue from external customers by product for the years ended December 31, 2009, 2008 and 2007 were as follows:

	2009	2008	2007
REVLIMID®	$ 1,706,437	$ 1,324,671	$ 773,877
THALOMID®	436,906	504,713	447,089
VIDAZA®	387,219	206,692	
ALKERAN®	20,111	81,734	73,551
Other	16,681	19,868	5,924
Total net product sales	2,567,354	2,137,678	1,300,441
Collaborative agreements and other revenue	13,743	14,945	20,109
Royalty revenue	108,796	102,158	85,270
Total revenue	$ 2,689,893	$ 2,254,781	$ 1,405,820

Major Customers: The Company sells its products primarily through wholesale distributors and specialty pharmacies in the United States, which account for a large portion of the Company s total revenues. International sales are primarily made directly to hospitals or clinics. In 2009, 2008 and 2007, the following four customers accounted for more than 10% of the Company s total revenue in at least one of those years. The percentage of amounts due from these same customers compared to total net accounts receivable is also depicted below as of December 31, 2009 and 2008.

	Percent of Total Revenue			Percent of Net Accounts Receivable	
Customer	2009	2008	2007	2009	2008
CVS / Caremark	11.6%	10.7%	10.4%	7.9%	5.4%
Amerisource Bergen Corp.	10.9%	11.0%	9.5%	7.2%	8.8%
McKesson Corp.	6.4%	9.3%	14.0%	3.8%	8.3%
Cardinal Health	5.4%	8.4%	14.2%	2.8%	7.7%

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Quarterly Results of Operations (Unaudited)

2009	1Q	2Q	3Q	4Q	Year
Total revenue	$ 605,053	$ 628,666	$ 695,137	$ 761,037	$ 2,689,893
Gross profit (1)	511,933	547,252	615,909	675,971	2,351,065
Income tax (provision)	(48,386)	(46,329)	(53,887)	(50,354)	(198,956)
Net income	162,883	142,835	216,815	254,215	776,747
Net income per common share: (2)					
Basic	$ 0.35	$ 0.31	$ 0.47	$ 0.55	$ 1.69
Diluted	$ 0.35	$ 0.31	$ 0.46	$ 0.54	$ 1.66
Weighted average shares (in thousands)					
Basic	459,583	459,586	458,834	459,223	459,304
Diluted	468,105	467,082	467,057	466,965	467,354

2008	1Q	2Q	3Q	4Q	Year
Total revenue	$ 462,597	$ 571,464	$ 592,465	$ 628,255	$ 2,254,781
Gross profit (1)	386,650	467,971	496,483	528,308	1,879,411
Income tax (provision)	(35,047)	(39,033)	(42,058)	(48,690)	(164,828)
Net income (loss)	(1,641,088)	119,883	136,814	(149,261)	(1,533,653)
Net income (loss) per common share: (2)					
Basic	$ (3.98)	$ 0.27	$ 0.30	$ (0.33)	$ (3.46)
Diluted	$ (3.98)	$ 0.26	$ 0.29	$ (0.33)	$ (3.46)
Weighted average shares (in thousands)					
Basic	412,263	442,640	456,509	458,742	442,620
Diluted	412,263	466,687	468,891	458,742	442,620

(1) Gross profit is computed by subtracting cost of goods sold (excluding amortization expense) from net product sales.

(2) The sum of the quarters may not equal the full year due to rounding. In addition, quarterly and full year basic and diluted

earnings per share are calculated separately.

22. Subsequent Events

The Company s management has evaluated its subsequent events for disclosure in these consolidated financial statements through February 18, 2010, the date on which the financial statements were issued, and has not identified any such events.

Table of Contents

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

CONCLUSION REGARDING THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this Annual Report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on the foregoing evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management (including our Chief Executive Officer and Chief Financial Officer) to allow timely decisions regarding required disclosures.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

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, 2009, 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, 2009.

KPMG LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this report, has issued their report on the effectiveness of internal control over financial reporting as of December 31, 2009, a copy of which is included herein.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Celgene Corporation:

We have audited Celgene Corporation and subsidiaries internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. Celgene Corporation and subsidiaries management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the effectiveness of Celgene Corporation and subsidiaries 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, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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, Celgene Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by 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, 2009 and 2008, 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, 2009, and our report dated February 18, 2010 expressed an unqualified opinion on those consolidated financial statements.

/s/KPMG LLP
Short Hills, New Jersey
February 18, 2010

Table of Contents

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Pursuant to Paragraph G(3) of the General Instructions to Form 10-K, the information required by Part III (Items 10, 11, 12, 13 and 14) is being incorporated by reference herein from our definitive proxy statement (or an amendment to our Annual Report on Form 10-K) to be filed with the SEC within 120 days of the end of the fiscal year ended December 31, 2009 in connection with our 2010 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

See Item 10.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

See Item 10.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

See Item 10.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

See Item 10.

Table of Contents

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 3. Exhibit Index
The following exhibits are filed with this report or incorporated by reference:

EXHIBIT NO.	EXHIBIT DESCRIPTION
1.1	Underwriting Agreement, dated November 3, 2006, between the Company and Merrill Lynch Pierce, Fenner and Smith Incorporated and J.P. Morgan Securities Inc. as representatives of the several underwriters (incorporated by reference to Exhibit 1.1 to the Company s Current Report on Form 8-K filed on November 6, 2006).
2.1	Purchase Option Agreement and Plan of Merger, dated April 26, 2002, among the Company, Celgene Acquisition Corp. and Anthrogenesis Corp. (incorporated by reference to Exhibit 2.1 to the Company s Registration Statement on Form S-4 dated November 13, 2002 (No. 333-101196)).
2.2	Amendment to the Purchase Option Agreement and Plan of Merger, dated September 6, 2002, among the Company, Celgene Acquisition Corp. and Anthrogenesis Corp. (incorporated by reference to Exhibit 2.2 to the Company s Registration Statement on Form S-4 dated November 13, 2002 (No. 333-101196)).
2.3	Asset Purchase Agreement by and between the Company and EntreMed, Inc., dated as of December 31, 2002 (incorporated by reference to Exhibit 99.6 to the Company s Schedule 13D filed on January 3, 2003).
2.4	

Securities Purchase Agreement by and between EntreMed, Inc. and the Company, dated as of December 31, 2002 (incorporated by reference to Exhibit 99.2 to the Company s Schedule 13D filed on January 3, 2003).

2.5 Share Acquisition Agreement for the Purchase of the Entire Issued Share Capital of Penn T Limited among Craig Rennie and Others, Celgene UK Manufacturing Limited and the Company dated October 21, 2004 (incorporated by reference to Exhibit 99.1 to the Company s Current Report on Form 8-K dated October 26, 2004).

2.6 Agreement and Plan of Merger, dated as of November 18, 2007, by and among Pharmion Corporation, Celgene Corporation and Cobalt Acquisition LLC (incorporated by reference to Exhibit 2.1 to the Company s Current Report on Form 8-K filed on November 19, 2007.

Table of Contents

EXHIBIT NO.	EXHIBIT DESCRIPTION
3.1	Certificate of Incorporation of the Company, as amended through February 16, 2006 (incorporated by reference to Exhibit 3.1 to the Company Annual Report on Form 10-K for the year ended December 31, 2005).
3.2	Bylaws of the Company (incorporated by reference to Exhibit 2 to the Company s Current Report on Form 8-K, dated September 16, 1996), as amended effective May 1, 2006 (incorporated by reference to Exhibit 3.2 to the Company s Quarterly Report on Form 10-Q, for the quarter ended March 31, 2006) as amended, effective December 16, 2009 (incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K filed on December 17, 2009), and, as amended, effective February 17, 2010.*
10.1	Purchase and Sale Agreement between Ticona LLC, as Seller, and the Company, as Buyer, relating to the purchase of the Company s Summit, New Jersey, real property (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.2	1992 Long-Term Incentive Plan (incorporated by reference to Exhibit A to the Company s Proxy Statement, dated May 30, 1997), as amended by Amendment No. 1 thereto, effective as of June 22, 1999 (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
10.3	1995 Non Employee Directors Incentive Plan (incorporated by reference to Exhibit A to the Company s Proxy Statement, dated May 24, 1999), as amended by Amendment No. 1 thereto, effective as of June 22, 1999 (incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002), as amended by Amendment No. 2 thereto, effective as of April 18, 2000 (incorporated by reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002), as amended by Amendment No. 3 thereto, effective as of April 23, 2003 (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2005), as amended by Amendment No. 4 thereto, effective as of April 5, 2005 (incorporated by reference to Exhibit 99.2 to the Company s Registration Statement on Form S-8 (No. 333-126296), as amended by Amendment No. 5 thereto (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007), as amended by Amendment No. 6 thereto (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008).
10.4	Form of indemnification agreement between the Company and each officer and director of the Company (incorporated by reference to Exhibit 10.12 to the Company s Annual Report on Form 10-K for the year ended December 31, 1996).
10.5	Services Agreement effective May 1, 2006 between the Company and John W. Jackson (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006).

10.6	Employment Agreement effective May 1, 2006 between the Company and Sol J. Barer (incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006); amendment to Employment Agreement to comply with Section 409A of the Internal Revenue Code (incorporated by reference to Exhibit 10.7 to the Company s Annual Report on Form 10-K for the year ended December 31, 2008).

Table of Contents

EXHIBIT NO.	EXHIBIT DESCRIPTION
10.7	Employment Agreement effective May 1, 2006 between the Company and Robert J. Hugin (incorporated by reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006); amendment to Employment Agreement to comply with Section 409A of the Internal Revenue Code (incorporated by reference to Exhibit 10.8 to the Company s Annual Report on Form 10-K for the year ended December 31, 2008).
10.8	Celgene Corporation 2008 Stock Incentive Plan, as Amended and Restated (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, filed on June 18, 2009); formerly known as the 1998 Stock Incentive Plan, amended and restated as of April 23, 2003 (and, prior to April 23, 2003, formerly known as the 1998 Long-Term Incentive Plan) (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006), as amended by Amendment No. 1 to the 1998 Stock Incentive Plan, effective as of April 14, 2005 (incorporated by reference to Exhibit 99.1 to the Company s Registration Statement on Form S-8 (No. 333-126296), as amended by Amendment No. 2 to the 1998 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006), as amended by Amendment No. 3 to the 1998 Stock Incentive Plan, effective August 22, 2007 (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2007).
10.9	Stock Purchase Agreement dated June 23, 1998 between the Company and Biovail Laboratories Incorporated (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on July 17, 1998).
10.10	Registration Rights Agreement dated as of July 6, 1999 between the Company and the Purchasers in connection with the issuance of the Company s 9.00% Senior Convertible Note Due June 30, 2004 (incorporated by reference to Exhibit 10.27 to the Company s Annual Report on Form 10-K for the year ended December 31, 1999).
10.11	Development and License Agreement between the Company and Novartis Pharma AG, dated April 19, 2000 (incorporated by reference to Exhibit 10.21 to the Company s Annual Report on Form 10-K for the year ended December 31, 2000).
10.12	Collaborative Research and License Agreement between the Company and Novartis Pharma AG, dated December 20, 2000 (incorporated by reference to Exhibit 10.22 to the Company s Annual Report on Form 10-K for the year ended December 31, 2000).
10.13	Custom Manufacturing Agreement between the Company and Johnson Matthey Inc., dated March 5, 2001 (incorporated by reference to Exhibit 10.24 to the Company s Annual Report on Form 10-K for the year ended December 31, 2001).
10.14	Manufacturing and Supply Agreement between the Company and Mikart, Inc., dated as of April 11, 2001 (incorporated by reference to Exhibit 10.25 to the Company s Annual

Report on Form 10-K for the year ended December 31, 2001).

10.15 Distribution Services Agreement between the Company and Ivers Lee Corporation, d/b/a Sharp, dated as of June 1, 2000 (incorporated by reference to Exhibit 10.26 to the Company s Annual Report on Form 10-K for the year ended December 31, 2001).

10.16 Forms of Award Agreement for the 1998 Stock Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company s Post-Effective Amendment to the Registration Statement on Form S-3 (No. 333-75636) dated December 30, 2005).

Table of Contents

EXHIBIT NO.	EXHIBIT DESCRIPTION
10.17	Celgene Corporation 2005 Deferred Compensation Plan, effective as of January 1, 2005 (incorporated by reference to Exhibit 10.22 to the Company s Annual Report on Form 10-K for the year ended December 31, 2004), as amended and restated, effective January 1, 2008 (incorporated by reference to Exhibit 10.4 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, filed on May 12, 2008).
10.18	Anthrogenesis Corporation Qualified Employee Incentive Stock Option Plan (incorporated by reference to Exhibit 10.35 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002).
10.19	Agreement dated August 2001 by and among the Company, Children s Medical Center Corporation, Bioventure Investments kft and EntreMed Inc. (certain portions of the agreement have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment, which request has been granted) (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002).
10.20	Exclusive License Agreement among the Company, Children s Medical Center Corporation and, solely for purposes of certain sections thereof, EntreMed, Inc., effective December 31, 2002 (incorporated by reference to Exhibit 10.32 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002).
10.21	Supply Agreement between the Company and Sifavitor s.p.a., dated as of September 28, 1999 (incorporated by reference to Exhibit 10.32 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002).
10.22	Supply Agreement between the Company and Siegfried (USA), Inc., dated as of January 1, 2003 (incorporated by reference to Exhibit 10.33 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002).
10.23	Distribution and Supply Agreement by and between SmithKline Beecham Corporation, d/b/a GlaxoSmithKline and Celgene Corporation, entered into as of March 31, 2003 (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003).
10.24	Technical Services Agreement among the Company, Celgene UK Manufacturing II, Limited (f/k/a Penn T Limited), Penn Pharmaceutical Services Limited and Penn Pharmaceutical Holding Limited dated October 21, 2004 (incorporated by reference to Exhibit 10.33 to the Company s Annual Report on Form 10-K for the year ended December 31, 2004).
10.25	Purchase and Sale Agreement between Ticona LLC and the Company dated August 6, 2004, with respect to the Summit, New Jersey property (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).

10.26	Sublease between Gateway, Inc. (Sublandlord) and Celgene Corporation (Subtenant), entered into as of December 10, 2001, with respect to the San Diego property (incorporated by reference to Exhibit 10.39 to the Company s Annual Report on Form 10-K for the year ended December 31, 2004).
10.27	Lease Agreement, dated January 16, 1987, between the Company and Powder Horn Associates, with respect to the Warren, New Jersey property (incorporated by reference to Exhibit 10.17 to the Company s Registration Statement on Form S-1, dated July 24, 1987) (incorporated by reference to Exhibit 10.40 to the Company s Annual Report on Form 10-K for the year ended December 31, 2004).

Table of Contents

EXHIBIT NO.	EXHIBIT DESCRIPTION
10.28	Supply Agreement between the Company and Aptuit Inc. UK, successor to Evotec OAI Limited, dated August 1, 2004 (certain portions of the agreement have been redacted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 10.50 to the Company s Annual Report on Form 10-K for the year ended December 31, 2005).
10.29	Commercial Contract Manufacturing Agreement between the Company and OSG Norwich Pharmaceuticals, Inc., dated April 26, 2004 (certain portions of the agreement have been redacted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 10.51 to the Company s Annual Report on Form 10-K for the year ended December 31, 2005).
10.30	Finished Goods Supply Agreement (Revlimid) between the Company and Penn Pharmaceutical Services Limited, dated September 8, 2004 (certain portions of the agreement have been redacted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 10.52 to the Company s Annual Report on Form 10-K for the year ended December 31, 2005).
10.31	Distribution Services and Storage Agreement between the Company and Sharp Corporation, dated January 1, 2005 (certain portions of the agreement have been redacted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 10.53 to the Company s Annual Report on Form 10-K for the year ended December 31, 2005).
10.32	Asset Purchase Agreement dated as of December 8, 2006 by and between Siegfried Ltd., Siegfried Dienste AG and Celgene Chemicals Sàrl (certain portions of the agreement have been redacted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment) (incorporated by reference to Exhibit 10.55 to the Company s Annual Report on Form 10-K for the year ended December 31, 2006).
10.33	Celgene Corporation Management Incentive Plan (MIP) and Performance Plan (incorporated by reference to Exhibit 10.56 to the Company s Annual Report on Form 10-K for the year ended December 31, 2006).
10.34	Letter Agreement between the Company and David W. Gryska (incorporated by reference to Exhibit 10.57 to the Company s Annual Report on Form 10-K for the year ended December 31, 2006).
10.35	Amendment to Letter Agreement between the Company and David W. Gryska (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007), as amended (incorporated by reference to Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, filed on May 12, 2008).

10.36	Voting Agreement, dated as of November 18, 2007, by and among Celgene Corporation and the stockholders party thereto (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on November 19, 2007).

Table of Contents

EXHIBIT NO.	EXHIBIT DESCRIPTION
10.37	Merger Agreement, dated as of November 18, 2007, between Pharmion Corporation and Celgene Corporation (incorporated by reference to the Company s Current Report on Form 8-K filed on November 19, 2007).
10.38	Employment Agreement of Aart Brouwer, dated October 7, 2008 (incorporated by reference to Exhibit 10.52 to the Company s Annual Report on Form 10-K for the year ended December 31, 2008); Addendum to Employment Agreement (incorporated by reference to Exhibit 10.55 to the Company s Annual Report on Form 10-K for the year ended December 31, 2008).
10.39	Employment Letter of Dr. Graham Burton, dated as of June 2, 2003 (incorporated by reference to Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, filed on May 12, 2008).
10.40	Termination Agreement between the Company, Pharmion LLC and Pharmacia & Upjohn Company, dated October 3, 2008 (incorporated by reference to Exhibit 99.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, filed on May 12, 2008).
14.1	Code of Ethics (incorporated by reference to Exhibit 14.1 to the Company s Annual Report on Form 10-K for the year ended December 31, 2004).
21.1*	List of Subsidiaries.
23.1*	Consent of KPMG LLP.
24.1*	Power of Attorney (included in Signature Page).
31.1*	Certification by the Company s Chief Executive Officer.
31.2*	Certification by the Company s Chief Financial Officer.
32.1*	Certification by the Company s Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2*	Certification by the Company s Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101*	The following materials from Celgene Corporation s Annual Report on Form 10-K for the year ended December 31, 2009, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statements of Stockholders Equity and (v) Notes to Consolidated Financial Statements, tagged as blocks of text.

* Filed herewith.

127

Table of Contents

SIGNATURES AND POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person or entity whose signature appears below constitutes and appoints Sol J. Barer and Robert J. Hugin, and each of them, its true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for it and in its name, place and stead, in any and all capacities, to sign any and all amendments to this Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all contents and purposes as it might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CELGENE CORPORATION

By: /s/ Sol J. Barer
Sol J. Barer
Chairman of the Board and
Chief Executive Officer

Date: February 18, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Sol J. Barer	Chairman of the Board and Chief	February 18, 2010
Sol J. Barer	Executive Officer	
/s/ Robert J. Hugin	Director, Chief Operating Officer	February 18, 2010
Robert J. Hugin		
/s/ David W. Gryska	Chief Financial Officer	February 18, 2010
David W. Gryska		
/s/ Michael D. Casey	Director	February 18, 2010
Michael D. Casey		
/s/ Carrie S. Cox	Director	February 18, 2010
Carrie S. Cox		
/s/ Rodman L. Drake	Director	February 18, 2010
Rodman L. Drake		

128

Table of Contents

Signature	Title	Date
/s/ Gilla Kaplan	Director	February 18, 2010
Gilla Kaplan		
/s/ James Loughlin	Director	February 18, 2010
James Loughlin		
/s/ Ernest Mario	Director	February 18, 2010
Ernest Mario		
/s/ Walter L. Robb	Director	February 18, 2010
Walter L. Robb		
/s/ Andre Van Hoek	Controller (Principal Accounting Officer)	February 18, 2010
Andre Van Hoek		

The foregoing constitutes a majority of the directors.

Table of Contents

Schedule Of Valuation And Qualifying Accounts Disclosure

Celgene Corporation and Subsidiaries
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
		(In thousands)		
2009				
Allowance for doubtful accounts	$ 5,732	$ 2,664	$ 1,207	$ 7,189
Allowance for customer discounts	3,659	37,315(1)	37,376	3,598
Subtotal	9,391	39,979	38,583	10,787
Allowance for sales returns	17,799	14,742(1)	25,181	7,360
Total	$ 27,190	$ 54,721	$ 63,764	$ 18,147
2008				
Allowance for doubtful accounts	$ 1,764	$ 6,232	$ 2,264(2)	$ 5,732
Allowance for customer discounts	2,895	36,024(1)	35,260(2)	3,659
Subtotal	4,659	42,256	37,524	9,391
Allowance for sales returns	16,734	20,624(1)	19,559(2)	17,799
Total	$ 21,393	$ 62,880	$ 57,083	$ 27,190
2007				
Allowance for doubtful accounts	$ 4,329	$ 9,489	$ 12,054	$ 1,764
Allowance for customer discounts	2,296	27,999(1)	27,400	2,895
Subtotal	6,625	37,488	39,454	4,659
Allowance for sales returns	9,480	39,801(1)	32,547	16,734
Total	$ 16,105	$ 77,289	$ 72,001	$ 21,393

(1) Amounts are a reduction from gross sales.

(2) Included in the deductions column are the

following amounts, which were the balances recorded on March 7, 2008 as a result of the acquisition of Pharmion:
Allowance for doubtful accounts of $818;
Allowance for customer discounts of $283; and
Allowance for sales returns of $926.