CELGENE CORP /DE/
Form 10-K
February 20, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark one)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014
or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission file number 001-34912
CELGENE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	22-2711928 (I.R.S. Employer Identification No.)
86 Morris Avenue Summit, New Jersey (Address of principal executive offices)	07901 (Zip Code)

(908) 673-9000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	NASDAQ Global Select Market
Contingent Value Rights	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer o Non-accelerated filer o

		Smaller reporting company o
	(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule12b-2 of the Act). Yes o No x

The aggregate market value of voting stock held by non-affiliates of the registrant on June 30, 2014, the last business day of the registrant's most recently completed second quarter, was $68,638,903,046 based on the last reported sale price of the registrant's Common Stock on the NASDAQ Global Select Market on that date.

There were 800,590,656 shares of Common Stock outstanding as of February 12, 2015.

Documents Incorporated by Reference

The registrant intends to file a definitive proxy statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 31, 2014. The proxy statement is incorporated herein by reference into the following parts of the Form 10-K:

Part II, Item 5.(d)	Equity Compensation Plan Information.
Part III, Item 10.	Directors, Executive Officers and Corporate Governance.
Part III, Item 11.	Executive Compensation.
Part III, Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.
Part III, Item 13.	Certain Relationships and Related Transactions, and Director Independence.
Part III, Item 14.	Principal Accountant Fees and Services.

Table of Contents

CELGENE CORPORATION
ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

Item No.		Page
Part I		
1.	Business	1
1A.	Risk Factors	17
1B.	Unresolved Staff Comments	28
2.	Properties	28
3.	Legal Proceedings	28
4.	Mine Safety Disclosures	28
Part II		
5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	29
6.	Selected Financial Data	31
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	32
7A.	Quantitative and Qualitative Disclosures About Market Risk	52
8.	Financial Statements and Supplementary Data	57
9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	108
9A.	Controls and Procedures	108
9B.	Other Information	110
Part III		
10.	Directors, Executive Officers and Corporate Governance	110
11.	Executive Compensation	110
12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	110
13.	Certain Relationships and Related Transactions, and Director Independence	110
14.	Principal Accountant Fees and Services	110
Part IV		
15.	Exhibits, Financial Statement Schedules	111
	Signatures and Power of Attorney	115

Table of Contents

PART I

ITEM 1. BUSINESS

Celgene Corporation, together with its subsidiaries (collectively "we," "our," "us," "Celgene" or the "Company"), is an integrated global biopharmaceutical company engaged primarily in the discovery, development and commercialization of innovative therapies for the treatment of cancer and inflammatory diseases through gene and protein regulation. We are dedicated to innovative research and development designed to bring new therapies to market and we are involved in research in several scientific areas designed to deliver proprietary next-generation therapies, targeting areas including intracellular signaling pathways, protein homeostasis and epigenetics in cancer and immune cells, immunomodulation in cancer and autoimmune diseases and therapeutic application of cell therapies. Celgene Corporation was incorporated in the State of Delaware in 1986.

Our primary commercial stage products include REVLIMID®, ABRAXANE®, POMALYST®/IMNOVID®, VIDAZA®, azacitidine for injection (generic version of VIDAZA®), THALOMID® (sold as THALOMID® or Thalidomide Celgene™ outside of the U.S.), OTEZLA® and ISTODAX®. OTEZLA® was approved by the U.S. Food and Drug Administration (FDA) in March 2014 for the treatment of adult patients with active psoriatic arthritis and in September 2014 for the treatment of patients with moderate to severe plaque psoriasis who are candidates for phototherapy or systemic therapy. In January 2015, OTEZLA® was approved by the European Commission (EC) for the treatment of both psoriasis and psoriatic arthritis in certain adult patients. We began recognizing revenue related to OTEZLA® during the second quarter of 2014. Additional sources of revenue include royalties from Novartis Pharma AG (Novartis) on their sales of FOCALIN XR® and the entire RITALIN® family of drugs, the sale of products and services through our Celgene Cellular Therapeutics (CCT) subsidiary and other licensing arrangements.

We continue to invest substantially in research and development in support of multiple ongoing proprietary clinical development programs which support our existing products and pipeline of new drug candidates. REVLIMID® is in several phase III trials across a range of hematological malignancies that include multiple myeloma, lymphomas, chronic lymphocytic leukemia (CLL) and myelodysplastic syndromes (MDS). POMALYST®/IMNOVID® was approved in the United States and the European Union for indications in multiple myeloma based on phase II and phase III trial results, respectively, and an additional phase III trial is underway with POMALYST®/IMNOVID® in relapsed and refractory multiple myeloma. Phase III trials are also underway for CC-486 in MDS and acute myeloid leukemia (AML) and ISTODAX® in first-line peripheral T-cell lymphoma (PTCL). In solid tumors, ABRAXANE® is currently in various stages of investigation for breast, pancreatic and non-small cell lung cancers. In inflammation and immunology, OTEZLA® is being evaluated in phase III trials for Behçet's disease and expanded indications in psoriatic arthritis and psoriasis. Also in the inflammation and immunology therapeutic area, we have acquired a global development and commercialization license to GED-0301 from Nogra Pharma Limited and have initiated a multi-trial clinical program that is designed to support global registrations of GED-0301 in Crohn's disease. For more information see Note 2 of Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

Beyond our phase III programs, we have access to a growing early-to-mid-stage pipeline of novel potential therapies to address significant unmet medical needs that consists of new drug candidates and cell therapies developed in-house, licensed from other companies or able to be optioned from collaboration partners.

We believe that continued use of our primary commercial stage products, participation in research and development collaboration arrangements, depth of our product pipeline, regulatory approvals of new products and expanded use of existing products will provide the catalysts for future growth.

The diseases that our primary commercial stage products are approved to treat are described below for the major markets of the United States, the European Union and Japan. Approvals in other international markets are indicated in the aggregate for the disease indication that most closely represents the majority of the other international approvals.

1

Table of Contents

REVLIMID® (lenalidomide): REVLIMID® is an oral immunomodulatory drug marketed in the United States and many international markets for the treatment of patients as indicated below:

Disease	Geographic Approvals
Multiple myeloma (MM) Multiple myeloma in combination with dexamethasone, in patients who have received at least one prior therapy	- United States - European Union - Japan - Other international markets
Multiple myeloma in combination with dexamethasone for newly diagnosed patients	- United States (Approved February 2015)
Adult patients with previously untreated multiple myeloma who are not eligible for transplant	- European Union (Approved February 2015)
Myelodysplastic syndromes (MDS) Transfusion-dependent anemia due to low- or intermediate-1-risk MDS associated with a deletion 5q abnormality with or without additional cytogenetic abnormalities	- United States - Other international markets
Transfusion-dependent anemia due to low- or intermediate-1-risk MDS in patients with isolated deletion 5q cytogenetic abnormality when other options are insufficient or inadequate	- European Union
MDS with a deletion 5q cytogenetic abnormality. The efficacy or safety of REVLIMID for International Prognostic Scoring System (IPSS) intermediate-2 or high risk MDS has not been established.	- Japan
Mantle cell lymphoma (MCL) in patients whose disease has relapsed or progressed after two prior therapies, one of which included bortezomib	- United States

REVLIMID® continues to be evaluated in numerous clinical trials worldwide either alone or in combination with one or more other therapies in the treatment of a broad range of hematological malignancies, including multiple myeloma, MDS, various lymphomas, and CLL. In December 2014, the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) adopted a positive opinion for continuous oral treatment with REVLIMID® in adult patients with previously untreated multiple myeloma who are not eligible for stem cell transplantation. In February 2015, the indication for REVLIMID® in combination with dexamethasone was expanded by the FDA to include the treatment of newly diagnosed multiple myeloma (NDMM) in the United States and REVLIMID® was approved in the EU for the treatment of adult patients with previously untreated multiple myeloma who are not eligible for transplant.

REVLIMID® is distributed in the United States through contracted pharmacies under the REVLIMID® Risk Evaluation and Mitigation Strategy (REMS) program, which is a proprietary risk-management distribution program tailored specifically to provide for the safe and appropriate distribution and use of REVLIMID®. Internationally, REVLIMID® is distributed under mandatory risk-management distribution programs tailored to meet local authorities' specifications to provide for 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.

2

Table of Contents

ABRAXANE® (paclitaxel albumin-bound particles for injectable suspension): ABRAXANE® is a solvent-free chemotherapy product which was developed using our proprietary nab® technology platform. This protein-bound chemotherapy agent combines paclitaxel with albumin. ABRAXANE® is approved for the treatment of patients as indicated below:

Disease	Geographic Approvals
Breast Cancer	
Metastatic breast cancer, after failure of combination chemotherapy for metastatic disease or relapse within six months of adjuvant chemotherapy. Prior therapy should have included an anthracycline unless clinically contraindicated.	- United States - Other international markets
Metastatic breast cancer in adult patients who have failed first-line treatment for metastatic disease for whom standard, anthracycline containing therapy is not indicated	- European Union
Breast cancer	- Japan
Non-Small Cell Lung Cancer (NSCLC)	
Locally advanced or metastatic NSCLC, as first-line treatment in combination with carboplatin, in patients who are not candidates for curative surgery or radiation therapy	- United States - Other international markets
NSCLC	- Japan
Pancreatic Cancer	
Metastatic adenocarcinoma of the pancreas, a form of pancreatic cancer, as first line treatment in combination with gemcitabine	- United States - European Union - Other international markets
Unresectable pancreatic cancer	- Japan (Approved December 2014)
Gastric cancer	- Japan

ABRAXANE® is currently in various stages of investigation for breast cancer, pancreatic cancer and non-small cell lung cancer (NSCLC) and is currently under review by the EMA for first-line treatment of NSCLC in adult patients who are not candidates for potentially curative surgery.

POMALYST®/IMNOVID®-(pomalidomide)[1]: POMALYST®/IMNOVID® is a proprietary, distinct, small molecule that is administered orally and modulates the immune system and other biologically important targets. POMALYST®/IMNOVID® received its first approvals from the FDA and the EC during 2013 for the treatment of patients as indicated below:

Disease	Geographic Approvals
Multiple myeloma for patients who have received at least two prior therapies, including lenalidomide and bortezomib and have demonstrated disease progression on or within 60 days of completion of the last therapy	- United States
Relapsed and refractory multiple myeloma, in combination with dexamethasone, for adult patients who have received at least two prior therapies including both lenalidomide and bortezomib and have demonstrated disease progression on the last therapy	- European Union

[1] We received FDA approval for pomalidomide under the trade name POMALYST®. We received EC approval for pomalidomide under the trade name IMNOVID®.

POMALYST®/IMNOVID® is also being evaluated in multiple trials in various phases for expanded usage in multiple myeloma and in a phase II trial for systemic sclerosis. POMALYST® is distributed in the United States through contracted pharmacies under the POMALYST REMS™ program, which is a proprietary risk-management

distribution program tailored specifically to provide for the safe and appropriate distribution and use of POMALYST®. Internationally, IMNOVID® is distributed under mandatory risk-management distribution programs tailored to meet local authorities' specifications to provide for the safe and appropriate distribution and use of IMNOVID®. These programs may vary by country and, depending upon the country and the design of the risk-management program, the product is sold through hospitals or retail pharmacies.

Table of Contents

VIDAZA® (azacitidine for injection): VIDAZA® is a pyrimidine nucleoside analog that has been shown to reverse the effects of DNA hypermethylation and promote subsequent gene re-expression. VIDAZA® is a Category 1 recommended treatment for patients with intermediate-2 and high-risk MDS, according to the National Comprehensive Cancer Network. The U.S. regulatory exclusivity for VIDAZA® expired in May 2011. After the launch of a generic version of VIDAZA® in the United States by a competitor in September 2013, we experienced a significant reduction in our U.S. sales of VIDAZA®. In 2013, we also contracted with Sandoz AG to sell a generic version of VIDAZA® in the United States, which we supply. Regulatory exclusivity for VIDAZA® is expected to continue in Europe through 2018. VIDAZA® is marketed in the United States and many international markets for the treatment of patients as indicated below:

Disease	Geographic Approvals
Myelodysplastic syndromes (MDS)	
All French-American-British (FAB) subtypes	- United States
Intermediate-2 and high-risk MDS	- European Union - Other international markets
MDS	- Japan
Chronic myelomonocytic leukemia with 10% to 29% marrow blasts without myeloproliferative disorder	- European Union - Other international markets
Acute myeloid leukemia (AML) with 20% to 30% blasts and multi-lineage dysplasia	- European Union - Other international markets

azacitidine for injection (generic version of VIDAZA®): We contracted with Sandoz AG to sell azacitidine for injection, which they launched after the introduction of a generic version of VIDAZA® in the United States by a competitor in September 2013. We recognize net product sales from our sales of azacitidine for injection to Sandoz AG.

THALOMID® (thalidomide): THALOMID®, sold as THALOMID® or Thalidomide Celgene™ outside of the United States, is administered orally for the treatment of diseases as indicated below:

Disease	Geographic Approvals
Multiple myeloma	
Newly diagnosed multiple myeloma, in combination with dexamethasone	- United States
Thalomid in combination with dexamethasone is indicated for induction therapy prior to high dose chemotherapy with autologous stem cell rescue, for the treatment of patients with untreated multiple myeloma	- Other international markets
Multiple myeloma after failure of standard therapies (relapsed or refractory)	- Other international markets
Thalidomide Celgene™ in combination with melphalan and prednisone as a first line treatment for patients with untreated multiple myeloma who are aged sixty-five years of age or older or ineligible for high dose chemotherapy	- European Union - Other international markets
Erythema nodosum leprosum	
Cutaneous manifestations of moderate to severe erythema nodosum leprosum (ENL), an inflammatory complication of leprosy	- United States - Other international markets
Maintenance therapy for prevention and suppression of the cutaneous manifestation of ENL recurrence	- United States - Other international markets

THALOMID® is distributed in the United States under our THALOMID REMS™ program, which is a proprietary risk-management distribution program tailored specifically to provide for the safe and appropriate distribution and use of THALOMID®. Internationally, THALOMID® and Thalidomide Celgene™ are also distributed under mandatory risk-management distribution programs tailored to meet local authorities' specifications to provide for the safe and

appropriate distribution and use of THALOMID® and Thalidomide Celgene™. These programs may vary by country and, depending upon the country and the design of the risk-management program, the products are sold through hospitals or retail pharmacies.

Table of Contents

OTEZLA® (apremilast): OTEZLA® is an oral small-molecule inhibitor of phosphodiesterase 4 (PDE4) specific for cyclic adenosine monophosphate (cAMP). PDE4 inhibition results in increased intracellular cAMP levels. During 2014 and January 2015, OTEZLA® received initial approvals in the U.S. and EU as indicated below:

Disease	Geographic Approvals
Psoriatic arthritis	
Adult patients with active psoriatic arthritis	- United States (Approved March 2014)
Adult patients with active psoriatic arthritis who have had an inadequate response or who have been intolerant to a prior DMARD therapy	- European Union (Approved January 2015)
Psoriasis	
Patients with moderate to severe plaque psoriasis who are candidates for phototherapy or systemic therapy	- United States (Approved September 2014) - Other international markets (Approvals beginning November 2014)
Adult patients with moderate to severe chronic plaque psoriasis who failed to respond to or who have a contraindication to, or are intolerant to other systemic therapy including cyclosporine, methotrexate or psoralen and ultraviolet-A light	- European Union (Approved January 2015)

ISTODAX® (romidepsin): ISTODAX® is administered by intravenous infusion for the treatment of diseases as indicated below and has received orphan drug designation for the treatment of non-Hodgkin's T-cell lymphomas, including CTCL and PTCL.

Disease	Geographic Approvals
Cutaneous T-cell lymphoma (CTCL) in patients who have received at least one prior systemic therapy	- United States - Other international markets
Peripheral T-cell lymphoma (PTCL) in patients who have received at least one prior therapy	- United States - Other international markets

FOCALIN®, FOCALIN XR® and RITALIN LA®: We licensed the worldwide rights (excluding Canada) regarding certain chirally pure forms of methylphenidate for FOCALIN® and FOCALIN XR® to Novartis. We also licensed to Novartis the rights related to long-acting formulations of methylphenidate and dex-methylphenidate products which are used in FOCALIN XR® and RITALIN LA®. We receive royalties from Novartis on their sales of these products.

PRECLINICAL AND CLINICAL-STAGE PIPELINE

Our preclinical and clinical-stage pipeline of new drug candidates and cell therapies is highlighted by multiple classes of both small molecule and biologic therapeutic agents designed to selectively regulate disease-associated genes and proteins. These product candidates are at various stages of preclinical and clinical development.

Oral anti-inflammatory agents: We are developing novel, orally administered small molecules that specifically target PDE4, an intracellular enzyme that modulates the production of multiple pro-inflammatory and anti-inflammatory mediators including interleukin-2 (IL-2), IL-10, IL-12, IL-23, INF-gamma, TNF- , leukotrienes and nitric oxide synthase.

Next generation of Cereblon Modulatory drugs: CC-122 (a PPM™ Pleiotropic Pathway Modifier) and CC-220 represent novel compounds that are in phase I clinical trials for hematological and solid tumor cancers and inflammation and immunology diseases. They have been differentiated from previous compounds (such as Thalidomide, Lenalidomide and Pomalidomide) and have been developed based on our scientific understanding of Cereblon-mediated protein homeostasis.

Cellular therapies: At CCT we are conducting research with stem cells derived from the human placenta as well as from the umbilical cord. CCT is our research and development division dedicated to fulfilling the promise of cellular technologies by developing products and therapies to significantly benefit patients. Our goal is to develop proprietary

cell therapy products for the treatment of unmet medical needs.

Stem cell based therapies offer the potential to provide disease-modifying outcomes for serious diseases that lack adequate therapy. We have developed proprietary technology for collecting, processing and storing placental stem cells with potentially broad therapeutic applications in cancer, auto-immune diseases, and other inflammatory diseases.

Table of Contents

We are developing our cellular therapies, PDA-001 (IV formulation) and PDA-002 (IM/SC injectable formulation), with the initiation of a PDA-001 phase I safety and dose finding study for Crohn's disease and a PDA-002 phase II study in peripheral arterial diseases. We are also continuing research to define the potential of placental-derived stem cells and to characterize other placental-derived products.

CC-486: We have initiated two phase III trials of CC-486 that are currently enrolling to evaluate CC-486 in the treatment of MDS and AML. In addition, a phase I trial of CC-486 for the treatment of solid tumors is currently in progress.

Sotatercept (ACE-011) and luspatercept (ACE-536): We have collaborated with Acceleron Pharma, Inc. (Acceleron) to develop sotatercept and luspatercept to treat anemia in patients with rare blood disorders. Several phase II trials are in progress to evaluate the use of sotatercept or luspatercept in the treatment of anemia in patients with rare blood disorders and chronic kidney disease, beta-thalassemia and MDS.

mTOR pathway inhibitors: CC-223 and CC-115 target the important cancer pathway that is dysregulated in a large proportion of cancers. In particular, activity is being investigated in lymphomas, hepatocellular and prostate cancers in phase I/II trials.

Epigenetics: The current insights into molecular regulation of genetic information (Epigenetics) has the potential to transform human diseases. Celgene has two epigenetic modifiers on the market, VIDAZA® and ISTODAX®. In addition, we are collaborating with Epizyme Inc. (Epizyme) to develop EPZ-5676 for AML.

PRODUCT DEVELOPMENT

We devote significant resources to research and development programs in an effort to discover and develop potential future product candidates. Research and development expenses amounted to $2.431 billion in 2014, $2.226 billion in 2013 and $1.724 billion in 2012. The product candidates in our pipeline are at various stages of preclinical and clinical development. The path to regulatory approval ordinarily includes three phases of clinical trials in which we collect data to support an application to regulatory authorities to allow us to market a product for treatment of a specified disease. There are many difficulties and uncertainties inherent in research and development of new products, resulting in a high rate of failure. To bring a drug from the discovery phase to regulatory approval, and ultimately to market, takes many years and significant cost. Failure can occur at any point in the process, including after the product is approved, based on post-marketing events or developments. New product candidates that appear promising in development may fail to reach the market or may have only limited commercial success because of efficacy or safety concerns, inability to obtain necessary regulatory approvals, limited scope of approved uses, reimbursement challenges, difficulty or excessive costs of manufacture, alternative therapies or infringement of the patents or intellectual property rights of others. Uncertainties in the FDA approval process and the approval processes in other countries can result in delays in product launches and lost market opportunities. Consequently, it is very difficult to predict which products will ultimately be submitted for approval, which will obtain approval and which will be commercially viable and generate profits. Successful results in preclinical or clinical studies may not be an accurate predictor of the ultimate safety or effectiveness of a drug or product candidate.

Phase I Clinical Trials

Phase I clinical trials begin when regulatory agencies allow initiation of clinical investigation of a new drug or product candidate and usually involve up to 80 healthy volunteers or subjects. These trials study a drug's safety profile, and may include a preliminary determination of a drug or product candidate's safe dosage range. The phase I clinical trial also determines how a drug is absorbed, distributed, metabolized and excreted by the body, and therefore the potential duration of its action. Phase I clinical trials generally take from one to three years to complete.

Phase II Clinical Trials

Phase II clinical trials are conducted on a limited number of subjects with the targeted disease. An initial evaluation of the drug's effectiveness on subjects is performed and additional information on the drug's safety and dosage range is obtained. Phase II clinical trials normally include up to several hundred subjects and may take as many as two to three years to complete.

Phase III Clinical Trials

Phase III clinical trials are typically controlled multi-center trials that involve a larger target patient population that normally consists of from several hundred to several thousand subjects to ensure that study results are statistically

significant. During phase III clinical trials, physicians monitor subjects to determine efficacy and to gather further information on safety. These trials are generally global in nature and are designed to generate the clinical data necessary to submit an application for marketing approval to regulatory agencies. Phase III testing varies by disease state, but can often last from two to seven years.

Table of Contents

Regulatory Review

If a product candidate successfully completes clinical trials and is submitted to governmental regulators, such as the FDA in the United States or the EC in the European Union, the time to final marketing approval can vary from six months (for a U.S. filing that is designated for priority review by the FDA) to several years, depending on a number of variables, such as the disease state, the strength and complexity of the data presented, the novelty of the target or compound, risk-management approval and whether multiple rounds of review are required for the agency to evaluate the submission. There is no guarantee that a potential treatment will receive marketing approval, or that decisions on marketing approvals or treatment indications will be consistent across geographic areas.

The current stage of development of our commercial stage products and new drug candidates in various areas of research are outlined in the following table:

Area of Research		Status	Entered Current Status
Multiple Myeloma (MM)			
REVLIMID®	Relapsed/refractory	Post-approval research[1]	2006
	Newly diagnosed	Post-approval research[1]	February 2015
	Maintenance	Phase III	2004
POMALYST®/IMNOVID®	Relapsed/refractory[2]	Post-approval research[1]	2013
THALOMID®/Thalidomide Celgene™	Newly diagnosed	Post-approval research[1]	2006
Anti-CD38 Antibody: MOR202[3]	Relapsed/refractory	Phase I	2011
Myelodysplastic Syndromes (MDS)			
VIDAZA®	.	Post-approval research[1]	2004
REVLIMID®	Deletion 5q	Post-approval research[1]	2005
	Non-deletion 5q	Phase III	2010
CC-486	Lower-risk	Phase III	2013
sotatercept (ACE-011)[4]	MDS	Phase II	2012
luspatercept (ACE-536)[4]	MDS	Phase II	2013
Acute Myeloid Leukemia (AML)			
VIDAZA®	AML (20%-30% blasts) (EU)	Post-approval research[1]	2008
	AML (>30% blasts) (EU)	Regulatory filing and approval	December 2014
CC-486	Post-induction AML maintenance	Phase III	2013
IDH2 Inhibitor: AG-221[5]	.	Phase I	2013
DOT 1L Inhibitor: EPZ-5676[6]	.	Phase I	2012

Table of Contents

Area of Research		Status	Entered Current Status
Lymphoma			
REVLIMID®	Mantle cell lymphoma: Relapsed/refractory (US)	Post-approval research[1]	2013
	Mantle cell lymphoma: Relapsed/refractory (EU)	Regulatory filing and approval	November 2014
	Diffuse large B-cell: Maintenance	Phase III	2009
	Diffuse large B-cell (ABC-subtype): First line	Phase III opened for enrollment	January 2015
	Relapsed/refractory indolent lymphoma	Phase III	2013
	Follicular lymphoma: First-line	Phase III	2011
	Adult T-cell leukemia-lymphoma (Japan)	Phase II	2012
ISTODAX®	Cutaneous T-cell lymphoma (US)[7]	Post-approval research[1]	2009
	Peripheral T-cell lymphoma: Relapsed/refractory (US)[7]	Post-approval research[1]	2011
	Peripheral T-cell lymphoma: Relapsed/refractory (Japan)	Phase II	2013
	Peripheral T-cell lymphoma: First-line	Phase III	2013
PPM™ Pleiotropic Pathway Modifier: CC-122	Diffuse large B-cell lymphoma	Phase Ib	January 2014
Chronic Lymphocytic Leukemia (CLL)			
REVLIMID®	Maintenance: Second-line	Phase III	2009
Anemias			
sotatercept (ACE-011)[4]	Renal anemia with metabolic bone disease	Phase II	2010
	Beta-thalassemia	Phase II	2012
	MDS	Phase II	2012
luspatercept (ACE-536)[4]	Beta-thalassemia	Phase II	2013
	MDS	Phase II	2013
Solid Tumors			
ABRAXANE®	Breast: Metastatic	Post-approval research[1]	2005
	Breast: Metastatic (first-line, triple negative)	Phase II/III	2013
	Non-small cell lung: Advanced (first-line) (US, Japan)	Post-approval research[1]	2012
	Non-small cell lung: Advanced (first-line) (EU)	Regulatory filing and approval	June 2014
	Pancreatic: Advanced (first-line)	Post-approval research[1]	2013
	Pancreatic: Adjuvant	Phase III	April 2014
	Gastric: Metastatic (Japan)[8]	Post-approval research[1]	2013
Dual TORK Inhibitor: CC-223	.	Phase I	2012
Dual TORK/DNA PK Inhibitor: CC-115	.	Phase I	2011
	.	Phase I	2011

PPM™ Pleiotropic Pathway Modifier: CC-122			
CC-486	.	Phase I	2011

8

Table of Contents

Area of Research		Status	Entered Current Status
Anti-Inflammatory			
OTEZLA® (apremilast)	Psoriatic arthritis (US)	Post-approval research[1]	March 2014
	Psoriatic arthritis (EU)	Post-approval research[1]	January 2015
	Psoriasis (US)	Post-approval research[1]	September 2014
	Psoriasis (EU)	Post-approval research[1]	January 2015
	Ankylosing spondylitis	Phase III	2012
	Behçet's disease	Phase III	December 2014
	Atopic dermatitis	Phase II	June 2014
	Ulcerative colitis	Phase II	December 2014
GED-0301	Crohn's disease	Noted below[9]	December 2014
CC-220	Systemic lupus erythematosus (SLE)	Phase II	December 2014
	Sarcoidosis and Systemic sclerosis	Phase I	2013
CC-90001	Fibrosis	Phase I	February 2014
Cellular Therapies			
BIOVANCE® [10,11]	Wound management	Post-approval research[1]	2005
Dermal Repair Scaffold [12]	Wound management	Regulatory filing	July 2014
PDA-001	Crohn's disease	Phase I	2013
PDA-002	Peripheral artery disease/Diabetic foot ulcers	Phase II	October 2014

[1] Includes Celgene-sponsored and Celgene-supported studies.
[2] In the United States, regulatory approval is based on pivotal phase II data; phase III program ongoing.
[3] In collaboration with MorphoSys AG.
[4] In collaboration with Acceleron Pharma, Inc.
[5] In collaboration with Agios Pharmaceuticals, Inc.
[6] In collaboration with Epizyme, Inc.
[7] Regulatory approval based on pivotal phase II data.
[8] Trial conducted by licensee partner, Taiho Pharmaceuticals Co. Ltd.
[9] Phase II is complete and we have initiated a multi-trial clinical program that is designed to support global registrations of GED-0301 in Crohn's disease.
[10] Regulated under Section 361 of the Public Health Service Act.
[11] Processed for Alliqua Biomedical by Celgene Cellular Therapeutics.
[12] 510(k) device manufactured for Alliqua Biomedical by Celgene Cellular Therapeutics.

Table of Contents

PATENTS AND PROPRIETARY TECHNOLOGY

We consider intellectual property protection to be critical to our operations. For many of our products, in addition to compound (e.g., drug substance) and composition (e.g., drug product) patents, we hold polymorph, formulation, methods of treatment or use, delivery mechanism and methods of manufacture patents, as well as manufacturing trade secrets, that may extend exclusivity beyond the expiration of the compound patent or composition patent.

Key patent expirations and exclusivities:

The following table shows the expected expiration dates in the United States and Europe of the last-to-expire period of exclusivity (primary patent or regulatory approval) related to our primary marketed drug products. In some instances, there are later-expiring patents relating to particular forms or compositions, methods of manufacturing, or use of the drug in the treatment of particular diseases or conditions. However, such additional patents may not protect our drug products from generic competition after the expiration of the primary patent.

	U.S.[1]	Europe
REVLIMID® brand drug (U.S. and European use patents)	2027	2024**
THALOMID® brand drug (U.S. formulation/ European use patents)	2023	2019
VIDAZA® brand drug (U.S. use patent and EMA regulatory exclusivities only)	2011[2]	2018
ABRAXANE® brand drug (U.S. use patent and European use/formulation patents)	2026	2022
ISTODAX® brand drug (U.S. drug substance patents)	2021	*
POMALYST®/IMNOVID® brand drug (U.S. drug substance/use patent)	2024[3]	2023[4]
FOCALIN® brand drug (U.S. use patents)	2015	N/A
FOCALIN XR® brand drug (U.S. use patent/European formulation patent) (European Patent Office (EPO) drug product patent)	2015	2018
OTEZLA® brand drug (U.S./European drug substance patent)	2024[5]	2028**

* Generally, ten years regulatory exclusivity upon approval of submitted application for an orphan indication.

** Subject to ongoing EPO opposition proceedings.

[1] The patents covering these drugs include patents listed in the U.S. Orange Book. The date provided reflects the last-to-expire key patent as listed in the U.S. Orange Book, which may not be the last date on which all relevant patents (e.g., polymorph and manufacturing patents) expire. Certain of the products listed may be the subject of patent litigation. See Note 18 of Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

[2] We contracted with Sandoz to sell azacitidine for injection, which they launched after the introduction of a generic version of VIDAZA® in the United States by a competitor in September 2013.

[3] Application for Patent Term Extension pending, receipt of which would extend exclusivity through 2025.

[4] This date is based on ten years regulatory exclusivity. A patent application is pending, receipt of which would likely extend exclusivity beyond 2023.

[5] Application for Patent Term Extension pending, receipt of which would extend exclusivity through 2028.

The term of individual patents and patent applications will depend upon the legal term of the patents in the countries in which they are obtained. In the United States, the patent term is 20 years from the date of filing of the patent application although term extensions are available. We may obtain patents for certain products many years before marketing approval is obtained for those

Table of Contents

products. Because of the limited life of patents, which ordinarily commences prior to the commercial sale of the related product, the commercial value of the patent may be limited. However, we may be able to obtain patent term extensions upon marketing approval. For example, supplementary protection certificates (SPCs) on some of our products have been granted in a number of European countries, compensating in part for delays in obtaining marketing approval. Also, under the Hatch-Waxman Act, the term of a patent that covers an FDA-approved drug may also be eligible for patent term extension (for up to five years, but not beyond a total of 14 years from the date of product approval) as compensation for patent term lost during the FDA regulatory review process. When possible, depending upon the length of clinical trials and other factors involved in the filing of a new drug application (NDA) with the FDA, we expect to apply for patent term extensions for patents covering our drug products and their use in treating various diseases.

In most cases, our drugs are also covered in foreign countries by patents and patent applications that correspond to certain of those listed in the U.S. Orange Book. For example, patents related to the active pharmaceutical ingredient, uses and pharmaceutical compositions for most of our drugs have been granted in Europe. Although certain of the patents granted by the regulatory authorities of the European Union may expire at specific dates, patents granted in certain European countries, such as Spain, France, Italy, Germany and the United Kingdom, will extend beyond such European Union patent expiration date due to the SPCs granted in these countries for many of our drugs. The table above may also reflect patents in Europe that relate to certain polymorphic forms of the active pharmaceutical ingredient of our drugs.

Patent term extensions have been granted in other markets as well for certain of our patents related to REVLIMID®. Patent term extensions for certain of our patents related to lenalidomide have been granted in Australia, Korea, Japan and Russia. Further, patent term extensions for certain of our patents related to ABRAXANE® have been secured and/or are actively being sought in Australia, Japan, Russia and Korea. We are also considering alternative exclusivity strategies, mostly through international treaties, in a variety of countries throughout Latin America.

The existence of issued patents does not guarantee our right to practice the patented technology or commercialize the patented product. Third parties may have or obtain rights to patents which could be used to prevent or attempt to prevent us from commercializing the patented product candidates. Patents relating to pharmaceutical, biopharmaceutical and biotechnology products, compounds and processes, such as those that cover our existing compounds, products and processes and those that we will likely file in the future, do not always provide complete or adequate protection. Future litigation or re-examination proceedings (including oppositions and invalidity proceedings such as interparty reviews) regarding the enforcement or validity of our existing patents or any future patents could invalidate such patents or substantially reduce their protection.

Our patents are subject to challenge by generic drug companies and others for a variety of reasons. For more information regarding challenges to certain of our patents, see Item 1A. "Risk Factors” and Note 18 of Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

As of December 31, 2014, we owned or had exclusively licensed 591 issued U.S. patents and 596 additional pending U.S. patent applications. We have a policy to seek broad global patent protection for our inventions and have foreign patent rights corresponding to most of our U.S. patents.

Trade secret strategies and intellectual property rights in our brand names, logos and trademarks are also important to our business. We maintain both registered and common law trademarks. Common law trademark protection typically continues where and for as long as the mark is used. Registered trademarks continue in each country for as long as the trademark is registered.

GOVERNMENTAL REGULATION

General: Regulation by governmental authorities in the United States and other countries is a significant factor in the manufacture and marketing of pharmaceuticals and in our ongoing research and development activities. Our therapeutic products require regulatory approval by governmental agencies. Human therapeutic products are subject to rigorous preclinical testing and clinical trials and other pre-marketing and post-marketing approval requirements of the FDA and regulatory authorities in other countries. In the United States, various federal and, in some cases, state statutes and regulations also govern, or impact the manufacturing, testing for safety and effectiveness, labeling, storage, record-keeping and marketing of such products. The lengthy process of seeking required approvals and the continuing need for compliance with applicable statutes and regulations, require the expenditure of substantial resources. Regulatory approval, if and when obtained, may be limited in scope which may significantly limit the uses for which a product may be promoted. Further, approved drugs, as well as their manufacturers, are subject to ongoing post-marketing review, inspection and discovery of previously unknown problems with such products or the manufacturing or quality control procedures used in their production, which may result in restrictions on their manufacture, sale or use or in their withdrawal from the market. Any failure or delay by us, our suppliers of manufactured drug product, collaborators or licensees, in obtaining

Table of Contents

regulatory approvals could adversely affect the marketing of our products and our ability to receive product revenue, license revenue or profit sharing payments. For more information, see Item 1A. “Risk Factors.”

Clinical Development: Before a product may be administered to human subjects, it must undergo preclinical testing. Preclinical tests include laboratory evaluation of a product candidate's chemistry and biological activities and animal studies to assess potential safety and efficacy. The results of these studies must be submitted to the FDA as part of an Investigational New Drug (IND) application which must be reviewed by the FDA primarily for safety considerations before clinical trials in humans can begin.

Typically, clinical trials in humans involve a three-phase process as previously described under “- Product Development.”

In some cases, further studies beyond the three-phase clinical trial process described above are required as a condition for an NDA or biologics license application (BLA) approval. The FDA requires monitoring of all aspects of clinical trials and reports of all adverse events must be made to the FDA. The FDA may also require the conduct of pediatric studies for the drug and indication either before or after submission of an NDA.

FDA Review and Approval: The results of the preclinical testing and clinical trials are submitted to the FDA as part of an NDA or BLA for evaluation to determine if there is substantial evidence that the product is sufficiently safe and effective to warrant approval. In responding to an NDA or BLA, the FDA may grant marketing approval, deny approval, or request additional information, including data from new clinical trials.

Expedited Programs for Serious Conditions: The FDA has developed four distinct approaches to make new drugs available as rapidly as possible in cases where there is no available treatment or there are advantages over existing treatments.

The FDA may grant “accelerated approval” to products that have been studied for their safety and effectiveness in treating serious or life-threatening illnesses and that provide meaningful therapeutic benefit to patients over existing treatments. For accelerated approval, the product must have an effect on a surrogate endpoint or an intermediate clinical endpoint that is considered reasonably likely to predict the clinical benefit of a drug, such as an effect on irreversible morbidity and mortality. When approval is based on surrogate endpoints or clinical endpoints other than survival or morbidity, the sponsor will be required to conduct additional post-approval clinical studies to verify and describe clinical benefit. These studies are known as "confirmatory trials." Approval of a drug may be withdrawn or the labeled indication of the drug changed if these trials fail to verify clinical benefit or do not demonstrate sufficient clinical benefit to justify the risks associated with the drug.

The FDA may grant “fast track” status to products that treat serious diseases or conditions and fill an unmet medical need. Fast track is a process designed to facilitate the development and expedite the review of such products by providing, among other things, more frequent meetings with the FDA to discuss the product's development plan, more frequent written correspondence from the FDA about trial design, eligibility for accelerated approval if relevant criteria are met, and rolling review, which allows submission of individually completed sections of an NDA or BLA for FDA review before the entire submission is completed. Fast track status does not ensure that a product will be developed more quickly or receive FDA approval.

“Breakthrough Therapy” designation is a process designed to expedite the development and review of drugs that are intended to treat a serious condition and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over available therapy on a clinically significant endpoint. For drugs and biologics that have been designated as Breakthrough Therapies, robust FDA-sponsor interaction and communication can help to identify the most efficient and expeditious path for clinical development while minimizing the number of patients placed in

ineffective control regimens.

The FDA may grant “priority review” status to products that, if approved, would provide significant improvement in the safety or effectiveness of the treatment, diagnosis, or prevention of serious conditions. Priority review is intended to reduce the time it takes for the FDA to review an NDA or BLA, with the goal to take action on the application within six months.

Orphan Drug Act: Pursuant to the United States Orphan Drug Act, a sponsor may request that the FDA designate a drug intended to treat a “rare disease or condition” as an “orphan drug.” A “rare disease or condition” is one which affects less than 200,000 people in the United States, or which affects more than 200,000 people, but for which the cost of developing and making available the product is not expected to be recovered from sales of the product in the United States. Upon the approval of the first NDA or BLA for a drug designated as an orphan drug for a specified indication, the sponsor of that NDA or BLA is entitled to seven years of exclusive marketing rights in the United States unless the sponsor cannot assure the availability of sufficient quantities to meet the needs of persons with the disease. However, orphan drug status is particular to the approved indication and does not prevent another company from seeking approval of an off-patent drug that has other labeled indications that are not under orphan or other exclusivities. Orphan drugs may also be eligible for federal income tax credits for costs associated with the drugs' development.

Table of Contents

In order to increase the development and marketing of drugs for rare disorders, regulatory bodies outside the United States have enacted regulations similar to the Orphan Drug Act.

Review and Approval Outside of the United States: Approval procedures must be undertaken in virtually every other country comprising the market for our products. The approval procedure and the time required for approval vary from country to country and may involve additional testing. In certain countries such as the EU countries, Switzerland, Canada and Australia, regulatory requirements and approval processes are similar to those in the United States, where approval decisions by regulators are based on the regulators' review of the results of clinical trials performed for specific indications. Other countries may have a less comprehensive review process in terms of data requirements and may rely on prior marketing approval from a foreign regulatory authority in the United States or the EU.

Manufacturing Quality Control: Among the conditions for NDA or BLA approval is the requirement that the prospective manufacturer's quality control and manufacturing procedures continually conform with the FDA's current Good Manufacturing Practice (cGMP) regulations (which are regulations established by the FDA governing the manufacture, processing, packing, storage and testing of drugs and biologics intended for human use). In complying with cGMP, manufacturers must devote substantial time, money and effort in the areas of production, quality control and quality assurance to maintain compliance. Material changes in manufacturing equipment, location or process, may result in additional regulatory review and approval. The FDA, the EC and other regulatory agencies conduct periodic visits to inspect equipment, facilities, and processes following the initial approval of a product. If a manufacturing facility is not in substantial compliance with the applicable regulations and requirements imposed when the product was approved, regulatory enforcement action may be taken, which may include a warning letter or an injunction against shipment of products from the facility and/or recall of products previously shipped.

Post-approval Review and Enforcement: Regulatory authorities closely review and regulate the marketing and promotion of drug and biologic products. In most countries, regulatory approval is granted for a specified indication and is required before marketing or promoting a product for that indication. Regulatory authorities may take enforcement action against a company for promoting unapproved uses of a product ("off-label promotion") or for other violations of advertising and labeling laws and regulations.

When an NDA or BLA is approved, the NDA or BLA holder must, among other things, (a) employ a system for obtaining reports of adverse events and side effects associated with the drug and make appropriate submissions to the FDA and (b) timely advise the FDA if any marketed product fails to adhere to specifications established by the NDA or BLA. If the FDA concludes that a drug previously shown to be effective can be safely used only if distribution or use is restricted, the FDA will require post-marketing restrictions as necessary to assure safe use. The sponsor may be required to establish systems to assure use of the product under safe conditions. The FDA may require the drug sponsor to implement programs similar to our REMS™ programs to ensure that benefits of a drug outweigh risks and that safety protocols are adhered to.

In addition, a sponsor of a drug product has an ongoing obligation to update product labels with new information and to report to regulatory authorities concerning assessment of serious risks associated with the drug. Following assessment of these reports, regulatory authorities can require product label updates to reflect new safety data or warnings. If the FDA or other regulatory authorities become aware of new safety information, they can also require us to conduct studies or clinical trials to assess the potential for a serious risk. The FDA and other regulatory authorities can also impose marketing restrictions, including the suspension of marketing or complete withdrawal of a product from the market.

The FDA may issue publicly available warning letters and non-compliance letters, which may require corrective actions, including modification of advertising or other corrective communications to consumers or healthcare professionals.

Failure to comply with applicable FDA or other regulatory agency requirements can result in enforcement actions, such as license revocation or suspension; orders for retention, recall, seizure or destruction of product; cessation of manufacturing; injunctions; inspection warrants; search warrants; civil penalties, including fines based on disgorgement; restitution; and criminal prosecution.

Other Regulations: We are also subject to various federal and state laws, as well as foreign laws, pertaining to healthcare "fraud and abuse," including anti-kickback laws and false claims laws. Anti-kickback laws make it illegal to solicit, offer, receive or pay any remuneration in exchange for or to induce the referral of business, including the purchase or prescription of a particular drug that is reimbursed by a state or federal program. False claims laws prohibit knowingly and willingly presenting, or causing to be presented for payment to third-party payers (including Medicare and Medicaid) any claims for reimbursed drugs or services that are false or fraudulent, claims for items or services not provided as claimed or claims for medically unnecessary items or services. Our activities related to the sale and marketing of our products may be subject to scrutiny under these laws. Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including fines and civil monetary penalties, as well as the possibility of exclusion from federal healthcare programs (including Medicare and Medicaid).

Table of Contents

We are also subject to regulation under the Occupational Safety and Health Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act and other federal, state and local laws, rules and regulations. Our research and development activities may involve the controlled use of hazardous materials, chemicals, biological materials and various radioactive compounds. We believe our procedures comply with the standards prescribed by federal, state or local laws, rules and regulations; however, the risk of injury or accidental contamination cannot be completely eliminated.

Additionally, the U.S. Foreign Corrupt Practices Act (FCPA) prohibits U.S. corporations and their representatives from offering, promising, authorizing or making payments to any foreign government official, government staff member, political party or political candidate, with corrupt intent for the purpose of obtaining or retaining an improper business advantage. The scope of the FCPA includes interactions with certain healthcare professionals in many countries. Other countries have enacted similar anti-corruption laws and regulations to which our activities are subject.

COMPETITION

Our current products and products under development face competition from other innovative drugs and, in some cases, generic drugs. The relative speed with which we develop new products, complete clinical trials, obtain regulatory approvals, receive pricing and reimbursement approvals, and finalize manufacturing and distribution arrangements, and market our products are critical factors in gaining a competitive advantage. Competition among approved products depends, among other things, on product efficacy, safety, convenience, reliability, availability, price, third-party reimbursement, sales and promotional activities, product liability issues and patent and non-patent exclusivity. For additional information, see Item 1A. "Risk Factors."

SIGNIFICANT ALLIANCES

We have entered into a variety of alliances in the ordinary course of our business. Although we do not consider any individual alliance to be material, a brief description of certain of the more notable alliances are identified in Note 17 of Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

MANUFACTURING

We own and operate an FDA approved manufacturing facility in Zofingen, Switzerland which produces the active pharmaceutical ingredient (API) for REVLIMID® and THALOMID® and have contracted with FDA approved third-party contract manufacturers to provide backup API manufacturing services for these products. Manufacturing services for REVLIMID® and THALOMID®, which consist of formulation, encapsulation, packaging, warehousing and distribution, are performed at our FDA approved drug product manufacturing facility in Boudry, Switzerland. We have contracted with a number of third-party drug product manufacturing service providers and packaging service providers to provide backup manufacturing and packaging services. All of our third-party service providers are approved by the regulatory authorities for the geographies that they serve.

The API for ABRAXANE® is generally available from two sources and is normally available in quantities adequate to meet our needs. Manufacturing services for ABRAXANE® are performed at our manufacturing facility in Arizona and by an approved third party contract manufacturing facility.

The API for POMALYST®/IMNOVID® is supplied from two sources with primary manufacturing services being performed at our Boudry manufacturing facility. We have contracted with a number of third-party drug product manufacturing service providers and packaging service providers to provide backup manufacturing and packaging services for this product.

The API for VIDAZA® is supplied by two suppliers. Manufacturing and packaging services are provided by a number of third-party service providers.

The API for azacitidine for injection (generic version of VIDAZA®) is supplied from two sources. Manufacturing and packaging services are provided by a number of third-party service providers.

The API for OTEZLA® is supplied by two suppliers, with manufacturing services being performed at our Boudry manufacturing facility. Packaging services are provided by a number of third-party service providers.

The API for ISTODAX® and manufacturing services are supplied by a single-source. Packaging services are provided by a number of third-party service providers.

The API for FOCALIN® and FOCALIN XR® is currently obtained from two suppliers, and we rely on a single manufacturer for the tableting and packaging of FOCALIN® finished product.

CCT currently operates an FDA registered facility in Cedar Knolls, New Jersey for the recovery and storage of cord blood and placental stem cells for LifeBankUSA®. In addition, our Warren, New Jersey facility is FDA registered for production of PDA-001

Table of Contents

and PDA-002, which are culture-expanded placenta-derived stem cell products, under cGMP to supply clinical studies. This is a multi-purpose facility capable of supporting other products.

Failure to comply with applicable regulatory agency requirements can result in enforcement actions, such as license revocation or suspension; orders for retention, recall, seizure or destruction of product; cessation of manufacturing; injunctions; inspection warrants; search warrants; civil penalties; restitution; and criminal prosecution.

INTERNATIONAL OPERATIONS

We have significant operations outside the United States conducted both through our subsidiaries and through distributors. Revenues from operations outside the United States were $3.188 billion, or 41.6% of total revenues in 2014, $2.632 billion, or 40.5% of total revenues in 2013 and $2.338 billion, or 42.4% of total revenues in 2012. The increase in the percentage of total revenues from outside of the United States in 2014 compared to 2013 was primarily due to an 84% decline in VIDAZA in the United States after the launch of a generic version of VIDAZA® in the United States by a competitor in 2013 as well as increased international sales of POMALYST®/IMNOVID®, which was approved in the EU in September 2013, and ABRAXANE®, which was approved in the EU for pancreatic cancer in December 2013.

Our international headquarters and a drug product manufacturing facility which performs formulation, encapsulation, packaging, warehousing and distribution are located in Boudry, Switzerland. We continue to expand our international regulatory, clinical and commercial infrastructure and currently conduct our international operations in over 50 countries and have sales in over 70 countries and regions including Europe, Latin America, Middle East, Asia/Pacific and Canada.

Our international operations are subject to risks associated with operating on an international basis, including currency fluctuations, price and exchange controls and other restrictive governmental actions. Our international operations are also subject to government-imposed constraints, including laws on pricing, reimbursement and patient access to our products. Depending on the direction of change relative to the U.S. dollar, foreign currency values can increase or decrease the reported dollar value of our net assets and results of operations. While we cannot predict with certainty future changes in foreign exchange rates or the effect they will have, we attempt to mitigate their impact through operational means and by using foreign currency derivative instruments. See the discussions under Item 7A. "Quantitative and Qualitative Disclosures About Market Risk."

SALES AND COMMERCIALIZATION

We promote our brands globally through our hematology, oncology, and inflammation and immunology commercial organizations which support our currently marketed brands and prepare for the launches of new products, as well as new indications for existing products. We have a team of dedicated market access professionals to help physicians, patients and payers understand the value our products deliver. Given our goal to ensure that patients who might benefit from our therapies have the opportunity to do so and given the complex reimbursement environment in the United States, we offer the services of Celgene Patient Support® or similar outside services to serve as a dedicated, central point of contact for patients and healthcare professionals who use or prescribe our products. Celgene Patient Support® is a free service that helps patients and healthcare professionals navigate the challenges of reimbursement, providing information about co-pay assistance and answering questions about obtaining our products.

In most countries, we promote our products through our own sales organizations. In some countries, particularly in Latin America, we partner with third-party distributors. Generally, we distribute our products through commonly used channels in local markets. However, REVLIMID®, POMALYST®/IMNOVID® and THALOMID®/Thalidomide Celgene™ are distributed under mandatory risk-management distribution programs tailored to meet local authorities' specifications to provide for their safe and appropriate distribution and use.

EMPLOYEES

As of December 31, 2014, we had 6,012 full-time employees, of whom 2,101 were engaged primarily in research and development activities, 2,161 were engaged primarily in sales and commercialization activities, 572 were engaged primarily in manufacturing, and the remaining 1,178 were engaged primarily in management and general and administrative activities. The number of full-time employees in our international operations has grown from 1,933 at the end of 2013 to 2,292 at the end of 2014. We also employ a number of part-time employees and maintain consulting arrangements with a number of researchers at various universities and other research institutions around the

world.

AVAILABLE INFORMATION

Our Current Reports on Form 8-K, Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K are electronically filed with or furnished to the Securities and Exchange Commission (SEC), and all such reports and amendments to such reports have been and will be made available, free of charge, through our website (http://www.celgene.com) as soon as reasonably practicable after submission to the SEC. Such reports will remain available on our website for at least 12 months. The contents of our website

Table of Contents

are not incorporated by reference into this Annual Report on Form 10-K. The public may read and copy any materials filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, NW, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

DISCLOSURE PURSUANT TO SECTION 219 OF THE IRAN THREAT REDUCTION AND SYRIA HUMAN RIGHTS ACT OF 2012

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRSHRA) added Section 13(r) to the Securities Exchange Act of 1934, as amended, which requires, among other things, disclosure by an issuer, in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly conducted, without specific authority from a U.S. federal department or agency, any transaction or dealing with the Government of Iran, which includes, without limitation, any person or entity owned or controlled, directly or indirectly, by the Government of Iran or any of its political subdivisions, agencies or instrumentalities. Neither Celgene nor, to its knowledge, any of its affiliates engaged in activities during 2014 that are required to be disclosed pursuant to ITRSHRA.

FORWARD-LOOKING STATEMENTS

Certain statements contained or incorporated by reference in this Annual Report on Form 10-K are considered forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) concerning our business, results of operations, economic performance and/or financial condition, based on management's current expectations, plans, estimates, assumptions and projections. Forward-looking statements are included, for example, in the discussions about:

- strategy;
- new product discovery and development;
- current or pending clinical trials;
- our products' ability to demonstrate efficacy or an acceptable safety profile;
- actions by the FDA and other regulatory authorities;
- product manufacturing, including our arrangements with third-party suppliers;
- product introduction and sales;
- royalties and contract revenues;
- expenses and net income;
- credit and foreign exchange risk management;
- liquidity;
- asset and liability risk management;
- the outcome of litigation and other proceedings;
- intellectual property rights and protection;
- economic factors;
- competition; and
- operational and legal risks.

Any statements contained in this report that are not statements of historical fact may be deemed forward-looking statements. Forward-looking statements generally are identified by the words "expects," "anticipates," "believes," "intends," "estimates," "aims," "plans," "may," "could," "will," "will continue," "seeks," "should," "predict," "potential," "outlook," "guidance," "target," "forecast," "probable," "possible" or the negative of such terms and similar expressions. Forward-looking statements are subject to change and may be affected by risks and uncertainties, most of which are difficult to predict and are generally beyond our control. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statement in light of new information or future events, although we intend to continue to meet our ongoing disclosure obligations under the U.S. securities laws and other applicable laws.

We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in, or implied by, the forward-looking statements, and therefore you should not place too much reliance on them. These factors include, among others, those described herein, under "Risk Factors" and elsewhere in this Annual Report and in our other public reports filed with the SEC. It is not possible to predict or identify all such factors, and therefore the factors that are noted are not intended to be a complete discussion of all potential risks or uncertainties that may affect forward-looking statements. If these or other risks and uncertainties materialize, or if the assumptions underlying any of the forward-looking statements prove incorrect, our actual performance and future actions may be materially different from those expressed in, or implied by, such forward-

Table of Contents

looking statements. We can offer no assurance that our estimates or expectations will prove accurate or that we will be able to achieve our strategic and operational goals.

Item 1A. Risk Factors

The following describes the major risks to our business and should be considered carefully. Any of these factors could significantly and negatively affect our business, prospects, financial condition, operating results or credit ratings, which could cause the trading prices of our equity securities to decline. The risks described below are not the only risks we may face. Additional risks and uncertainties not presently known to us, or risks that we currently consider immaterial, could also negatively affect us.

Our operating results are subject to significant fluctuations.

Our operating results may fluctuate from quarter to quarter and year to year for a number of reasons, including the risks discussed elsewhere in this "Risk Factors" section. Events such as a delay in product development or a revenue shortfall may cause financial results for a particular period to be below our expectations. In addition, we have experienced and may continue to experience fluctuations in our quarterly operating results due to the timing of charges that we may take. We have recorded, or may be required to record, charges that include development milestone and license payments under collaboration and license agreements, amortization of acquired intangibles and other acquisition related charges, and impairment charges.

Our revenues are also subject to foreign exchange rate fluctuations due to the global nature of our operations. We recognize foreign currency gains or losses arising from our operation in the period in which we incur those gains or losses. Although we utilize foreign currency forward contracts and occasionally foreign currency put and call options to manage foreign currency risk, our efforts to reduce currency exchange losses may not be successful. As a result, currency fluctuation among our reporting currency, the U.S. dollar, and the currencies in which we do business will affect our operating results. Our net income may also fluctuate due to the impact of charges we may be required to take with respect to foreign currency and other hedge transactions. In particular, we may incur higher than expected charges from hedge ineffectiveness or from the termination of a hedge arrangement. For more information, see Item 7A. "Quantitative and Qualitative Disclosures About Market Risk - Market Risk Management - Foreign Currency Risk Management."

We are dependent on the continued commercial success of our primary products, REVLIMID®, VIDAZA®, THALOMID®, ABRAXANE®, POMALYST®/IMNOVID® and OTEZLA®.

Currently, our business is largely dependent on the commercial success of REVLIMID®, VIDAZA®, THALOMID®, ABRAXANE®, POMALYST®/IMNOVID® and OTEZLA®. The success of these products depends on acceptance by regulators, key opinion leaders, physicians, and patients as effective drugs with certain advantages over other therapies. A number of factors, as discussed in greater detail below, may adversely impact the degree of acceptance of these products, including their efficacy, safety, price and benefits over competing products, as well as the reimbursement policies of third-party payers, such as government and private insurance plans.

If unexpected adverse events are reported in connection with the use of any of these products, physician and patient acceptance of the product could deteriorate and the commercial success of such product could be adversely affected. We are required to report to the FDA or similar bodies in other countries events associated with our products relating to death or serious injury. Adverse events could result in additional regulatory controls, such as for the imposition of costly post-approval clinical studies or revisions to our approved labeling which could limit the indications or patient population for a product or could even lead to the withdrawal of a product from the market. THALOMID® is known to be toxic to the human fetus and exposure to the drug during pregnancy could result in significant deformities. REVLIMID® and POMALYST®/IMNOVID® are also considered toxic to the human fetus and their respective labels

contain warnings against use which could result in embryo-fetal exposure. While we have restricted distribution systems for THALOMID®, REVLIMID®, and POMALYST®/IMNOVID®, and endeavor to educate patients regarding the potential known adverse events, including pregnancy risks, we cannot ensure that all such warnings and recommendations will be complied with or that adverse events resulting from non-compliance will not occur.

Our future commercial success depends on gaining regulatory approval for products in development, and obtaining approvals for our current products for additional indications.

The testing, manufacturing and marketing of our products require regulatory approvals, including approval from the FDA and similar bodies in other countries. Certain of our pharmaceutical products, such as FOCALIN®, also require authorization by the U.S. Drug Enforcement Agency (DEA) of the U.S. Department of Justice. Our future growth would be negatively impacted if we fail to obtain timely, or at all, requisite regulatory approvals in the United States and internationally for products in development and approvals for our existing products for additional indications.

Table of Contents

The principal risks to obtaining and maintaining regulatory approvals are as follows:

- In general, preclinical tests and clinical trials can take many years and require the expenditure of substantial resources, and the data obtained from these tests and trials may not lead to regulatory approval;
- Delays or rejections may be encountered during any stage of the regulatory process if the clinical or other data fails to demonstrate compliance with a regulatory agency's requirements for safety, efficacy and quality;
- Requirements for approval may become more stringent due to changes in regulatory agency policy or the adoption of new regulations or legislation;
- Even if a product is approved, the scope of the approval may significantly limit the indicated uses or the patient population for which the product may be marketed and may impose significant limitations in the nature of warnings, precautions and contra-indications that could materially affect the sales and profitability of the product;
- After a product is approved, the FDA or similar bodies in other countries may withdraw or modify an approval in a significant manner or request that we perform additional clinical trials or change the labeling of the product due to a number of reasons, including safety concerns, adverse events and side effects;
- Products, such as REVLIMID® and POMALYST®/IMNOVID®, that receive accelerated approval can be subject to an expedited withdrawal if post-marketing restrictions are not adhered to or are shown to be inadequate to assure safe use, or if the drug is shown to be unsafe or ineffective under its conditions of use;
- Guidelines and recommendations published by various governmental and non-governmental organizations can reduce the use of our approved products;
- Approved products, as well as their manufacturers, are subject to continuing and ongoing review by regulatory agencies, and the discovery of previously unknown problems with these products or the failure to comply with manufacturing or quality control requirements may result in restrictions on the manufacture, sale or use of a product or its withdrawal from the market; and
- Changes in regulatory agency policy or the adoption of new regulations or legislation could impose restrictions on the sale of our approved products.

If we fail to comply with laws or government regulations or policies our business could be adversely affected.

The discovery, preclinical development, clinical trials, manufacturing, risk evaluation and mitigation strategies (such as our REMS™ program), marketing and labeling of pharmaceuticals and biologics are all subject to extensive laws and government regulations and policies. In addition, individual states, acting through their attorneys general, are increasingly seeking to regulate the marketing of prescription drugs under state consumer protection and false advertising laws. If we fail to comply with the laws and regulations regarding the promotion and sale of our products, appropriate distribution of our products under our restricted distribution systems, off-label promotion and the promotion of unapproved products, government agencies may bring enforcement actions against us or private litigants may assert claims on behalf of the government against us that could inhibit our commercial capabilities and/or result in significant damage awards and penalties.

Other matters that may be the subject of governmental or regulatory action which could adversely affect our business include laws, regulations and policies governing:

- protection of the environment, privacy, healthcare reimbursement programs, and competition;
- parallel importation of prescription drugs from outside the United States at prices that are regulated by the governments of various foreign countries; and
- mandated disclosures of clinical trial or other data, such as the EMA's policy on publication of clinical data.

The FDA's Center for Biologics Evaluation and Research currently regulates human tissue or cells intended for transplantation, implantation, infusion or transfer to a human, requiring, among other things, cell and tissue establishments to screen and test donors, prepare and follow written procedures for the prevention of the spread of communicable disease and register with FDA. Through our Celgene Cellular Therapeutics (CCT) subsidiary, we are licensed in certain states to operate our allogeneic and private stem cell banking businesses. If we are unable to

maintain those licenses or are unable to obtain licenses in other states that may adopt similar licensing requirements, those businesses could be adversely affected.

Table of Contents

Sales of our products will be significantly reduced if access to and reimbursement for our products by governmental and other third-party payers are reduced or terminated.

Sales of our current and future products depend, in large part, on the conditions under which our products are paid for by health maintenance, managed care, pharmacy benefit and similar health care management organizations (HCMOs), or reimbursed by government health administration authorities, private health coverage insurers and other third-party payers.

The influence of HCMOs has increased in recent years due to the growing number of patients receiving coverage through a few large HCMOs as a result of industry consolidation. One objective of HCMOs is to contain and, where possible, reduce healthcare expenditures. HCMOs typically use formularies (lists of approved medicines available to members of a particular HCMO), clinical protocols, volume purchasing, long-term contracts and other methods to negotiate prices with pharmaceutical providers. Due to their lower cost generally, generic medicines are typically placed in preferred tiers of HCMO formularies. Additionally, many formularies include alternative and competitive products for treatment of particular medical problems. Exclusion of our products from a formulary or HCMO-implemented restrictions imposed upon our products can significantly impact drug usage in the HCMO patient population, and consequently our revenues.

Generally, in Europe and other countries outside the United States, the government-sponsored healthcare system is the primary payer of patients' healthcare costs. These health care management organizations and third-party payers are increasingly challenging the prices charged for medical products and services, seeking to implement cost-containment programs, including price controls, restrictions on reimbursement and requirements for substitution of generic products. Our products continue to be subject to increasing price and reimbursement pressure due to price controls imposed by governments in many countries; increased difficulty in obtaining and maintaining satisfactory drug reimbursement rates; and the tendency of governments and private health care providers to favor generic pharmaceuticals. In addition, governmental and private third-party payers and purchasers of our products may restrict access to formularies or otherwise discourage use of our products. Limitations on patient access to our drugs, adoption of price controls and cost-containment measures could adversely affect our business. In addition, our operating results may also be affected by distributors seeking to take advantage of price differences among various markets by buying our products in low cost markets for resale in higher cost markets.

The Affordable Care Act and other legislation may affect our pricing policies and government reimbursement of our products that may adversely impact our revenues and profitability.

In the U.S. there have been and may continue to be a number of legislative and regulatory proposals and enactments related to drug pricing and reimbursement that could impact our profitability. The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law on March 23, 2010 and March 30, 2010, respectively, and are referred to collectively as the Healthcare Reform Acts. Although these reforms have significantly impacted the pharmaceutical industry, the full effects of these provisions will become apparent over time as these laws are implemented and the Centers for Medicare & Medicaid Services and other agencies issue applicable regulations or guidance as required by the Healthcare Reform Acts. Moreover, in the coming years, additional changes could be made to governmental healthcare programs that could significantly impact the profitability of our products.

The Healthcare Reform Acts, among other things, made significant changes to the Medicaid rebate program by increasing the minimum rebates that manufacturers like us are required to pay. These changes also expanded the government's 340B drug discount program by increasing the category of entities qualified to participate in the program and benefit from its deeply discounted drug pricing. We have received inquiries from the Health Resources and Services Administration of the Department of Health & Human Services ("HRSA") regarding our compliance with the

340B program. We have responded to these inquiries and believe that we have complied with applicable legal requirements. If, however, we are ultimately required to change our sales or pricing practices, there would be an adverse effect on our revenues and profitability.

Our ability to sell our products to hospitals in the United States depends in part on our relationships with group purchasing organizations.

Many existing and potential customers for our products become members of group purchasing organizations (GPOs). GPOs negotiate pricing arrangements and contracts, sometimes on an exclusive basis, with medical supply manufacturers and distributors and these negotiated prices are made available to a GPO's affiliated hospitals and other members. If we are not one of the providers selected by a GPO, affiliated hospitals and other members may be less likely to purchase our products, and if the GPO has negotiated a strict sole source, market share compliance or bundling contract for another manufacturer's products, we may be precluded from making sales to members of the GPO for the duration of that contractual arrangement. Our failure to enter into or renew contracts with GPOs may cause us to lose market share and could adversely affect our sales.

Table of Contents

Our long-term success depends, in part, on intellectual property protection.

Our success depends, in part, on our ability to obtain and enforce patents, protect trade secrets, obtain licenses to technology owned by third parties and to conduct our business without infringing upon the proprietary rights of others. The patent positions of pharmaceutical and biopharmaceutical companies, including ours, can be uncertain and involve complex legal and factual questions. There can be no assurance that if claims of any of our owned or licensed patents are challenged by one or more third parties, a court or patent authority ruling on such challenge will determine that our patent claims are valid and enforceable. If a third party is found to have rights covering products or processes used by us, we could be forced to cease using such products or processes, be subject to significant liabilities to such third party and/or be required to obtain license rights from such third party. Lawsuits involving patent claims are costly and could affect our results of operations, result in significant expense and divert the attention of managerial and scientific personnel. For more information on challenges to certain of our patents, see Note 18 of Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

In addition, we do not know whether any of our owned or licensed pending patent applications will result in the issuance of patents or, if patents are issued, whether they will be dominated by third-party patent rights, provide significant proprietary protection or commercial advantage or be circumvented, opposed, invalidated, rendered unenforceable or infringed by others.

Our intellectual property rights may be affected in ways that are difficult to anticipate at this time under the provisions of the America Invents Act enacted in 2011. This law includes a number of important changes to established practices, including transition to a first-to-file system, post-grant review for issued patents, and various procedural changes. The scope of these changes and the lack of experience with their practical implementation may result in uncertainty over the next few years.

On October 2, 2014, the EMA adopted its clinical transparency policy, "Policy on Publication of Clinical Data for Medicinal Products for Human Use" (the “Clinical Data Policy”), which became effective on January 1, 2015. In general, under the Clinical Data Policy, clinical data is not deemed to be commercially confidential data. Therefore, there is a risk that unpublished proprietary information, including trade secrets, that are incorporated into a marketing application before the EMA may be made publicly available. While it is difficult to predict how the EMA will interpret and apply the Clinical Data Policy, any public disclosure of our trade secrets or other confidential and proprietary information may adversely impact our patent rights and our competitive advantage in the marketplace.

Also, different countries have different procedures for obtaining patents and patents issued by different countries provide different degrees of protection against the use of a patented invention by others. There can be no assurance that the issuance to us in one country of a patent covering an invention will be followed by the issuance in other countries of patents covering the same invention or that any judicial interpretation of the validity, enforceability or scope of the claims in a patent issued in one country will be similar to or recognized by the judicial interpretation given to a corresponding patent issued in another country.

The United States Patent and Trademark Office and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction.

We also rely upon unpatented, proprietary and trade secret technology that we seek to protect, in part, by confidentiality agreements with our collaborative partners, employees, consultants, outside scientific collaborators, sponsored researchers and other advisors. Despite precautions taken by us, there can be no assurance that these

agreements provide meaningful protection, that they will not be breached, that we would have adequate remedies for any such breach or that our proprietary and trade secret technologies will not otherwise become known to others or found to be non-proprietary.

We receive confidential and proprietary information from collaborators, prospective licensees and other third parties. In addition, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies. We may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed confidential information of these third parties or our employees' former employers. Litigation may be necessary to defend against these claims, which can result in significant costs if we are found to have improperly used the confidential or proprietary information of others. Even if we are successful in defending against these claims, litigation could result in substantial costs and diversion of personnel and resources.

Table of Contents

Our products may face competition from lower cost generic or follow-on products.

Manufacturers of generic drugs are seeking to compete with our drugs and present a significant challenge to us. Those manufacturers may challenge the scope, validity or enforceability of our patents in court, requiring us to engage in complex, lengthy and costly litigation. If any of our owned or licensed patents are infringed or challenged, we may not be successful in enforcing or defending those intellectual property rights and, as a result, may not be able to develop or market the relevant product exclusively, which would have a material adverse effect on our sales from that product. In addition, manufacturers of innovative drugs as well as generic drug manufacturers may be able to design their products around our owned or licensed patents and compete with us using the resulting alternative technology. For more information concerning certain pending proceedings relating to our intellectual property rights, see Note 18 of Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

Upon the expiration or loss of patent protection for a product, or upon the “at-risk” launch (despite pending patent infringement litigation against the generic product) by a manufacturer of a generic version of one of our products, we can quickly lose a significant portion of our sales of that product. In addition, if generic versions of our competitors’ branded products lose their market exclusivity, our patented products may face increased competition or pricing pressure.

Our business operates in an extremely competitive environment.

The pharmaceutical and biotechnology industries in which we operate are highly competitive and subject to rapid and significant technological change. Our present and potential competitors include major pharmaceutical and biotechnology companies, as well as specialty pharmaceutical firms, including, but not limited to:

- Hematology and Oncology: Amgen, AstraZeneca, Bristol-Myers-Squibb, Eisai, Gilead, Johnson & Johnson, Novartis, Pharmacyclics, Roche/Genentech, Sanofi and Takeda.
- Inflammation and Immunology: AbbVie, Amgen, Biogen Idec, Eisai, Eli Lilly, Johnson & Johnson, Merck, Pfizer, Novartis and UCB S.A.

Some of these companies have considerably greater financial, technical and marketing resources than we have, enabling them, among other things, to make greater research and development investments. We also experience competition in drug development from universities and other research institutions, and we compete with others in acquiring technology from these sources. The pharmaceutical industry has undergone, and is expected to continue to undergo, rapid and significant technological change and we expect competition to intensify as technical advances are made and become more widely known. The development of products or processes by our competitors with significant advantages over those that we are developing could adversely affect our future revenues and profitability.

A decline in general economic conditions would adversely affect our results of operations.

Sales of our products are dependent, in large part, on third-party payers. As a result of global credit and financial market conditions, these organizations may be unable to satisfy their reimbursement obligations or may delay payment. For information about amounts receivable from the government-owned or -controlled hospitals in Spain, Italy and Portugal, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

In addition, due to tightened global credit, there may be a disruption or delay in the performance of our third-party contractors, suppliers or collaborators. We rely on third parties for several important aspects of our business, including portions of our product manufacturing, clinical development of future collaboration products, conduct of clinical trials and supply of raw materials. If such third parties are unable to satisfy their commitments to us, our business could be adversely affected.

We may be required to modify our business practices, pay fines and significant expenses or experience other losses due to governmental investigations or other enforcement activities.

We may become subject to litigation or governmental investigations in the United States and foreign jurisdictions that may arise from the conduct of our business. Like many companies in our industry, we have from time to time received inquiries and subpoenas and other types of information requests from government authorities and we have been subject to claims and other actions related to our business activities. For more information relating to governmental investigations and other legal proceedings, see Note 18 of Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

Table of Contents

While the ultimate outcomes of investigations and legal proceedings are difficult to predict, adverse resolutions or settlements of those matters could result in, among other things:

- significant damage awards, fines, penalties or other payments, and administrative remedies, such as exclusion and/or debarment from government programs, or other rulings that preclude us from operating our business in a certain manner;
- changes and additional costs to our business operations to avoid risks associated with such litigation or investigations;
- product recalls;
- reputational damage and decreased demand for our products; and
- expenditure of significant time and resources that would otherwise be available for operating our business.

The development of new biopharmaceutical products involves a lengthy and complex process and we may be unable to commercialize any of the products we are currently developing.

Many of our drug candidates are in the early or mid-stages of research and development and will require the commitment of substantial financial resources, extensive research, development, preclinical testing, clinical trials, manufacturing scale-up and regulatory approval prior to being ready for sale. This process takes many years of effort without any assurance of ultimate success. Our product development efforts with respect to a product candidate may fail for many reasons, including:

- the failure of the product candidate in preclinical or clinical studies;
- adverse patient reactions to the product candidate or indications of other safety concerns;
- insufficient clinical trial data to support the effectiveness or superiority of the product candidate;
- our inability to manufacture sufficient quantities of the product candidate for development or commercialization activities in a timely and cost-efficient manner;
- our failure to obtain, or delays in obtaining, the required regulatory approvals for the product candidate, the facilities or the process used to manufacture the product candidate;
- changes in the regulatory environment, including pricing and reimbursement, that make development of a new product or of an existing product for a new indication no longer attractive;
- the failure to obtain or maintain satisfactory drug reimbursement rates by governmental or third-party payers; and
- the development of a competitive product or therapy.

The stem cell products that we are developing through our CCT subsidiary may represent substantial departures from established treatment methods and will compete with a number of traditional products and therapies which are now, or may be in the future, manufactured and marketed by major pharmaceutical and biopharmaceutical companies. Furthermore, public attitudes may be influenced by claims that stem cell therapy is unsafe and stem cell therapy may not gain the acceptance of the public or the medical community.

If a product were to fail to be approved or if sales fail to materialize for a newly approved product, we may incur losses related to the write-down of inventory, impairment of property, plant and equipment dedicated to the product or expenses related to restructuring.

Disruptions of our manufacturing and distribution operations could significantly interrupt our production and distribution capabilities.

We have our own manufacturing facilities for many of our products and we have contracted with third parties to provide other manufacturing, finishing, and packaging services. Any of those manufacturing processes could be partially or completely disrupted by fire, contamination, natural disaster, terrorist attack or governmental action. A disruption could lead to substantial production delays and the need to establish alternative manufacturing sources for the affected products requiring additional regulatory

Table of Contents

approvals. In the interim, our finished goods inventories may be insufficient to satisfy customer orders on a timely basis. Further, our business interruption insurance may not adequately compensate us for any losses that may occur.

In all the countries where we sell our products, governmental regulations define standards for manufacturing, packaging, labeling, distributing and storing pharmaceutical products. Our failure to comply, or the failure of our contract manufacturers and distributors to comply with applicable regulations could result in sanctions being imposed on them or us, including fines, injunctions, civil penalties, disgorgement, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions.

We have contracted with distributors to distribute REVLIMID®, THALOMID®, VIDAZA®, ABRAXANE®, POMALYST®/IMNOVID®, ISTODAX® and OTEZLA®. If our distributors fail to perform and we cannot secure a replacement distributor within a reasonable period of time, our revenue could be adversely affected.

The consolidation of drug wholesalers and other wholesaler actions could increase competitive and pricing pressures.

We sell our pharmaceutical products in the United States primarily through wholesale distributors and contracted pharmacies. These wholesale customers comprise a significant part of our distribution network for pharmaceutical products in the United States. This distribution network is continuing to undergo significant consolidation. As a result, a smaller number of large wholesale distributors and pharmacy chains control a significant share of the market. We expect that consolidation of drug wholesalers and pharmacy chains will increase competitive and pricing pressures on pharmaceutical manufacturers, including us. In addition, wholesalers may apply pricing pressure through fee-for-service arrangements and their purchases may exceed customer demand, resulting in increased returns or reduced wholesaler purchases in later periods.

Risks from the improper conduct of employees, agents, contractors or collaborators could adversely affect our business or reputation.

We cannot ensure that our compliance controls, policies and procedures will in every instance protect us from acts committed by our employees, agents, contractors or collaborators that violate the laws or regulations of the jurisdictions in which we operate, including employment, anti-corruption, environmental, competition and privacy laws. Such improper actions, particularly with respect to foreign healthcare professionals and government officials, could subject us to civil or criminal investigations, monetary and injunctive penalties, adversely impact our ability to conduct business in certain markets, negatively affect our results of operations and damage our reputation.

We are subject to a variety of risks related to the conduct and expansion of our business internationally, particularly in emerging markets.

As our operations expand globally, we are subject to risks associated with conducting business in foreign markets, particularly in emerging markets. Those risks include:

- increased management, travel, infrastructure and legal compliance costs;
- longer payment and reimbursement cycles;
- difficulties in enforcing contracts and collecting accounts receivable;
- local marketing and promotional challenges;
- lack of consistency, and unexpected changes, in foreign regulatory requirements and practices;
- increased risk of governmental and regulatory scrutiny and investigations;
- increased exposure to fluctuations in currency exchange rates;
- the burdens of complying with a wide variety of foreign laws and legal standards;

- operating in locations with a higher incidence of corruption and fraudulent business practices;
- difficulties in staffing and managing foreign sales and development operations;
- import and export requirements, tariffs, taxes and other trade barriers;

Table of Contents

- weak or no protection of intellectual property rights;
- possible enactment of laws regarding the management of and access to data and public networks and websites;
- possible future limitations on foreign-owned businesses;
- increased financial accounting and reporting burdens and complexities; and
- other factors beyond our control, including political, social and economic instability, popular uprisings, war, terrorist attacks and security concerns in general.

As we continue to expand our business into multiple international markets, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. Any of these risks could harm our international operations and reduce our sales, adversely affecting our business, results of operations, financial condition and growth prospects.

We may not realize the anticipated benefits of acquisitions and strategic initiatives.

We may face significant challenges in effectively integrating entities and businesses that we acquire and we may not realize the benefits anticipated from such acquisitions. Achieving the anticipated benefits of our acquired businesses will depend in part upon whether we can integrate our businesses in an efficient and effective manner. Our integration of acquired businesses involves a number of risks, including:

- demands on management related to the increase in our size after an acquisition;
- the diversion of management's attention from daily operations to the integration of acquired businesses and personnel;
- higher than anticipated integration costs;
- failure to achieve expected synergies and costs savings;
- difficulties in the assimilation and retention of employees;
- difficulties in the assimilation of different cultures and practices, as well as in the assimilation of broad and geographically dispersed personnel and operations; and
- difficulties in the integration of departments, systems, including accounting systems, technologies, books and records and procedures, as well as in maintaining uniform standards and controls, including internal control over financial reporting, and related procedures and policies.

In addition, we may not be able to realize the projected benefits of corporate strategic initiatives we may pursue in the future.

We may not be able to continue to attract and retain highly qualified managerial, scientific, manufacturing and commercial talent.

The success of our business depends, in large part, on our continued ability to attract and retain highly qualified managerial, scientific, medical, manufacturing, commercial and other professional personnel, and competition for these types of personnel is intense. We cannot be sure that we will be able to attract or retain skilled personnel or that the costs of doing so will not materially increase.

Risks associated with using hazardous materials in our business could subject us to significant liability.

We use certain hazardous materials in our research, development, manufacturing and other business activities. If an accident or environmental discharge occurs, or if we discover contamination caused by prior owners and operators of properties we acquire, we could be liable for remediation obligations, damages and fines that could exceed our insurance coverage and financial resources. Additionally, the cost of compliance with environmental and safety laws and regulations may increase in the future, requiring us to expend more financial resources either in compliance or in purchasing supplemental insurance coverage.

24

Table of Contents

Product liability claims could adversely affect our business, results of operations and financial condition.

Product liability claims could result in significant damage awards or settlements. Such claims can also be accompanied by consumer fraud claims or claims by third-party payers seeking reimbursement of the cost of our products. In addition, adverse determinations or settlements of product liability claims may result in suspension or withdrawal of a product marketing authorization or changes to our product labeling, including restrictions on therapeutic indications, inclusion of new contraindications, warnings or precautions. Although we purchase product liability coverage from third-party carriers, it is increasingly difficult and costly to obtain. There can be no assurance that we will be able to recover under any insurance policy or that such coverage will be adequate to fully cover all risks or damage awards or settlements. Product liability claims, regardless of their merits or ultimate outcome, are costly, divert management's attention, may harm our reputation and can impact the demand for our products.

Changes in our effective income tax rate could adversely affect our results of operations.

We are subject to income taxes in both the United States and various foreign jurisdictions and our domestic and international tax liabilities are largely dependent upon the distribution of income among these different jurisdictions. Various factors may have favorable or unfavorable effects on our effective income tax rate. These factors include interpretations of existing tax laws, the accounting for stock options and other share-based compensation, changes in tax laws and rates, future levels of research and development spending, changes in accounting standards, changes in the mix of earnings in the various tax jurisdictions in which we operate, the outcome of examinations by the U.S. Internal Revenue Service and other tax authorities, the accuracy of our estimates for unrecognized tax benefits and realization of deferred tax assets and changes in overall levels of pre-tax earnings. The impact on our income tax provision resulting from the above-mentioned factors and others could have a material impact on our results of operations. For more information, see Note 16 of Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

Currency fluctuations and changes in exchange rates could adversely affect our revenue growth, increase our costs and cause our profitability to decline.

We collect and pay a substantial portion of our sales and expenditures in currencies other than the U.S. dollar. Therefore, fluctuations in foreign currency exchange rates affect our operating results. We utilize foreign currency forward contracts and occasionally foreign currency put and call options, all of which are derivative instruments, to manage foreign currency risk. We use these derivative instruments to hedge certain forecasted transactions, manage exchange rate volatility in the translation of foreign earnings and reduce exposures to foreign currency fluctuations of certain balance sheet items denominated in foreign currencies. The use of these derivative instruments is intended to mitigate a portion of the exposure of these risks with the intent to reduce our risk or cost, but generally would not fully offset any change in operating results as a consequence of fluctuations in foreign currencies. Any significant foreign exchange rate fluctuations could adversely affect our financial condition and results of operations. See Note 5 of Notes to Consolidated Financial Statements and Item 7A. “Quantitative and Qualitative Disclosures About Market Risk” contained in this Annual Report on Form 10-K.

We may experience an adverse market reaction if we are unable to meet our financial reporting obligations.

As we continue to expand at a rapid pace, the development of new and/or improved automated systems will remain an ongoing priority. During this expansion period, our internal control over financial reporting may not prevent or detect misstatements in our financial reporting. Such misstatements may result in litigation and/or negative publicity and possibly cause an adverse market reaction that may negatively impact our growth plans and the value of our common stock.

Impairment charges or write downs in our books and changes in accounting standards could have a significant adverse effect on our results of operations and financial condition.

New or revised accounting standards, rules and interpretations could result in changes to the recognition of income and expense that may materially and adversely affect our financial results. In addition, the value allocated to certain of our assets could be substantially impaired due to a number of factors beyond our control. Also, if any of our strategic equity investments decline in value, we may be required to write down such investment.

The price of our common stock may fluctuate significantly.

The market for our shares of common stock may fluctuate significantly. The following key factors may have an adverse impact on the market price of our common stock:

- results of our clinical trials or adverse events associated with our marketed products;

Table of Contents

- fluctuations in our commercial and operating results;
- announcements of technical or product developments by us or our competitors;
- market conditions for pharmaceutical and biotechnology stocks in particular;
- changes in laws and governmental regulations, including changes in tax, healthcare, environmental, competition and patent laws;
- new accounting pronouncements or regulatory rulings;
- public announcements regarding medical advances in the treatment of the disease states that we are targeting;
- patent or proprietary rights developments;
- changes in pricing and third-party reimbursement policies for our products;
- the outcome of litigation involving our products, processes or intellectual property;
- the existence and outcome of governmental investigations and proceedings;
- regulatory actions that may impact our products or potential products;
- disruptions in our manufacturing processes or supply chain;
- failure of our collaboration partners to successfully develop potential drug candidates;
- competition; and
- investor reaction to announcements regarding business or product acquisitions.

In addition, a market downturn in general and/or in the biopharmaceutical sector in particular, may adversely affect the market price of our securities, which may not necessarily reflect the actual or perceived value of our Company.

Our business would be adversely affected if we are unable to service our debt obligations.

We have incurred various forms of indebtedness, including senior notes, commercial paper and a senior unsecured credit facility. Our ability to pay interest and principal amounts when due, comply with debt covenants or repurchase the senior notes if a change of control occurs, will depend upon, among other things, continued commercial success of our products and other factors that affect our future financial and operating performance, including prevailing economic conditions and financial, business and regulatory factors, many of which are beyond our control.

If we are unable to generate sufficient cash flow to service the debt service requirements under our debt instruments, we may be forced to take remedial actions such as:

- restructuring or refinancing our debt;
- seeking additional debt or equity capital;
- reducing or delaying our business activities, acquisitions, investments or capital expenditures, including research and development expenditures; or
- selling assets, businesses, products or other potential revenue streams.

Such measures might not be successful and might not enable us to service our debt obligations. In addition, any such financing, refinancing or sale of assets might not be available on economically favorable terms, if at all.

A breakdown or breach of our information technology systems could subject us to liability or interrupt the operation of our business.

We rely upon our information technology systems and infrastructure for our business. The size and complexity of our computer systems make them potentially vulnerable to breakdown and unauthorized intrusion. We could also experience a business

Table of Contents

interruption, theft of confidential information, or reputational damage from industrial espionage attacks, malware or other cyber attacks, which may compromise our system infrastructure or lead to data leakage, either internally or at our third-party providers.

Similarly, data privacy breaches by those who access our systems may pose a risk that sensitive data, including intellectual property, trade secrets or personal information belonging to us, our patients, employees, customers or other business partners, may be exposed to unauthorized persons or to the public. There can be no assurance that our efforts to protect our data and information technology systems will prevent breakdowns or breaches in our systems that could adversely affect our business and result in financial and reputational harm to us.

The illegal distribution and sale by third parties of counterfeit versions of our products or stolen products could have a negative impact on our reputation and business.

Third parties might illegally distribute and sell counterfeit or unfit versions of our products, which do not meet our rigorous manufacturing and testing standards. A patient who receives a counterfeit or unfit drug may be at risk for a number of dangerous health consequences. Our reputation and business could suffer harm as a result of counterfeit or unfit drugs sold under our brand name. In addition, thefts of inventory at warehouses, plants or while in-transit, which are not properly stored and which are sold through unauthorized channels, could adversely impact patient safety, our reputation and our business.

We have certain charter and by-law provisions that may deter a third-party from acquiring us and may impede the stockholders' ability to remove and replace our management or board of directors.

Our board of directors has the authority to issue, at any time, without further stockholder approval, up to 5.0 million shares of preferred stock and to determine the price, rights, privileges and preferences of those shares. An issuance of preferred stock could discourage a third-party from acquiring a majority of our outstanding voting stock. Additionally, our by-laws contain provisions intended to strengthen the board's position in the event of a hostile takeover attempt. These provisions could impede the stockholders' ability to remove and replace our management and/or board of directors. Furthermore, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, an anti-takeover law, which may also dissuade a potential acquirer of our common stock.

In addition to the risks relating to our common stock, holders of our CVRs are subject to additional risks.

On October 15, 2010, we acquired all of the outstanding common stock of Abraxis BioScience, Inc. (Abraxis) and in connection with our acquisition, contingent value rights (CVRs) were issued entitling each holder of a CVR to a pro rata portion of certain milestone and net sales payments if certain specified conditions are satisfied. In addition to the risks relating to our common stock, CVR holders are subject to additional risks, including:

- an active public market for the CVRs may not continue to exist or the CVRs may trade at low volumes, both of which could have an adverse effect on the market price of the CVRs;
- if the clinical approval milestones or net sales targets specified in the CVR Agreement are not achieved within the time periods specified, no payment will be made and the CVRs will expire valueless;
- since the U.S. federal income tax treatment of the CVRs is unclear, any part of a CVR payment could be treated as ordinary income and the tax thereon may be required to be paid prior to the receipt of the CVR payment;
- any payments in respect of the CVRs are subordinated to the right of payment of certain of our other indebtedness;
- we may under certain circumstances redeem the CVRs; and
- upon expiration of our obligations under the CVR Agreement to continue to commercialize ABRAXANE® or any of the other Abraxis pipeline products, we may discontinue such efforts, which would have an adverse effect on the value of the CVRs.

27

Table of Contents

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Summit, New Jersey and our international headquarters are located in Boudry, Switzerland. Summarized below are the locations, primary usage and approximate square footage of the facilities we own worldwide:

Location	Primary Usage	Approximate Square Feet
Summit, New Jersey	Administration, marketing, research	400,000
Boudry, Switzerland	Manufacturing, administration and warehousing	269,000
Phoenix, Arizona	Manufacturing and warehousing	254,000
Zofingen, Switzerland	Manufacturing	8,100

We occupy the following facilities, located in the United States, under operating lease arrangements, none of which are individually material to us. Under these lease arrangements, we may be required to reimburse the lessors for real estate taxes, insurance, utilities, maintenance and other operating costs. All leases are with unaffiliated parties.

Location	Primary Usage	Approximate Square Feet
Berkeley Heights, New Jersey	Office space	347,000
Warren, New Jersey	Office space and research	177,600
San Diego, California	Research	190,100
Basking Ridge, New Jersey	Office space	95,900
San Francisco, California	Office space and research	55,800
Durham, North Carolina	Clinical trial management	36,000
Overland Park, Kansas	Office space	29,600
Seattle, Washington	Office space	27,400
Cedar Knolls, New Jersey	Office space and stem cell recovery	25,300
Bedford, Massachusetts	Office space	23,000
Los Angeles, California	Office space	9,800
Washington, D.C.	Office space	3,500
Dallas, Texas	Office space	3,000
Destin, Florida	Office space	1,600

We also lease a number of offices under various lease agreements outside of the United States for which the minimum annual rents may be subject to specified annual rent increases. At December 31, 2014, the non-cancelable lease terms for our operating leases expire at various dates between 2015 and 2023 and in some cases include renewal options. The total amount of rent expense recorded for all leased facilities in 2014 was $49.6 million. Our Summit, New Jersey facility is currently in the midst of an expansion project which will include a four-story parking structure below a two-story office facility. The approximate size of the office facility is 200,000 square feet and the project is anticipated to be completed at the end of 2015.

ITEM 3. LEGAL PROCEEDINGS

See Note 18 of Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) MARKET INFORMATION

Our common stock is traded on the NASDAQ Global Select Market under the symbol "CELG." The following table sets forth, for the periods indicated, the intra-day high and low prices per share of common stock on the NASDAQ Global Select Market:

	High*	Low*
2014:		
Fourth Quarter	$119.84	$83.16
Third Quarter	96.50	82.90
Second Quarter	87.37	66.85
First Quarter	87.33	69.51
2013:		
Fourth Quarter	$86.90	$71.05
Third Quarter	78.02	59.08
Second Quarter	65.91	55.27
First Quarter	58.48	39.88

*adjusted to reflect the two-for-one common stock split effected in June 2014.

	Cumulative Total Return					
	12/09	12/10	12/11	12/12	12/13	12/14
Celgene Corporation	$100.00	$106.21	$121.41	$140.93	$303.46	$401.80
S&P 500	100.00	114.82	117.22	135.83	179.36	203.60
NASDAQ Composite	100.00	117.99	117.08	137.81	192.78	221.15
NASDAQ Biotechnology	100.00	115.95	129.93	172.44	286.14	384.45

* $100 Invested on 12/31/09 in Stock or Index – Including Reinvestment of Dividends, Fiscal Year Ended December 31.

Table of Contents

(b) HOLDERS

The closing sales price per share of common stock on the NASDAQ Global Select Market on February 12, 2015 was $115.72. As of February 12, 2015, there were approximately 438 holders of record of our common stock.

(c) DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock and have no present intention to pay a cash dividend on our common stock.

(d) EQUITY COMPENSATION PLAN INFORMATION

We incorporate information regarding the securities authorized for issuance under our equity compensation plan into this section by reference from the section entitled "Equity Compensation Plan Information" to be included in the proxy statement for our 2015 Annual Meeting of Stockholders.

(e) REPURCHASE OF EQUITY SECURITIES

In June 2014, our stockholders approved an amendment to our Certificate of Incorporation that increased the number of shares of common stock that we are authorized to issue and effected a two-for-one stock split. As a result, our total number of authorized shares of common stock increased from 575.0 million to 1.150 billion on June 18, 2014. Stockholders of record received one additional share of common stock for each share of common stock owned. All impacted share numbers and per share amounts presented in the consolidated financial statements and the accompanying notes to the financial statements in this Annual Report on Form 10-K have been restated to reflect the impact of the stock split. Common stock held in treasury was not adjusted for the stock split.

From April 2009 through December 2014, our Board of Directors approved purchases of up to $13.500 billion of our common stock, including $4.000 billion approved by our Board of Directors in April 2014. Approved amounts exclude share purchase transaction fees.

The following table presents the number of shares purchased during the three-month period ended December 31, 2014, the average price paid per share, the number of shares that were purchased and the approximate dollar value of shares that still could have been purchased, pursuant to our repurchase authorization:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That Still Could Be Purchased Under the Plans or Programs
October 1 - October 31	2,194,300	$93.13	2,194,300	$3,475,762,655
November 1 - November 30	1,242,144	$106.46	1,242,144	$3,343,524,386
December 1 - December 31	1,837,712	$110.51	1,837,712	$3,140,441,345

During the period covered by this report, we did not sell any of our equity shares that were not registered under the Securities Act of 1933, as amended.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following Selected Consolidated Financial Data should be read in conjunction with our Consolidated Financial Statements and the related Notes thereto, Management's Discussion and Analysis of Financial Condition and Results of Operations and other financial information included elsewhere in this Annual Report on Form 10-K. The data set forth below with respect to our Consolidated Statements of Income for the years ended December 31, 2014, 2013 and 2012 and the Consolidated Balance Sheet data as of December 31, 2014 and 2013 are derived from our Consolidated Financial Statements which are included elsewhere in this Annual Report on Form 10-K and are qualified by reference to such Consolidated Financial Statements and related Notes thereto. The data set forth below with respect to our Consolidated Statements of Income for the years ended December 31, 2011 and 2010 and the Consolidated Balance Sheet data as of December 31, 2012, 2011 and 2010 are derived from our Consolidated Financial Statements, which are not included elsewhere in this Annual Report on Form 10-K (amounts in millions, except per share data).

	Years ended December 31,				
	2014	2013	2012	2011	2010
Consolidated Statements of Income:					
Total revenue	$7,670.4	$6,493.9	$5,506.7	$4,842.1	$3,625.7
Costs and operating expenses	5,151.4	4,685.0	3,760.3	3,399.4	2,636.1
Operating income	2,519.0	1,808.9	1,746.4	1,442.7	989.6
Interest and investment income, net	28.2	22.0	15.3	25.9	44.7
Interest (expense)	(176.1)	(91.6)	(63.2)	(42.7)	(12.6)
Other income (expense), net	(43.7)	(73.9)	(17.0)	(6.4)	(9.1)
Income before income taxes	2,327.4	1,665.4	1,681.5	1,419.5	1,012.6
Income tax provision	327.5	215.5	225.3	102.1	132.4
Net income	$1,999.9	$1,449.9	$1,456.2	$1,317.4	$880.2
Less: Net loss attributable to non-controlling interests	—	—	—	0.7	0.3
Net income attributable to Celgene	$1,999.9	$1,449.9	$1,456.2	$1,318.1	$880.5
Net income per share attributable to Celgene:*					
Basic	$2.49	$1.75	$1.69	$1.45	$0.95
Diluted	$2.39	$1.68	$1.65	$1.42	$0.94
Weighted average shares:*					
Basic	802.7	827.7	861.9	910.7	924.6
Diluted	836.0	860.6	881.6	925.5	939.0
	As of December 31,				
	2014	2013	2012	2011	2010
Consolidated Balance Sheets Data:					
Cash, cash equivalents and marketable securities	$7,546.7	$5,687.0	$3,900.3	$2,648.2	$2,601.3
Total assets	17,340.1	13,378.2	11,734.3	10,005.9	10,177.2
Short-term borrowings and current portion of long-term debt	605.9	544.8	308.5	526.7	—
Long-term debt, net of discount	6,265.7	4,196.5	2,771.3	1,275.6	1,247.6
Retained earnings	6,472.4	4,472.5	3,022.6	1,566.4	248.3
Total equity	6,524.8	5,589.9	5,694.5	5,512.7	5,995.5

*adjusted to reflect the two-for-one common stock split effected in June 2014.

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE SUMMARY

Celgene Corporation, together with its subsidiaries (collectively “we,” “our,” “us,” “Celgene” or the “Company”), is an integrated global biopharmaceutical company engaged primarily in the discovery, development and commercialization of innovative therapies for the treatment of cancer and inflammatory diseases through gene and protein regulation. We are dedicated to innovative research and development designed to bring new therapies to market and we are involved in research in several scientific areas designed to deliver proprietary next-generation therapies, targeting areas including intracellular signaling pathways, protein homeostasis and epigenetics in cancer and immune cells, immunomodulation in cancer and autoimmune diseases and therapeutic application of cell therapies.

Our primary commercial stage products include REVLIMID®, ABRAXANE®, POMALYST®/IMNOVID®, VIDAZA® , azacitidine for injection (generic version of VIDAZA®), THALOMID® (sold as THALOMID® or Thalidomide Celgene™ outside of the U.S.), OTEZLA® and ISTODAX®. OTEZLA® was approved by the U.S. Food and Drug Administration (FDA) in March 2014 for the treatment of adult patients with active psoriatic arthritis and in September 2014 for the treatment of patients with moderate to severe plaque psoriasis who are candidates for phototherapy or systemic therapy. In January 2015, OTEZLA® was approved by the European Commission (EC) for the treatment of both psoriasis and psoriatic arthritis in certain adult patients. We began recognizing revenue related to OTEZLA® during the second quarter of 2014. Additional sources of revenue include royalties from Novartis Pharma AG (Novartis) on their sales of FOCALIN XR® and the entire RITALIN® family of drugs, the sale of products and services through our Celgene Cellular Therapeutics (CCT) subsidiary and other licensing arrangements.

Our primary commercial stage products are approved to treat a number of diseases in the hematology, oncology, and inflammation and immunology therapeutic areas as described in Item 1. “Business.”

We continue to invest substantially in research and development in support of multiple ongoing proprietary clinical development programs which support our existing products and pipeline of new drug candidates. REVLIMID® is in several phase III trials across a range of hematological malignancies that include multiple myeloma, lymphomas, chronic lymphocytic leukemia (CLL) and myelodysplastic syndromes (MDS). POMALYST®/IMNOVID® was approved in the United States and the European Union for indications in multiple myeloma based on phase II and phase III trial results, respectively, and an additional phase III trial is underway with POMALYST®/IMNOVID® in relapsed and refractory multiple myeloma. Phase III trials are also underway for CC-486 in MDS and acute myeloid leukemia (AML) and ISTODAX® in first-line peripheral T-cell lymphoma (PTCL). In solid tumors, ABRAXANE® is currently in various stages of investigation for breast, pancreatic and non-small cell lung cancers. In inflammation and immunology, OTEZLA® is being evaluated in phase III trials for Behçet's disease and expanded indications in psoriatic arthritis and psoriasis. Also in the inflammation and immunology therapeutic area, we have acquired a global development and commercialization license to GED-0301 from Nogra Pharma Limited and have initiated a multi-trial clinical program that is designed to support global registrations of GED-0301 in Crohn's disease. For more information see Note 2 of Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

Beyond our phase III programs, we have access to a growing early-to-mid-stage pipeline of novel potential therapies to address significant unmet medical needs that consists of new drug candidates and cell therapies developed in-house, licensed from other companies or able to be optioned from collaboration partners.

We believe that continued use of our primary commercial stage products, participation in research and development collaboration arrangements, depth of our product pipeline, regulatory approvals of new products and expanded use of existing products will provide the catalysts for future growth.

32

Table of Contents

The following table summarizes total revenue and earnings for the years ended December 31, 2014, 2013 and 2012 (dollar amounts in millions, except per share data):

	Years Ended December 31,			% Change 2014 versus 2013		2013 versus 2012	
	2014	2013	2012				
Total revenue	$7,670.4	$6,493.9	$5,506.7	18.1	%	17.9	%
Net income	$1,999.9	$1,449.9	$1,456.2	37.9	%	(0.4	)%
Diluted earnings per share*	$2.39	$1.68	$1.65	42.3	%	1.8	%

*adjusted to reflect the two-for-one common stock split effected in June 2014.

Revenue increased by $1.177 billion in 2014 compared to 2013 primarily due to the continued growth in sales of REVLIMID®, POMALYST®/IMNOVID®, ABRAXANE® and the U.S. launch of OTEZLA® in the second quarter of 2014, partially offset by a reduction in sales of VIDAZA® in the U.S. following the September 2013 launch in the U.S. of a generic version of VIDAZA®. The $550.0 million increase in net income and $0.71 increase in diluted earnings per share in 2014 were primarily due to a higher level of net product sales partly offset by an increase in expenses, including a $129.2 million impairment charge for in-process research and development (IPR&D), increase in share-based compensation expense, increase in drug discovery and development activities, expenses associated with our growing organization to support inflammation and immunology products and product candidates and an increase in selling and marketing activities primarily related to launch activities in recently approved indications for OTEZLA®, POMALYST®/IMNOVID® and ABRAXANE®.

Results of Operations:

Fiscal Years Ended December 31, 2014, 2013 and 2012

Total Revenue: Total revenue and related percentages for the years ended December 31, 2014, 2013 and 2012 were as follows (dollar amounts in millions, except per share data):

	2014	2013	2012	% Change 2014 versus 2013		2013 versus 2012	
Net product sales:							
REVLIMID®	$4,980.0	$4,280.3	$3,766.6	16.3	%	13.6	%
ABRAXANE®	848.2	648.9	426.7	30.7	%	52.1	%
POMALYST®/IMNOVID®	679.7	305.4	12.0	122.6	%	N/M	
VIDAZA®	611.9	803.3	823.2	(23.8	)%	(2.4	)%
azacitidine for injection	78.2	23.3	—	235.6	%	N/M	
THALOMID®	221.2	244.5	302.1	(9.5	)%	(19.1	)%
OTEZLA®	69.8	—	—	N/M		N/M	
ISTODAX®	65.6	54.0	50.0	21.5	%	8.0	%
Other	9.2	2.6	5.0	253.8	%	(48.0	)%
Total net product sales	$7,563.8	$6,362.3	$5,385.6	18.9	%	18.1	%
Other revenue	106.6	131.6	121.1	(19.0	)%	8.7	%
Total revenue	$7,670.4	$6,493.9	$5,506.7	18.1	%	17.9	%

N/M - Not meaningful

The increase in total revenue of $1.177 billion in 2014 compared to 2013 reflected increases of $620.7 million, or 16.1%, in the United States, and $555.8 million, or 21.1%, in international markets. The increase in total revenue of $987.2 million in 2013 compared to 2012 reflected increases of $693.0 million, or 21.9%, in the United States, and $294.2 million, or 12.6%, in international markets.

Net Product Sales: Total net product sales for 2014 increased by $1.202 billion, or 18.9%, to $7.564 billion compared to 2013. The increase was comprised of net volume increases of $999.9 million and net price increases of $213.9

million, offset slightly

Table of Contents

by a $12.3 million unfavorable foreign exchange impact, including the impact of foreign exchange hedging activity. The increase in volume was driven by increased unit sales of REVLIMID®, POMALYST®/IMNOVID®, ABRAXANE® and OTEZLA®, partly offset by a decrease in unit sales of VIDAZA® resulting from the September 2013 introduction of a generic version of VIDAZA® in the U.S. by a third party. The increase in price was primarily due to price increases in the U.S. market.

Total net product sales for 2013 increased by $976.7 million, or 18.1%, to $6.362 billion compared to 2012. The increase was comprised of net volume increases of $950.3 million and price increases of $117.0 million, partly offset by an unfavorable impact from foreign exchange of $90.6 million. The increase in volume was driven by increased unit sales of REVLIMID®, the favorable impact from increased U.S. sales of ABRAXANE® resulting from the October 2012 and September 2013 FDA approvals for treatment of non-small cell lung cancer (NSCLC) and pancreatic cancer, respectively, as well as the February 2013 FDA and August 2013 EC approvals of POMALYST®/IMNOVID® for treatment of multiple myeloma. The increase in price was primarily due to price increases on REVLIMID®, VIDAZA® and THALOMID® in the U.S. market.

REVLIMID® net sales increased by $699.7 million, or 16.3%, to $4.980 billion in 2014 compared to 2013, primarily due to increased unit sales in both U.S. and international markets in addition to price increases in the U.S. market. Increases in market penetration and treatment duration of patients using REVLIMID® in multiple myeloma contributed to the increase in U.S. unit sales. The growth in international markets resulted from volume increases, primarily driven by increased duration of use and market share gains.

Net sales of REVLIMID® increased by $513.7 million, or 13.6%, to $4.280 billion in 2013 compared to 2012, primarily due to increased unit sales in both international and U.S. markets in addition to price increases in the U.S. market. These increases were partially offset by unfavorable changes in price in international markets and unfavorable foreign exchange impacts, including the impact of foreign exchange hedging activity. Increases in market penetration and treatment duration of patients using REVLIMID® in multiple myeloma contributed to the increase in United States unit sales. The growth in international markets resulted from volume increases, primarily driven by increased duration of use and market share gains.

ABRAXANE® net sales increased by $199.3 million, or 30.7%, to $848.2 million in 2014 compared to 2013, primarily due to increased unit volumes in both the U.S. and international markets reflecting increased acceptance of the product for the treatments of both metastatic adenocarcinoma of the pancreas and NSCLC. ABRAXANE® was approved for the treatment of metastatic adenocarcinoma of the pancreas in the United States in September 2013 and the European Union in December 2013.

Net sales of ABRAXANE® increased by $222.2 million, or 52.1%, to $648.9 million in 2013 compared to 2012, primarily due to increased unit volumes in both U.S. and international markets, reflecting increased acceptance of the product in the treatment of metastatic breast cancer, the October 2012 FDA approval for treatment of NSCLC and the September 2013 FDA approval for treatment of pancreatic cancer.

POMALYST®/IMNOVID® net sales increased by $374.3 million, or 122.6%, to $679.7 million in 2014 compared to 2013, primarily due to increased unit sales in both U.S. and international markets, reflecting increases in market penetration. POMALYST® was approved by the FDA in February 2013 for patients with multiple myeloma who have received at least two prior therapies, including lenalidomide and bortezomib, and have demonstrated disease progression on or within 60 days of completion of the last therapy. IMNOVID® (the non-U.S. trade name) in combination with dexamethasone was approved by the EC in August 2013 for adult patients with relapsed and refractory multiple myeloma who have received at least two prior therapies, including both lenalidomide and bortezomib, and have demonstrated disease progression on the last therapy.

Net sales of POMALYST®/IMNOVID® totaled $305.4 million in 2013, reflecting the approval of POMALYST® by the FDA in February 2013 and IMNOVID® by the EC in August 2013. Net sales of POMALYST® totaled $246.0 million in the United States and IMNOVID® net sales totaled $59.4 million in international markets. The 2013 period included a partial period of sales in the U.S. and sales in Europe were derived primarily from approved early access programs.

VIDAZA® net sales decreased by $191.4 million, or 23.8%, to $611.9 million in 2014 compared to 2013, primarily due to a $232.7 million decrease in the U.S. market resulting from the September 2013 introduction of a generic version of VIDAZA® by a competitor. The decrease in U.S. sales was partly offset by volume increases in international markets. VIDAZA® retains orphan drug exclusivity in Europe through the end of 2018.

Net sales of VIDAZA® decreased by $19.9 million, or 2.4%, to $803.3 million in 2013 compared to 2012, reflecting volume decreases in the U.S. market due to the launch of a generic version of VIDAZA® by a competitor in September 2013 and the launch of a generic version of VIDAZA® (azacitidine for injection) by Sandoz AG in the fourth quarter of 2013, which we supply. Foreign exchange also unfavorably impacted sales. These decreases were partly offset by price increases in the U.S. market and volume increases in international markets.

Table of Contents

Azacitidine for injection net sales were $78.2 million for 2014. Azacitidine for injection is a generic version of VIDAZA® supplied by Celgene to Sandoz AG beginning in the fourth quarter of 2013. Net sales of azacitidine for injection were $23.3 million in 2013.

THALOMID® net sales decreased by $23.3 million, or 9.5%, to $221.2 million for 2014 compared to 2013, primarily resulting from lower unit volumes in the U.S. and international markets, partly offset by U.S. price increases.
Net sales of THALOMID® decreased by $57.6 million, or 19.1%, to $244.5 million in 2013 compared to 2012, primarily due to lower unit volumes in the U.S. and international markets and an increase in estimated returns related to the transition of THALOMID® distribution from retail to specialty pharmacies. The reductions in volume were partially offset by price increases in the United States.
OTEZLA® net sales were $69.8 million for 2014. OTEZLA® was approved by the FDA in March 2014 for the treatment of adult patients with active psoriatic arthritis and in September 2014 for the treatment of patients with moderate to severe plaque psoriasis who are candidates for phototherapy or systemic therapy. OTEZLA® received approvals for psoriatic arthritis and plaque psoriasis in the EU in January 2015. Launch activities for OTEZLA® commenced in March 2014 and we began recognizing revenue related to OTEZLA® during the second quarter of 2014.

ISTODAX® net sales increased by $11.6 million, or 21.5%, to $65.6 million for 2014 compared to 2013, primarily due to an increase in unit volume.
Net sales of ISTODAX® increased by $4.0 million, or 8.0%, to $54.0 million in 2013 compared to 2012, primarily due to increases in price in the United States.
The "other" net product sales category, which includes sales of FOCALIN®, increased by $6.6 million, to $9.2 million in 2014 compared to 2013. The "other" net product sales category decreased by $2.4 million to $2.6 million in 2013 compared to 2012.
Other Revenue: Other revenue decreased by $25.0 million to $106.6 million for 2014 compared to 2013 primarily due to a $24.1 million decrease in royalty revenue. The decrease in royalty revenue was driven by lower royalties earned from Novartis based on its sales of FOCALIN XR® and RITALIN®, which have both been negatively impacted by generic competition in certain markets. Generic competition entered the market in the United States for certain strengths of FOCALIN XR® in the fourth quarter of 2013.

Other revenue increased by $10.5 million to $131.6 million in 2013 compared to 2012. The increase was primarily due to increased royalty revenue related to higher royalties earned from Novartis based upon its sales of both RITALIN® and FOCALIN XR®. The increase also included a $5.0 million milestone payment received in 2013 related to the approval of additional indications for ABRAXANE® in Japan.

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

REVLIMID®, POMALYST® and THALOMID® are distributed in the United States primarily through contracted pharmacies under the REVLIMID® Risk Evaluation and Mitigation Strategy (REMS), POMALYST REMS™ and THALOMID REMS™ programs, respectively. These are proprietary risk-management distribution programs tailored specifically to provide for the safe and appropriate distribution and use of REVLIMID®, POMALYST® and THALOMID®. Internationally, REVLIMID®, THALOMID®/Thalidomide Celgene™ and IMNOVID® are distributed under mandatory risk-management distribution programs tailored to meet local authorities' specifications to provide for the product's safe and appropriate distribution and use. 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®, ABRAXANE®, ISTODAX® and OTEZLA® are distributed through the more traditional pharmaceutical industry supply chain and are not subject to the same risk-management distribution programs as REVLIMID®, POMALYST®/IMNOVID® and THALOMID®/Thalidomide Celgene™.

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 do 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

Table of Contents

determining the current sales return allowance. As noted above, REVLIMID®, POMALYST®/IMNOVID® and THALOMID®/Thalidomide Celgene™ are distributed primarily through hospitals and contracted pharmacies, which are typically subject to tighter controls of inventory quantities within the supply channel and, thus, resulting in lower returns activity.

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 generally based on historical payment data and estimates of future Medicaid beneficiary utilization applied to the Medicaid unit rebate formula established by the Center for Medicaid and Medicare Services. The Medicaid rebate percentage was increased and extended to Medicaid Managed Care Organizations in March 2010. The accrual of the rebates associated with Medicaid Managed Care Organizations is calculated based on estimated historical patient data related to Medicaid Managed Care Organizations. We also analyze actual billings received from the states to further support the accrual rates. Subsequent to implementation of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the 2010 U.S. Health Care Reform Law), certain states have not completed their Medicaid Managed Care Organization billing for the years of 2010 through 2014. Our accruals for these Medicaid Managed Care Organization rebates had been at elevated levels given the delays in the receipt of complete invoices from certain states. Due to the receipt of more complete claims data during 2013 and 2014, the accruals for certain states were reduced from these elevated levels as a result of both payments being applied to the accrual during 2013 and 2014 and changes in estimate of the ultimate obligation during the fourth quarters of both 2013 and 2014. We will continue to adjust the rebate accruals as more information becomes available and to reflect actual claims experience. Effective January 1, 2011, manufacturers of pharmaceutical products are responsible for 50% of the patient's cost of branded prescription drugs related to the Medicare Part D Coverage Gap. In order to estimate the cost to us of this coverage gap responsibility, we analyze data for eligible Medicare Part D patients against data for eligible Medicare Part D patients treated with our products as well as the historical invoices. This expense is recognized throughout the year as costs are incurred. In certain international markets government-sponsored programs require rebates to be paid based on program specific rules and, accordingly, the rebate accruals are determined primarily on estimated eligible sales.

Rebates or administrative fees are offered to certain wholesale customers, group purchasing organizations and end-user customers, consistent with pharmaceutical industry practices. Settlement of rebates and fees may generally occur from one to 15 months from the date of sale. We record a provision for rebates at the time of sale based on contracted rates and historical redemption rates. Assumptions used to establish the provision include level of wholesaler inventories, contract sales volumes and average contract pricing. We regularly review the information related to these estimates and adjust the provision accordingly.

Chargeback accruals are based on the differentials between product acquisition prices paid by wholesalers and lower government contract pricing paid by eligible customers covered under federally qualified programs. Distributor service fee accruals are based on contractual fees to be paid to the wholesale distributor for services provided. 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 are included in chargeback accruals and are based on estimated Department of Defense eligible sales multiplied by the TRICARE rebate formula.

See Critical Accounting Estimates and Significant Accounting Policies below for further discussion of gross to net sales accruals.

36

Table of Contents

Gross to net sales accruals and the balance in the related allowance accounts for the years ended December 31, 2014, 2013 and 2012 were as follows (in millions):

	Returns and Allowances	Discounts	Government Rebates	Chargebacks and Distributor Service Fees	Total
Balance at December 31, 2011	$9.0	$8.7	$137.0	$64.3	$219.0
Allowances for sales during prior periods	(7.5)	—	(13.3)	(2.4)	(23.2)
Allowances for sales during 2012	15.0	64.9	208.7	212.6	501.2
Credits/deductions issued for prior year sales	1.7	(4.3)	(60.2)	(54.8)	(117.6)
Credits/deductions issued for sales during 2012	(4.9)	(58.1)	(146.4)	(158.5)	(367.9)
Balance at December 31, 2012	$13.3	$11.2	$125.8	$61.2	$211.5
Allowances for sales during prior periods	(1.1)	—	(27.8)	(1.9)	(30.8)
Allowances for sales during 2013	10.7	74.3	262.1	290.8	637.9
Credits/deductions issued for prior year sales	(3.1)	(5.2)	(53.4)	(42.0)	(103.7)
Credits/deductions issued for sales during 2013	(4.3)	(68.2)	(172.6)	(224.9)	(470.0)
Balance at December 31, 2013	$15.5	$12.1	$134.1	$83.2	$244.9
Allowances for sales during prior periods	(5.4)	—	(7.1)	(8.4)	(20.9)
Allowances for sales during 2014	7.9	87.9	293.1	382.9	771.8
Credits/deductions issued for prior year sales	(4.1)	(8.8)	(78.8)	(43.3)	(135.0)
Credits/deductions issued for sales during 2014	(3.7)	(79.7)	(202.8)	(320.0)	(606.2)
Balance at December 31, 2014	$10.2	$11.5	$138.5	$94.4	$254.6

A comparison of provisions for allowances for sales within each of the four categories noted above for 2014 and 2013 follows:

2014 compared to 2013: Returns and allowances decreased by $7.1 million in 2014 compared to 2013, primarily due to a $7.9 million sales returns reserve recorded in 2013 for estimated returns related to the transition of THALOMID® distribution from retail to specialty pharmacies. Subsequently, during 2014 a $3.5 million reduction in this reserve was recorded due to lower returns experience. This decrease was partially offset by a $2.0 million increase in the returns provision for international markets, a $1.0 million increase in the returns allowance associated with REVLIMID® due to a higher returns experience in the United States driven by sales volume growth and a net increase of $0.9 million in the VIDAZA® returns allowance related to inventory levels held by distributors at the end of 2014.

Discounts increased by $13.6 million in 2014 compared to 2013, primarily due to sales increases in the United States. Government rebates increased by $51.7 million in 2014 compared to 2013, primarily due to a $44.7 million increase in Medicaid rebates and a $17.6 million increase in rebates in certain international markets, both due to increased sales volumes. These increases were partially offset by a $10.6 million decrease in expense related to Medicare Part D Coverage Gap as a result of the refinement of the accrual rates.

Chargebacks and distributor service fees increased by $85.6 million in 2014 compared to 2013. Chargebacks increased by approximately $73.1 million, including a $7.5 million increase related to the TRICARE program driven by higher volume and increased rebate rates. Chargeback increases were primarily due to higher sales volumes and a greater portion of sales qualifying for chargeback rebates. Distributor service fees increased by approximately $12.5

million driven by higher sales volume.

2013 compared to 2012: Returns and allowances increased by $2.1 million in 2013 compared to 2012, partly due to a first quarter 2012 reversal of approximately $7.5 million in reserves established for certain products with quality issues which were resolved in 2012. In addition, during 2013 we recorded a sales returns reserve of $7.9 million for estimated returns related to the transition of THALOMID® distribution from retail to specialty pharmacies. The increases were partly offset by a $12.5 million net reduction in the VIDAZA® returns provision, which included a $7.5 million reduction in the returns allowance related to inventory levels held by distributors in early 2013 and a $2.8 million increase in the returns allowance related to inventory held by distributors at the end of 2013 given the launch of a generic version of VIDAZA® in September 2013.

Discounts increased by $9.4 million in 2013 compared to 2012, primarily due to sales increases in the United States.

Table of Contents

Government rebates increased by $38.9 million in 2013 compared to 2012, partly due to an increase of approximately $21.1 million in government rebates related to U.S. governmental agencies, primarily attributable to volume increases and higher expense rates for the Medicare Part D Coverage Gap, partially offset by the refinement of the accrual for rebates to Medicaid Managed Care Organizations completed in the latter part of 2013. Rebates related to international markets increased by approximately $17.8 million, primarily due to a reduction in rebates recorded during 2012 for an amendment to a price/volume agreement for VIDAZA® in a specific European country that resulted in a reduction in government rebates of approximately $10.9 million in 2012. Sales growth in multiple countries worldwide also contributed to higher rebates.

Chargebacks and distributor service fees increased by $78.7 million in 2013 compared to 2012. Chargebacks and distributor service fees increased by approximately $46.2 million and $32.5 million, respectively, primarily due to higher sales volumes and contract eligible sales. Rebates specifically related to the TRICARE program increased by $6.8 million also due to higher sales volume.

Cost of Goods Sold (excluding amortization of acquired intangible assets): Cost of goods sold and related percentages for the years ended December 31, 2014, 2013 and 2012 were as follows (dollar amounts in millions):

	2014		2013		2012	
Cost of goods sold (excluding amortization of acquired intangible assets)	$385.9		$340.4		$299.1	
Increase (decrease) from prior year	$45.5		$41.3		$(126.8	)
Percent increase (decrease) from prior year	13.4	%	13.8	%	(29.8	)%
Percent of net product sales	5.1	%	5.4	%	5.6	%

Cost of goods sold (excluding amortization of acquired intangible assets) increased by $45.5 million to $385.9 million in 2014 compared to 2013. The increase was primarily due to the higher level of net product sales, partly offset by a $7.8 million reduction in royalty payments, primarily related to sales of REVLIMID® which resulted from the expiration of our royalty obligations to Children's Medical Center Corporation (CMCC) at the end of February 2013. See Note 18 of Notes to Consolidated Financial Statements contained elsewhere in this Annual Report on Form 10-K for additional details of our royalty agreement and related litigation with CMCC. As a percent of net product sales, cost of goods sold (excluding amortization of acquired intangible assets) decreased to 5.1% in 2014 compared to 5.4% in 2013, partly due to the elimination of royalty payments to CMCC on our sales of REVLIMID® as noted above, and the continued growth in net sales of lower cost REVLIMID®.

Cost of goods sold (excluding amortization of acquired intangible assets) increased by $41.3 million to $340.4 million in 2013 compared to 2012. The increase was primarily due to the higher level of REVLIMID® and ABRAXANE® sales, partly offset by the elimination of royalty payments on sales of REVLIMID® resulting from the expiration of our royalty obligations to CMCC at the end of February 2013. As a percent of net product sales, cost of goods sold (excluding amortization of acquired intangible assets) decreased to 5.4% in 2013 compared to 5.6% in 2012 primarily due to the increase in lower cost REVLIMID® sales and the elimination of royalty payments on our sales of REVLIMID® as noted above.

Research and Development: Research and development costs are expensed as incurred and primarily include salary and benefit costs, third-party grants and fees paid to clinical research organizations, supplies and upfront and milestone payments resulting from collaboration arrangements.

Research and development expenses and related percentages for the years ended December 31, 2014, 2013 and 2012 were as follows (dollar amounts in millions):

	2014		2013		2012	
Research and development	$2,430.6		$2,226.2		$1,724.2	
Increase from prior year	$204.4		$502.0		$123.9	
Percent increase from prior year	9.2	%	29.1	%	7.7	%
Percent of total revenue	31.7	%	34.3	%	31.3	%

Research and development expenses increased by $204.4 million to $2.431 billion in 2014, compared to 2013. The increase was primarily due to a $129.2 million impairment charge resulting from an adjustment in the probability-weighted forecasted cash flows related to the CC-292 IPR&D intangible asset obtained in the acquisition of Avila and an increase in activity in support of our early- to mid-stage product pipeline as well as an increase in general research activity. These increases were partly offset by a $141.0 million decrease in expenses related to collaboration arrangements.

Table of Contents

Research and development expenses increased by $502.0 million to $2.226 billion in 2013 compared to 2012. The increase was primarily due to a $462.0 million increase in payments made related to research and development collaboration arrangements as well as an increase in general research activity. The increases were partly offset by 2012 IPR&D asset impairment charges of $122.5 million, of which $53.4 million related to ISTODAX® for PTCL in Europe and $69.2 million related to an adjustment to the probability-weighted forecasted cash flows of CC-292 compared to prior estimates. No IPR&D asset impairment charges were recorded in 2013.

The following table provides a breakdown of research and development expenses (in millions):

				Increase (Decrease)	
	2014	2013	2012	2014 versus 2013	2013 versus 2012
Human pharmaceutical clinical programs	$837.0	$825.3	$781.0	$11.7	$44.3
Other pharmaceutical programs	640.9	526.0	439.1	114.9	86.9
Drug discovery and development	291.4	202.9	166.6	88.5	36.3
Cellular therapy	27.0	25.9	30.9	1.1	(5.0)
Collaboration arrangements	505.1	646.1	184.1	(141.0)	462.0
IPR&D impairments	129.2	—	122.5	129.2	(122.5)
Total	$2,430.6	$2,226.2	$1,724.2	$204.4	$502.0

We make significant investments in research and development in support of multiple ongoing proprietary clinical development programs which support both our existing products and pipeline of new drug candidates. See Item 1. "Business" for a table summarizing the current stage of development of both our commercial stage products and new drug candidates. See Note 17 of Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K for additional details related to our collaboration arrangements.

We do not collect costs on a project basis or for any category of projects for the majority of costs involved in carrying out research projects. While we do perform cost calculations to facilitate our internal evaluation of individual projects, these calculations include significant estimations and allocations that are not relevant to, or included in, our external financial reporting mechanisms. As a consequence, we do not report research and development costs at the project level.

Table of Contents

The following table presents significant developments in our phase III clinical trials and regulatory approval requests that occurred during the three-month period ended December 31, 2014, as well as developments that are expected to occur if the future occurrence is material and reasonably certain:

New phase III trials:

Product	Disease Indication
OTEZLA®	Behçet's disease
REVLIMID®	Diffuse large B-cell lymphoma (Opened for enrollment)

Regulatory approval requests in major markets:

Product	Disease Indication	Major Market	Regulatory Agency	Date of Submission or Filing
REVLIMID®	Mantle cell lymphoma	EU	EC	Q4 2014 (Filed)
REVLIMID®	Newly diagnosed multiple myeloma	Japan	PMDA	Q4 2014 (Filed)
VIDAZA®	Acute myeloid leukemia	EU	EC	Q4 2014 (Filed)
ABRAXANE®	Metastatic pancreatic cancer	Japan	PMDA	Q4 2014 (Filed)

Regulatory agency actions:

Product	Disease Indication	Major Market	Regulatory Agency	Action
OTEZLA®	Psoriatic arthritis	EU	EC	Approval
OTEZLA®	Plaque psoriasis	EU	EC	Approval
REVLIMID®	Expanded indication for multiple myeloma	U.S.	FDA	Approval
REVLIMID®	Previously untreated multiple myeloma not eligible for transplant	EU	EC	Approval
ABRAXANE®	Non-small cell lung cancer	EU	CHMP	Positive opinion
ABRAXANE®	Unresectable pancreatic cancer	Japan	PMDA	Approval

Selling, General and Administrative: Selling, general and administrative expenses primarily include salary and benefit costs for employees included in our sales, marketing, finance, legal and administrative organizations, costs related to the launch of new products or those approved for new indications, outside professional services, donations to independent non-profit patient assistance organizations in the United States and facilities costs.

Selling, general and administrative expenses and related percentages for the years ended December 31, 2014, 2013 and 2012 were as follows (dollar amounts in millions):

	2014		2013		2012	
Selling, general and administrative	$2,027.9		$1,684.5		$1,373.5	
Increase from prior year	$343.4		$311.0		$147.2	
Percent increase from prior year	20.4	%	22.6	%	12.0	%
Percent of total revenue	26.4	%	25.9	%	24.9	%

Selling, general and administrative expenses increased by $343.4 million to $2.028 billion for 2014 compared to 2013. The increase was primarily due to an increase in expenses associated with our growing organization to support inflammation and immunology products and product candidates, such as OTEZLA® and GED-0301, as well as increases in selling and marketing activities related to recently approved indications for OTEZLA®, POMALYST®/IMNOVID® and ABRAXANE®. The increase also included $25.0

Table of Contents

million of expense related to the settlement of a contingent obligation to make matching contributions to The Chan Soon-Shiong Institute for Advanced Health.

Selling, general and administrative expenses increased by $311.0 million to $1.685 billion in 2013 compared to 2012, partly due to an increase in headcount related costs, including share based compensation expense, and marketing activities primarily related to the global launch of POMALYST®/IMNOVID®, expenses related to the launch of ABRAXANE® in pancreatic cancer, headcount increases and marketing expenses to prepare for the 2014 launch of OTEZLA®, a $27.7 million increase in service fees attributable to Latin American operations, an increase in incentive accruals and continued support of our currently marketed products, partially offset by a $23.6 million decrease in donations to independent non-profit patient assistance organizations in the United States.

Amortization of Acquired Intangible Assets: Amortization of intangible assets acquired as a result of business combinations is summarized below for the years ended December 31, 2014, 2013 and 2012 (in millions):

	2014	2013	2012
Avila	$47.3	$47.3	$39.4
Abraxis	155.5	160.0	99.6
Gloucester	51.5	51.5	51.5
Pharmion	4.0	4.0	4.0
Total amortization	$258.3	$262.8	$194.5
Increase (decrease) from prior year	$(4.5)	$68.3	$(94.7)

Amortization of acquired intangible assets decreased by $4.5 million to $258.3 million in 2014 compared to 2013 due to a certain Abraxis related intangible asset becoming fully amortized during the first half of 2014.

Amortization of acquired intangible assets increased by $68.3 million to $262.8 million in 2013 compared to 2012 primarily due to a $61.9 million increase attributable to the October 2012 approval of ABRAXANE® in the United States for the treatment of NSCLC, which resulted in the commencement of amortization of the related intangible asset, and a $7.9 million increase in amortization related to intangible assets obtained in the March 2012 acquisition of Avila, partly offset by certain Abraxis related intangibles becoming fully amortized early in 2012.

Acquisition Related Charges, net: Acquisition related charges, net is summarized below for the years ended December 31, 2014, 2013 and 2012 (dollar amounts in millions):

	2014	2013	2012
Acquisition related charges, net	$48.7	$171.1	$169.0
Increase (decrease) from prior year	$(122.4)	$2.1	$311.3
Percentage increase (decrease) from prior year	(71.5)%	1.2 %	N/M

Acquisition related charges, net decreased by $122.4 million to $48.7 million in 2014 compared to 2013. The decrease was primarily due to a $122.5 million reduction in expense from the change in fair value of our contingent liabilities related to publicly traded contingent value rights (CVRs) that were issued as part of the acquisition of Abraxis and a $75.5 million reduction in expense related to the fair value of our contingent consideration payable to the former shareholders of Avila due to an adjustment to the probability-weighted forecasted cash flows related to CC-292, partly offset by a $75.6 million expense in the current year period for an increase in the fair value of our contingent consideration payable related to the Nogra Pharma Limited (Nogra) acquisition which reflects both the passage of time and an increase of $19.8 million related to an increase in the estimated probability of making one of the additional contingent developmental milestone payments.

Acquisition related charges, net increased by $2.1 million to $171.1 million in 2013 compared to $169.0 million in 2012. The net increase was primarily due to a combined $80.8 million unfavorable change in the income statement impact related to the fair values of our contingent consideration liabilities related to the Gloucester and Avila acquisitions, partly offset by a $76.1 million favorable change in the income statement impact related to the fair value of our publicly traded CVRs that were issued as part of the acquisition of Abraxis.

41

Table of Contents

Interest and Investment Income, Net: Interest and investment income, net is summarized below for the years ended December 31, 2014, 2013 and 2012 (dollar amounts in millions):

	2014	2013	2012
Interest and investment income, net	$28.2	$22.0	$15.3
Increase (decrease) from prior year	$6.2	$6.7	$(10.6)
Percentage increase (decrease) from prior year	28.2%	43.8%	(41.0)%

Interest and investment income, net increased by $6.2 million to $28.2 million in 2014 compared to 2013 primarily due to higher investment balances compared to the prior year, a decrease in losses on sales of marketable securities and a decrease in the net amortization expense of premiums and discounts related to marketable securities.

Interest and investment income, net increased by $6.7 million to $22.0 million in 2013 compared to 2012 primarily due to higher investment balances compared to the prior year, partly offset by a $6.1 million increase in losses on sales of marketable securities.

Interest Expense: Interest expense is summarized below for the years ended December 31, 2014, 2013 and 2012 (in millions):

	2014	2013	2012
Interest expense	$176.1	$91.6	$63.2
Increase from prior year	$84.5	$28.4	$20.5

Interest expense increased by $84.5 million to $176.1 million for 2014 compared to 2013 primarily due to interest expense associated with the issuance of $1.500 billion of senior notes in August 2013 and an additional $2.500 billion of senior notes in May 2014.

Interest expense increased by $28.4 million to $91.6 million in 2013 compared to 2012 primarily due to interest and fees associated with the issuance of $1.500 billion in senior notes in both August 2013 and August 2012.

Other Income (Expense), Net: Other income (expense), net is summarized below for the years ended December 31, 2014, 2013 and 2012 (in millions):

	2014	2013	2012
Foreign exchange gains (losses), including foreign exchange derivative instruments not designated as hedging instruments	$(9.5)	$22.2	$(10.8)
Fair value adjustments of forward point amounts	(18.0)	6.3	2.5
Celgene puts sold	11.6	1.2	—
Premium paid on equity investment	(9.7)	—	—
Impairment charges	(4.0)	(99.2)	(25.5)
Other	(14.1)	(4.4)	16.8
Total other income (expense), net	$(43.7)	$(73.9)	$(17.0)

Other income (expense), net was a net expense of $43.7 million for 2014 and a net expense of $73.9 million for 2013. The $30.2 million decrease in net expense was primarily due to a decrease in impairment charges in 2014 related to certain investments and gains related to the sale of puts on our common stock in 2014. The decrease was partially offset by the impact of foreign exchange losses recorded in the 2014 period compared to gains recorded in the 2013 period. In addition, the 2014 period included an unfavorable change in spreads between forward and spot rates related to foreign exchange contracts compared to a favorable change in spreads between forward and spot rates in the 2013 period.

Other income (expense), net increased by $56.9 million to $73.9 million in 2013 compared to 2012, primarily due to a $73.7 million increase in investment related impairment charges, including an $80.0 million impairment charge related to a royalty receivable asset that was received in April 2011 as partial consideration for the sale of the Abraxis

non-core assets. The increase was partly offset by increased gains related to foreign exchange contracts not designated as hedging instruments which were intended to mitigate the impact of exchange rate volatility in the translation of foreign earnings.

Income Tax Provision: The income tax provision increased by $112.0 million to $327.5 million in 2014 compared to 2013 primarily as a result of an increase in income before taxes combined with an increase in the effective tax rate. The full year 2014 underlying

Table of Contents

effective tax rate of 14.3% reflects the impact of our global business footprint. The increase in the underlying effective tax rate from 2013 reflects a decrease in tax benefits from certain collaboration and acquisition-related items and an increase in tax expense associated with the launch of new products. The effective tax rate for 2014 was decreased by 0.2 percentage points as a result of discrete items, including a net decrease in unrecognized tax benefits resulting from ongoing examinations, settlements with taxing authorities, and expirations of statutes of limitations.

The income tax provision decreased by $9.8 million to $215.5 million in 2013 compared to 2012. The full year 2013 underlying effective tax rate of 12.2% reflected the impact of our global business footprint. The decrease in the underlying effective tax rate from 2012 reflected an increase in tax benefits from certain collaboration and acquisition-related items, including an impairment of a royalty receivable asset in the amount of $80.0 million and upfront payments to collaboration partners of $227.0 million that were incurred in the fourth quarter of 2013. The effective tax rate for 2013 was increased by 0.7 percentage points as a result of discrete items, including a net increase in unrecognized tax benefits resulting from ongoing examinations and settlements with taxing authorities, partially offset by tax benefits from the retroactive reinstatement of the 2012 U. S. research and development tax credit. The U.S. research and development tax credit expired on December 31, 2011 and was retroactively reinstated in the first quarter of 2013.

The income tax provision for 2012 included a full year underlying effective tax rate of 13.5%. The effective tax rate was reduced by 0.1 percentage points in 2012 as a result of discrete items, including tax benefits related to the settlement of tax examinations and expirations of statutes of limitations offset by an increase in deferred tax liabilities recorded on certain unremitted foreign earnings previously treated as permanently reinvested in such foreign jurisdictions and tax expense related to the filing of our 2011 income tax returns with certain items being less favorable than originally estimated. The U.S. research and development tax credit expired on December 31, 2011 and was retroactively reinstated in the first quarter of 2013. The tax benefit of our 2012 research credit was recorded in the first quarter of 2013. This change in tax law did not have a significant impact on our income tax provisions.

Net Income: Net income and per common share amounts for the years ended December 31, 2014, 2013 and 2012 were as follows (dollar amounts in millions, except per share data):

	2014	2013	2012
Net income	$1,999.9	$1,449.9	$1,456.2
Per common share amounts:*			
Basic	$2.49	$1.75	$1.69
Diluted	$2.39	$1.68	$1.65
Weighted average shares:*			
Basic	802.7	827.7	861.9
Diluted	836.0	860.6	881.6

*adjusted to reflect the two-for-one common stock split effected in June 2014.

The $550.0 million increase in net income to $2.000 billion in 2014 compared to 2013 was primarily due to a higher level of net product sales partly offset by an increase in expenses, including a $129.2 million impairment charge for IPR&D, increase in share-based compensation expense, increase in drug discovery and development activities, expenses associated with our growing organization to support inflammation and immunology products and product candidates and an increase in selling and marketing activities primarily related to launch activities in recently approved indications for OTEZLA®, POMALYST®/IMNOVID® and ABRAXANE®. The $0.71 increase in diluted earnings per share in 2014 compared to 2013 was favorably impacted by the repurchase of 22.0 million common shares under our common share repurchase program, reducing our outstanding share base.

The $6.3 million decrease in net income to $1.450 billion in 2013 compared to 2012 was primarily due to a $462.0 million increase in payments made related to research and development collaboration arrangements, a $61.9 million increase in ABRAXANE® amortization expense due to the October 2012 FDA approval of ABRAXANE® for treatment of NSCLC, a $94.8 million increase in share-based compensation expense, and increased spending in support of our currently marketed products and those that we plan to launch. The increases in expense were nearly

offset by the favorable impact from a higher level of net product sales. The $0.03 increase in diluted earnings per share in 2013 compared to 2012 was favorably impacted by the repurchase of 22.3 million common shares under our common share repurchase program, reducing our outstanding share base.

Table of Contents

Liquidity and Capital Resources

The following table summarizes the components of our financial condition for the years ended December 31, 2014, 2013 and 2012 (in millions):

	2014	2013	2012	Increase 2014 versus 2013	2013 versus 2012
Financial assets:					
Cash and cash equivalents	$4,121.6	$3,234.4	$2,090.4	$887.2	$1,144.0
Marketable securities available for sale	3,425.1	2,452.6	1,809.9	972.5	642.7
Total financial assets	$7,546.7	$5,687.0	$3,900.3	$1,859.7	$1,786.7
Debt:					
Short-term borrowings and current portion of long-term debt	$605.9	$544.8	$308.5	$61.1	$236.3
Long-term debt, net of discount	6,265.7	4,196.5	2,771.3	2,069.2	1,425.2
Total debt	$6,871.6	$4,741.3	$3,079.8	$2,130.3	$1,661.5
Working capital[1]	$7,617.2	$5,607.4	$3,767.6	$2,009.8	$1,839.8

1 Includes cash, cash equivalents and marketable securities available for sale, accounts receivable, net of allowances, inventory and other current assets, less short-term borrowings and current portion of long-term debt, accounts payable, accrued expenses, income taxes payable and other current liabilities.

We rely primarily on positive cash flows from operating activities, proceeds from sales of available-for-sale marketable securities and borrowings in the form of long-term notes payable and short-term commercial paper to provide for our liquidity requirements. We expect continued growth in our expenditures, particularly those related to research and development, clinical trials, commercialization of new products, international expansion and capital investments. However, we anticipate that existing cash and cash equivalent balances, marketable securities available for sale, cash generated from operations and existing sources of and access to financing are adequate to fund our operating needs, capital expenditures, debt service requirements and our plans to purchase our stock or pursue other strategic business initiatives for the foreseeable future.

Many of our operations are conducted outside the United States and significant portions of our cash, cash equivalents and short-term investments are held internationally. As of December 31, 2014, we held approximately $6.737 billion of these short-term funds in foreign tax jurisdictions. The amount of funds held in U.S. tax jurisdictions can fluctuate due to the timing of receipts and payments in the ordinary course of business and due to other reasons, such as repurchases of our common stock and business-development activities. As part of our ongoing liquidity assessments, we regularly monitor the mix of domestic and international cash flows (both inflows and outflows). Repatriation of overseas funds can result in additional U.S. federal, state and local income tax payments. We record U.S. deferred tax liabilities for certain unremitted earnings, but when amounts earned overseas are expected to be permanently reinvested outside of the United States, no accrual for U.S. taxes is provided. Approximately $900.0 million of our foreign earnings, included in the $6.737 billion of short-term funds in foreign tax jurisdictions, may not be required for use in offshore operations and may be available for use in the United States. These earnings are not treated as permanently reinvested and accordingly, our deferred tax liabilities as of December 31, 2014 and December 31, 2013 included $316.5 million for the estimated U.S. federal and state income taxes that may be incurred should these earnings be repatriated. The remaining foreign earnings are unremitted and expected to be permanently reinvested outside the United States. We do not rely on these earnings as a source of funds for our domestic business as we expect to have sufficient current cash resources combined with future cash flows in the United States to fund our U.S. operational and strategic needs.

Share Repurchase Program: Our Board of Directors has approved an aggregate $13.500 billion common stock repurchase program of which we have approximately $3.140 billion remaining for future share repurchases. During 2014, we used $2.975 billion for repurchases of our common stock, measured on a settlement date basis.

Components of Working Capital

Cash, Cash Equivalents and Marketable Securities Available for Sale: We invest our excess cash primarily in money market funds, U.S. Treasury securities, U.S. government-sponsored agency securities, U.S. government-sponsored agency mortgage-backed securities, non-U.S. government agency and supranational securities, global corporate debt securities and asset backed securities. All liquid investments with maturities of three months or less from the date of purchase are classified as cash equivalents

Table of Contents

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 $1.860 billion increase in cash, cash equivalents and marketable securities available for sale at December 31, 2014 compared to 2013 was primarily due to the issuance of $2.500 billion in senior notes in May 2014 and by cash generated from operations, partly offset by $2.975 billion paid under our share repurchase program, $710.0 million paid to acquire the GED-0301 license from Nogra and a net decrease of $445.3 million in short-term borrowings.

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. For more information related to the fair value and valuation of our marketable securities, see Note 4 of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Accounts Receivable, Net: Accounts receivable, net increased by $105.3 million to $1.167 billion at December 31, 2014 compared to December 31, 2013 primarily due to increased sales of REVLIMID®, ABRAXANE® and POMALYST®/IMNOVID®, partially offset by foreign exchange impact. Sales made outside the United States typically have payment terms that are greater than 60 days, thereby extending collection periods beyond those in the United States. We expect our accounts receivable balance to continue to grow as our international sales continue to expand.

We continue to monitor economic conditions, including the volatility associated with international economies, the sovereign debt crisis in certain European countries and associated impacts on the financial markets and our business. Our current business model in these markets is typically to sell our products directly to principally government owned or controlled hospitals, which in turn directly deliver critical care to patients. Our products are used to treat life-threatening diseases and we believe this business model enables timely delivery and adequate supply of products. Many of the outstanding receivable balances are related to government-funded hospitals and we believe the receivable balances are ultimately collectible. Similarly, we believe that future sales to these customers will continue to be collectible.

The credit and economic conditions within Spain, Italy, Portugal and Greece, as well as increasing sales levels in those countries have in the past resulted in, and may continue to result in, an increase in the average length of time it takes to collect accounts receivable. Our total net receivables in Spain, Italy and Portugal are composed almost entirely of amounts receivable from government-owned or controlled hospitals and the public sector and amounted to $241.8 million at December 31, 2014 compared to $348.4 million at December 31, 2013. Approximately $44.4 million of the $241.8 million receivable at December 31, 2014 was greater than one year past due. Our exposure to the sovereign debt crisis in Greece is limited, as we do not have a material amount of receivables in Greece. We maintain timely and direct communication with hospital customers in Spain, Italy and Portugal regarding both the current and past due receivable balances. We continue to receive payments from these countries and closely monitor the plans for payment at the regional government level. Payments from customers in these countries are not received on regular intervals and several months could elapse between significant payments. We also regularly request and receive positive confirmation of the validity of our receivables from most of the regional governmental authorities.

In determining the appropriate allowance for doubtful accounts for Spain, Italy and Portugal, we considered the balance of past due receivables related to sales made to government-owned or supported customers. We regularly monitor developments in Europe to assess whether the level of risk of default for any customers has increased and note the ongoing efforts by the European Union, European Monetary Union and International Monetary Fund to support countries with large public deficits and outstanding debt balances. We also monitor the efforts of individual countries to support their regions with large public deficits and outstanding debt balances. We have not experienced significant losses or write-offs with respect to the collection of our accounts receivable in these countries as a result of

their economic difficulties and we do not expect to have write-offs or adjustments to accounts receivable that would have a material adverse impact on our financial position or results of operations.

Inventory: Inventory balances increased by $52.7 million to $393.1 million at the end of 2014 compared to 2013. The increase was primarily due to increases in ABRAXANE® and OTEZLA® inventories to support recent approvals. ABRAXANE® was approved for the treatment of metastatic adenocarcinoma of the pancreas in the United States in September 2013 followed by European Union approval for the same indication in December 2013 and unresectable pancreatic cancer in Japan in December 2014. OTEZLA® received approvals for psoriatic arthritis and plaque psoriasis in the U.S. during 2014 and in the EU in January 2015. We began recognizing revenue related to OTEZLA® during the second quarter of 2014.

Other Current Assets: Other current assets increased by $158.0 million to $594.4 million at the end of 2014 compared to 2013 primarily due to a $205.1 million increase in the fair value of foreign currency forward contracts, partly offset by a $18.0 million decrease in prepaid taxes and a net decrease in other prepaid accounts.

Table of Contents

Commercial Paper: In September 2011, we entered into a commercial paper program (Program) under which we issue unsecured commercial paper notes (Commercial Paper) on a private placement basis, the proceeds of which are used for general corporate purposes. The maximum aggregate amount available under the Program is currently $1.500 billion. The maturities of the Commercial Paper may vary, but may not exceed 270 days from the date of issue. The Commercial Paper is sold under customary terms to a dealer or in the commercial paper market and is issued at a discount from par or, alternatively, is sold at par and bears varying interest rates on a fixed or floating basis. Borrowings under the Program are accounted for as short-term borrowings. As of December 31, 2014, $99.6 million of Commercial Paper was outstanding bearing an effective interest rate of 0.4%.

Senior Unsecured Credit Facility: In September 2011, we entered into a senior unsecured revolving credit facility (Credit Facility) providing for revolving credit in the aggregate amount of $1.000 billion, which was increased to $1.500 billion in April 2013. The term of the Credit Facility was also extended from September 2, 2016 to April 18, 2018. Subject to certain conditions, we have the right to increase the amount of the Credit Facility (but in no event more than one time per annum), up to a maximum aggregate amount of $1.750 billion.

Amounts may be borrowed under the Credit Facility for working capital, capital expenditures and other corporate purposes. The Credit Facility serves as backup liquidity for our Commercial Paper borrowings. As of December 31, 2014, there was no outstanding borrowing against the Credit Facility.

The Credit Facility contains affirmative and negative covenants including certain customary financial covenants. We were in compliance with those covenants as of December 31, 2014.

Accounts Payable, Accrued Expenses and Other Current Liabilities: Accounts payable, accrued expenses and other current liabilities increased by $108.1 million to $1.465 billion at the end of 2014 compared to 2013. The increase was primarily due to increases of $131.2 million in deferred tax liabilities, $34.0 million in compensation related accrued expenses, $15.6 million in sales adjustments and $10.1 million in accrued interest. The increases were partly offset by decreases of $53.3 million related to foreign exchange contracts, $28.2 million of contingent consideration related to business acquisitions and a $18.0 million decrease related to collaboration agreements.

Income Taxes Payable (Current and Non-Current): Income taxes payable increased by $34.6 million to $285.6 million at the end of 2014 compared to 2013, primarily from the current provision for income taxes of $599.8 million and net deferred intercompany credits of $26.3 million, offset by income tax payments of $294.6 million, a tax benefit of stock options of $252.6 million, and a decrease in refundable income taxes of $41.8 million.

Senior Notes: In May 2014, we issued an additional $2.500 billion principal amount of senior notes consisting of $500.0 million aggregate principal amount of 2.250% Senior Notes due 2019 (the 2019 notes), $1.000 billion aggregate principal amount of 3.625% Senior Notes due 2024 (the 2024 notes) and $1.000 billion aggregate principal amount of 4.625% Senior Notes due 2044 (the 2044 notes and, together with the 2019 notes and 2024 notes, the “2014 issued notes”). The 2014 issued notes were issued at 99.751%, 99.659% and 99.646% of par, respectively, and the discount is being amortized as additional interest expense over the period from issuance through maturity. Offering costs of $21.2 million have been recorded as debt issuance costs on our Consolidated Balance Sheets and are being amortized as additional interest expense using the effective interest rate method over the period from issuance through maturity. Interest on the 2014 issued notes is payable semi-annually in arrears on May 15 and November 15 each year beginning November 15, 2014 and the principal on each note is due in full at their respective maturity dates. The 2014 issued notes may be redeemed at our option, in whole or in part, at any time at a redemption price equaling accrued and unpaid interest plus the greater of 100% of the principal amount of the 2014 issued notes to be redeemed or the sum of the present values of the remaining scheduled payments of interest and principal discounted to the date of redemption on a semi-annual basis plus 10 basis points in the case of the 2019 notes, 15 basis points in the case of the 2024 notes and 20 basis points in the case of the 2044 notes. If we experience a change of control accompanied by a downgrade of the debt to below investment grade, we will be required to offer to repurchase the 2014 issued notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest. We are subject to covenants which limit our ability to pledge properties as security under borrowing arrangements and limit our ability to perform sale and leaseback transactions involving our property.

In anticipation of issuing debt in 2014, we entered into an aggregate notional value of $1.500 billion in forward starting swaps that were designated as cash flow hedges to hedge against changes in interest rates that could impact the issuance of debt. In April 2014 we accelerated our planned debt issuance date, which resulted in hedge ineffectiveness in the forward starting swaps and a $3.6 million charge to other income (expense), net due to differences between the effective date of the swaps and the accelerated debt issuance date. In addition, all forward starting swaps were settled upon the issuance of debt in May 2014 when the net fair value of the forward starting swaps in accumulated other comprehensive income was a loss position of $25.9 million. The net loss of $25.9 million will be recognized as interest expense over the life of the associated senior notes. At December 31, 2014 we had $250.0 million notional value of forward starting interest rate swaps outstanding with effective dates in November 2015, maturing in ten years to hedge against changes in interest rates that could impact an anticipated issuance of debt in 2015. The carrying value of all of our senior notes issued was $6.772 billion at December 31, 2014.

Table of Contents

Cash flows from operating, investing and financing activities for the years ended December 31, 2014, 2013 and 2012 were as follows (in millions):

	2014	2013	2012	$ Change 2014 versus 2013	2013 versus 2012
Net cash provided by operating activities	$2,806.3	$2,225.9	$2,018.6	$580.4	$207.3
Net cash used in investing activities	$(1,438.0)	$(528.6)	$(1,553.6)	$(909.4)	$1,025.0
Net cash used in financing activities	$(417.4)	$(553.7)	$(248.8)	$136.3	$(304.9)

Operating Activities: Net cash provided by operating activities increased by $580.4 million to $2.806 billion in 2014 compared to 2013 primarily as a result of an expansion of our operations and a related increase in net earnings.

Net cash provided by operating activities increased by $207.3 million to $2.226 billion in 2013 compared to 2012 primarily as a result of an expansion of our operations and a related increase in net earnings.

Investing Activities: Net cash used in investing activities increased by $909.4 million in 2014 compared to 2013. The increase in net cash used in investing activities was principally related to a cash use of $710.0 million for the Nogra acquisition. In addition, net purchases of marketable securities available for sale during 2014 were $144.2 million higher than in 2013.

Net cash used in investing activities decreased by $1.025 billion in 2013 compared to 2012. The decrease in net cash used in investing activities was principally related to a cash use of $341.3 million for net purchases of marketable securities available for sale during 2013 compared to a cash use of $1.025 billion for net purchases in 2012, plus the use of $352.2 million for the acquisition of Avila in 2012.

Financing Activities: Net cash used in financing activities decreased by $136.3 million in 2014 compared to 2013. The decrease was principally related to a $991.0 million increase in proceeds from the issuance of long-term debt in 2014 compared to 2013, partly offset by a $210.5 million increase in payments for the purchase of treasury shares in 2014 compared to 2013 and a net repayment of $445.3 million in short-term borrowing in 2014 compared to a net increase of $234.1 million in short-term borrowing in 2013.

Net cash used in financing activities in 2013 was $553.7 million compared to a net cash use of $248.8 million in 2012. The $304.9 million increase in net cash used in financing activities was primarily attributable to a $721.0 million increase in cash used for the purchase of treasury shares and a cash use of $225.0 million recorded as a financing activity to reflect the portion of a $300.0 million milestone payment to holders of our CVRs that represents the original fair value of Abraxis contingent consideration. These increases were partially offset by net proceeds from borrowing of $234.1 million during 2013 compared to net repayments of $217.4 million in 2012. Proceeds from issuances of common stock under our employee stock plans plus the excess tax benefit from share-based compensation arrangements provided an aggregate $721.0 million during 2013, which is an increase of $195.5 million from 2012.

Table of Contents

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2014 (in millions):

	Payment Due By Period				
	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Senior notes[1]	$740.2	$955.9	$1,327.7	$7,205.8	$10,229.6
Short-term borrowings	99.6	—	—	—	99.6
Operating leases	57.1	84.3	41.3	36.0	218.7
Other contract commitments	71.6	57.7	3.0	1.5	133.8
Total	$968.5	$1,097.9	$1,372.0	$7,243.3	$10,681.7

[1] The senior note obligation amounts include future principal and interest payments for both current and non-current obligations.

Senior Notes: In May 2014, we issued a total of $2.500 billion principal amount of senior notes consisting of $500.0 million aggregate principal amount of 2.250% Senior Notes due 2019, $1.000 billion aggregate principal amount of 3.625% Senior Notes due 2024 and $1.000 billion aggregate principal amount of 4.625% Senior Notes due 2044.

In August 2013, we issued a total of $1.500 billion principal amount of senior notes consisting of $400.0 million aggregate principal amount of 2.300% Senior Notes due 2018, $700.0 million aggregate principal amount of 4.000% Senior Notes due 2023 and $400.0 million aggregate principal amount of 5.250% Senior Notes due 2043.

In August 2012, we issued a total of $1.500 billion principal amount of senior notes consisting of $500.0 million aggregate principal amount of 1.90% Senior Notes due 2017, and $1.000 billion aggregate principal amount of 3.25% Senior Notes due 2022.

In October 2010, we issued a total of $1.250 billion principal amount of senior notes consisting of $500.0 million aggregate principal amount of 2.45% Senior Notes due 2015, $500.0 million aggregate principal amount of 3.95% Senior Notes due 2020 and $250.0 million aggregate principal amount of 5.7% Senior Notes due 2040.

Short-term Borrowings: Contractual obligations related to short-term borrowings included principal, interest and fees of $99.6 million related to commercial paper outstanding at December 31, 2014.

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 operating leases expire at various dates between 2015 and 2023 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.

Other Contract Commitments: Other contract commitments of $133.8 million on December 31, 2014 primarily included $123.8 million in contractual obligations related to product supply contracts and a remaining $8.0 million balance due in connection with our acquisition of a manufacturing facility in Switzerland.

Collaboration Arrangements: We have entered into certain research and development collaboration agreements 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. Our 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 related to the attainment of specified development and regulatory approval milestones over a period of several years are inherently uncertain, and accordingly, no amounts have been recorded for these future potential payments in our Consolidated Balance Sheets at December 31, 2014 and 2013 contained in this Annual Report on Form 10-K. Potential milestone payments (not including potential royalty payments) total approximately $4.784 billion, including approximately $3.934 billion contingent on the achievement of various research, development and regulatory approval milestones and approximately $0.850 billion in sales-based milestones. For additional information about our collaboration agreements, see Note 17 of Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

New Accounting Standards

For a discussion of new accounting standards please see Note 1 of Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K.

Table of Contents

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 Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K, 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 and the sales price is fixed and determinable. 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 collectability is reasonably assured. If royalties cannot be reasonably estimated or collectability of a royalty amount is not reasonably assured, royalties are recognized as revenue when the cash is received.

Gross to Net Sales Accruals: 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 do 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. REVLIMID®, POMALYST®/IMNOVID® and THALOMID®/Thalidomide Celgene™ are distributed primarily through hospitals and contracted pharmacies, which are typically subject to tighter controls of inventory quantities within the supply channel, resulting in lower returns activity.

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 generally based on historical payment data and estimates of future Medicaid beneficiary utilization applied to the Medicaid unit rebate formula established by the Center for Medicaid and Medicare Services. The Medicaid rebate percentage was increased and extended to Medicaid Managed Care Organizations in March 2010. The accrual of the rebates associated with Medicaid Managed Care Organizations is calculated based on estimated historical patient data related to Medicaid Managed Care Organizations. We also analyze actual billings received from the states to further support the accrual rates. Subsequent to implementation of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the 2010 U.S. Health Care Reform Law), certain states have not completed their Medicaid Managed Care Organization billing for the years of 2010 through 2014. Our accruals for these Medicaid Managed Care Organization rebates had been at elevated levels given the delays in the receipt of complete invoices from certain states. Due to the receipt of more complete claims data during 2013 and 2014, the accruals for certain states were reduced from these elevated levels as a result of both payments being applied to the accrual during 2013 and 2014, and changes in estimate of the ultimate obligation during the fourth quarters of both 2013 and 2014. We will continue to adjust the rebate accruals as more information becomes available and to reflect actual claims experience. Effective January 1, 2011, manufacturers of pharmaceutical products are responsible for 50% of the patient’s cost of branded prescription drugs related to the Medicare Part D Coverage Gap. In order to

estimate the cost to us of this coverage gap responsibility, we analyze data for eligible Medicare Part D patients against data for eligible Medicare Part D patients treated with our products as well as the historical invoices. This expense is recognized throughout the year as costs are incurred. In certain international markets government-sponsored programs require rebates to be paid based on program specific rules and, accordingly, the rebate accruals are determined primarily on estimated eligible sales.

Rebates or administrative fees are offered to certain wholesale customers, group purchasing organizations and end-user customers, consistent with pharmaceutical industry practices. Settlement of rebates and fees may generally occur from one to 15 months from the date of sale. We record a provision for rebates at the time of sale based on contracted rates and historical redemption rates. Assumptions used to establish the provision include level of wholesaler inventories, contract sales volumes and average contract pricing. We regularly review the information related to these estimates and adjust the provision accordingly.

Table of Contents

Chargeback accruals are based on the differentials between product acquisition prices paid by wholesalers and lower government contract pricing paid by eligible customers covered under federally qualified programs. Distributor service fee accruals are based on contractual fees to be paid to the wholesale distributor for services provided. 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 are included in chargeback accruals and are based on estimated Department of Defense eligible sales multiplied by the TRICARE rebate formula.

Allowance for Doubtful Accounts: We estimate an allowance for doubtful accounts primarily based on the credit worthiness of our customers, historical payment patterns, aging of receivable balances and general economic conditions, including publicly available information on the credit worthiness of countries themselves and provinces or areas within such countries where they are the ultimate customers.

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 U.S. Internal Revenue Service 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.

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, 2014, it was more likely than not that we would realize our deferred tax assets, net of valuation allowances.

Share-Based Compensation: We utilize share based compensation in the form of stock options, restricted stock units, or RSUs, and performance-based restricted stock units, or PSUs. Compensation expense is recognized in the Consolidated Statements of Income based on the estimated fair value of the awards at grant date. Compensation expense 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 and is recognized on a straight-line basis over the requisite service period, which is generally the vesting period required to obtain full vesting. Management expectations related to the achievement of performance goals associated with PSU grants is assessed regularly and that assessment is used to determine whether PSU grants are expected to vest. If performance-based milestones related to PSU grants are not met or not expected to be met, any compensation expense recognized to date associated with grants that are not expected to vest will be reversed.

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, an evaluation as to whether it is more likely than not that we will not have to sell before recovery of our cost basis, and issues that raise concerns about the issuer's ability to continue as a going concern. 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

Table of Contents

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 and interest rates. The use of these derivative instruments modifies the exposure of these risks with the intent to reduce our risk or cost.

Investments in Other Entities: We hold a portfolio of investments in equity securities and certain investment funds that are accounted for under either the equity method or cost method. Investments in companies or certain investment funds over which we have significant influence but not a controlling interest are accounted for using the equity method, with our share of earnings or losses reported in other income (expense), net. Investments in equity securities of companies that become publicly traded are accounted for as available-for-sale marketable securities prospectively from the date of such companies' initial public offering.

Our cost method and equity method investments are included in other assets on the Consolidated Balance Sheets. All 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; 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 separate three-year performance cycles running concurrently ending December 31, 2015, 2016 and 2017. Performance measures for each of the performance cycles are based on the following components: 37.5% on non-GAAP earnings per share, as defined; 37.5% on total non-GAAP revenue, as defined; and 25% on relative total shareholder return, which is a measurement of our stock price performance during the applicable three-year period, compared with a group of other companies in the biopharmaceutical industry.

Threshold, target and maximum cash payout levels under the three current LTIP performance cycles are calculated as a percentage between 0% and 200% of each participant’s base salary at the time the LTIP was approved by the Compensation Committee. Such awards are payable in cash or common stock or a mixture of cash and common stock, which will be determined by the Compensation Committee at the time of award delivery. Share-based payout levels are calculated using the cash-based threshold, target and maximum levels, divided by the average closing price of Celgene stock for the 30 trading days prior to the commencement of each performance cycle. Therefore, final share-based award values are reflective of the stock price at the end of the measurement period. The Compensation Committee may determine that payments made in common stock are restricted from trading for a period of time. 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, if higher, an award based on actual performance 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 revenues and relative total shareholder return, 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.

Valuation of Goodwill, Acquired Intangible Assets, Other Assets and IPR&D: We have recorded goodwill, acquired intangible assets and IPR&D primarily through the acquisitions of Pharmion, Gloucester, Abraxis, Avila, and Nogra.

When identifiable intangible assets, including in-process research and development and securitized financial assets, 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 if quoted market prices are not available, 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 or estimating future cash flows expected to be collected; and
- developing appropriate discount rates and probability rates.

Table of Contents

Goodwill represents the excess of purchase price over fair value of net assets acquired in a business combination accounted for by the acquisition method of accounting and is not amortized, but is subject to impairment testing. We test our goodwill for impairment at least annually or when a triggering event occurs that could indicate a potential impairment by assessing qualitative factors or performing a quantitative analysis in determining whether it is more likely than not that the fair value of net assets are below their carrying amounts.

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. Intangible assets related to IPR&D product rights are treated as indefinite-lived intangible assets and not amortized until the product is approved for sale by regulatory authorities in specified markets. At that time, we will determine the useful life of the asset, reclassify the asset out of IPR&D and begin amortization. Impairment testing is also performed at least annually or when a triggering event occurs that could indicate a potential impairment. Such test entails completing an updated discounted cash flow model to estimate the fair value of the asset.

Valuation of Contingent Consideration Resulting from a Business Combination: We record contingent consideration resulting from a business combination at its fair value on the acquisition date, and for each subsequent reporting period revalue these obligations and record increases or decreases in their fair value as an adjustment to operating earnings in the consolidated statements of income. Changes to contingent consideration obligations can result from movements in publicly traded share prices of CVRs, adjustments to discount rates and periods, updates in the assumed achievement or timing of any development milestones or changes in the probability of certain clinical events and changes in the assumed probability associated with regulatory approval. The assumptions related to determining the value of a contingent consideration include a significant amount of judgment and any changes in the assumptions could have a material impact on the amount of contingent consideration expense recorded in any given period. Our contingent consideration liabilities were recorded in the acquisitions of Gloucester, Abraxis, Avila and Nogra. The fair values of the Gloucester, Avila and Nogra contingent consideration liabilities are based on the discount rate, probability and estimated timing of cash milestone payments to the former shareholders of each business. The fair value of the Abraxis contingent consideration liability is based on the quoted market price of the publicly traded CVRs.

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, 2014, our market risk sensitive instruments consisted of marketable securities available for sale, our long-term debt and certain derivative contracts.

Marketable Securities Available for Sale: At December 31, 2014, our marketable securities available for sale consisted of U.S. Treasury securities, U.S. government-sponsored agency securities, U.S. government-sponsored agency mortgage-backed (MBS) securities, non-U.S. government, agency and supranational securities, global corporate debt securities, asset backed securities and marketable equity securities. U.S. government-sponsored agency securities include general unsecured obligations either issued directly by or guaranteed by U.S. Government Sponsored Enterprises. U.S. government-sponsored agency MBS include mortgage backed securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. Non-U.S. government, agency and supranational securities consist of direct obligations of highly rated governments of nations other than the United States and obligations of sponsored agencies and other entities that are guaranteed or supported by highly rated governments of nations other than the United States. Corporate debt – global includes obligations issued by investment-grade corporations including some issues that have been guaranteed by governments and government agencies. Asset backed securities consist of triple-A rated securities

with cash flows collateralized by credit card receivables and auto loans.

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, 2014, 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 (dollar amounts in millions):

	Duration			
	Less than 1 Year	1 to 3 Years	3 to 5 Years	Total
Principal amount	$452.0	$1,780.1	$117.4	$2,349.5
Fair value	$456.4	$1,795.1	$122.3	$2,373.8
Weighted average interest rate	0.7 %	1.0 %	1.9 %	1.0 %

Debt Obligations:

Short-Term Borrowings and Current Portion of Long-Term Debt: The carrying value of short-term borrowings and current portion of long-term debt outstanding at December 31, 2014 and December 31, 2013 includes:

	2014	2013
Commercial paper	$99.6	$544.8
2.450% senior notes due 2015	506.3	—
Total	$605.9	$544.8

Long-Term Debt: We have issued an aggregate $6.750 billion principal amount of senior notes at varying maturity dates and interest rates. The principal amounts and carrying values of the long-term portion of these senior notes as of the end of December 31, 2014 are summarized below:

	Principal Amount	Carrying Value
1.900% senior notes due 2017	$500.0	$501.0
2.300% senior notes due 2018	400.0	401.2
2.250% senior notes due 2019	500.0	502.5
3.950% senior notes due 2020	500.0	502.8
3.250% senior notes due 2022	1,000.0	1,010.2
4.000% senior notes due 2023	700.0	708.5
3.625% senior notes due 2024	1,000.0	996.8
5.700% senior notes due 2040	250.0	249.5
5.250% senior notes due 2043	400.0	396.7
4.625% senior notes due 2044	1,000.0	996.5
Total long-term debt	$6,250.0	$6,265.7

At December 31, 2014, the fair value of our senior notes outstanding was $6.988 billion.

Table of Contents

MARKET RISK MANAGEMENT

Our revenue and earnings, cash flows and fair values of assets and liabilities can be impacted by fluctuations in foreign exchange rates and interest rates. We actively manage the impact of foreign exchange rate and interest rate movements through operational means and through the use of various financial instruments, including derivative instruments such as foreign currency options, foreign currency forward contracts, treasury rate lock agreements and interest rate swap contracts.

Foreign Currency Risk Management

We maintain a foreign exchange exposure management program to mitigate the impact of volatility in foreign exchange rates on future foreign currency cash flows, translation of foreign earnings and changes in the fair value of assets and liabilities denominated in foreign currencies.

Through our revenue hedging program, we endeavor to reduce the impact of possible unfavorable changes in foreign exchange rates on our future U.S. dollar cash flows that are derived from foreign currency denominated sales. To achieve this objective, we hedge a portion of our forecasted foreign currency denominated sales that are expected to occur in the foreseeable future, typically within the next three years. We manage our anticipated transaction exposure principally with foreign currency forward contracts and occasionally foreign currency put and call options.

Foreign Currency Forward Contracts: We use foreign currency forward contracts to hedge specific forecasted transactions denominated in foreign currencies, manage exchange rate volatility in the translation of foreign earnings and to reduce exposures to foreign currency fluctuations of certain assets and liabilities denominated in foreign currencies.

We manage a portfolio of 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, 2014 and December 31, 2013 had settlement dates within 36 months. The spot rate components of these foreign currency forward contracts are designated as cash flow hedges and, to the extent effective, any unrealized gains or losses are reported in other comprehensive income (OCI) and reclassified to operations in the same periods during which the underlying hedged transactions affect earnings. If a hedging relationship is terminated with respect to a foreign currency forward contract, accumulated gains or losses associated with the contract remain in OCI until the hedged forecasted transaction occurs and are reclassified to operations in the same periods during which the underlying hedged transaction affects earnings. Any ineffectiveness on these foreign currency forward contracts is reported on the Consolidated Statements of Income in other income (expense), net. The forward point components of these foreign currency forward contracts are not designated as cash flow hedges and all fair value adjustments of forward point amounts are recorded to other income (expense), net. Foreign currency forward contracts entered into to hedge forecasted revenue and expenses were as follows at December 31, 2014 and December 31, 2013:

	Notional Amount	
Foreign Currency:	2014	2013
Australian Dollar	$18.8	$—
British Pound	304.8	279.4
Canadian Dollar	43.7	—
Euro	3,375.7	3,318.2
Japanese Yen	541.1	559.1
Total	$4,284.1	$4,156.7

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 on an ongoing basis. As of December 31, 2014, credit risk did not materially change the fair value of our foreign currency forward contracts.

We also manage a portfolio of foreign currency contracts to reduce exposures to foreign currency fluctuations of certain recognized assets and liabilities denominated in foreign currencies and, from time to time, we enter into foreign currency contracts to manage exposure related to translation of foreign earnings. These foreign currency forward contracts have not been designated as hedges and, accordingly, any changes in their fair value are recognized on the Consolidated Statements of Income in other income (expense), net in the current period. The aggregate notional amount of the foreign currency forward non-designated hedging contracts outstanding at December 31, 2014 and December 31, 2013 were $835.5 million and $878.5 million, respectively.

Table of Contents

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, 2014 exchange rates were to change by a hypothetical 10%, the fair value of the foreign currency forward contracts would change by approximately $505.5 million. However, since the contracts either hedge specific forecasted intercompany transactions denominated in foreign currencies or relate to 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 and reclassified to earnings in the same periods during which the underlying hedged transactions affect earnings or re-measured through earnings each period along with the underlying asset or liability.

Foreign Currency Option Contracts: From time to time, we may hedge a portion of our future foreign currency exposure by utilizing a strategy that involves both a purchased local currency put option and a written local currency call option that are accounted for as hedges of future sales denominated in that local currency. Specifically, we sell (or write) a local currency call option and purchase a local currency put option with the same expiration dates and local currency notional amounts but with different strike prices. This combination of transactions is generally referred to as a “collar.” The expiration dates and notional amounts correspond to the amount and timing of forecasted foreign currency sales. If the U.S. dollar weakens relative to the currency of the hedged anticipated sales, the purchased put option value reduces to zero and we benefit from the increase in the U.S. dollar equivalent value of our anticipated foreign currency cash flows; however, this benefit would be capped at the strike level of the written call, which forms the upper end of the collar. The premium collected from the sale of the call option is equal to the premium paid for the purchased put option, resulting in a net zero cost for each collar. Foreign currency option contracts entered into to hedge forecasted revenue were as follows at December 31, 2014 and 2013:

	Notional Amount[1]	
	2014	2013
Foreign currency option contracts designated as hedging activity:		
Purchased Put	$152.6	$—
Written Call	$160.9	$—

[1] U.S. dollar notional amounts are calculated as the hedged local currency amount multiplied by the strike value of the foreign currency option. The local currency notional amounts of our purchased put and written call that are designated as hedging activities are equal to each other.

Assuming that the December 31, 2014 exchange rates were to change by a hypothetical 10%, the fair value of the foreign currency option contracts would increase by approximately $12.3 million if the US Dollar were to strengthen and decrease by approximately$12.1 million if the US Dollar were to weaken. However, since the contracts hedge specific forecasted intercompany transactions denominated in foreign currencies, any change in the fair value of the contract would be reported in other comprehensive income and reclassified to earnings in the same periods during which the underlying hedged transactions affect earnings.

Interest Rate Risk Management

In anticipation of issuing fixed-rate debt, we may use forward starting interest rate swaps (forward starting swaps) or treasury rate lock agreements (treasury rate locks) that are designated as cash flow hedges to hedge against changes in interest rates that could impact expected future issuances of debt. To the extent these hedges of cash flows related to anticipated debt are effective, any realized or unrealized gains or losses on the treasury rate locks or forward starting swaps are reported in OCI and are recognized in income over the life of the anticipated fixed-rate notes.

Forward Starting Interest Rate Swaps: During 2014, we entered into forward starting swaps, that were designated as cash flow hedges, with an aggregate notional value of $250.0 million and effective dates in November 2015, maturing in ten years to hedge against changes in interest rates that could impact an anticipated issuance of debt in 2015. During January 2015, we entered into additional forward starting swaps with effective dates in November 2015.

In anticipation of issuing debt in 2014, we entered into an aggregate notional value of $1.500 billion in forward starting swaps that were designated as cash flow hedges. In April 2014, we accelerated our planned debt issuance date, which resulted in hedge ineffectiveness in the forward starting swaps and a $3.6 million charge to other income

(expense), net due to differences between the effective date of the swaps and the accelerated debt issuance date. In addition, all forward starting swaps were settled upon the issuance of debt in May 2014 when the net fair value of the forward starting swaps in accumulated OCI was a loss position of $25.9 million. The net loss of $25.9 million will be recognized as interest expense over the life of the associated senior notes.

A sensitivity analysis to measure potential changes in the market value of our forward starting interest rate swap contracts from a change in interest rates indicated that a one percentage point increase in interest rates at December 31, 2014 would have increased

Table of Contents

the fair value of our contracts by $21.0 million. A one percentage point decrease at December 31, 2014 would have decreased the aggregate fair value of our contracts by $23.5 million.

Interest Rate Swap Contracts: From time to time we hedge the fair value of certain debt obligations through the use of interest rate swap contracts. The interest rate swap contracts are designated hedges of the fair value changes in the notes attributable to changes in interest rates. Since the specific terms and notional amount of the swap are intended to match those of the debt being hedged, it is assumed to be a highly effective hedge and all changes in fair value of the swap are recorded on the Consolidated Balance Sheets with no net impact recorded in income. Any net interest payments made or received on interest rate swap contracts are recognized as interest expense. If a hedging relationship is terminated for an interest rate swap contract, accumulated gains or losses associated with the contract are measured and recorded as a reduction or increase of current and future interest expense associated with the previously hedged debt obligations.

We have entered into swap contracts that were designated as hedges of certain of our fixed rate notes and also terminated the hedging relationship by settling certain of those swap contracts during 2012, 2013 and 2014. The settlement of swap contracts resulted in the receipt of net proceeds of $25.5 million and $22.9 million in 2014 and 2013, respectively, which are accounted for as a reduction of current and future interest expense associated with these notes. See Note 11 of Notes to Consolidated Financial Statements contained in this Annual Report on Form 10-K for additional details related to reductions of current and future interest expense.

The following table summarizes the notional amounts of our outstanding swap contracts at December 31, 2014 and December 31, 2013:

	Notional Amount	
	2014	2013
Interest rate swap contracts entered into as fair value hedges of the following fixed-rate senior notes:		
2.450% senior notes due 2015	$300.0	$300.0
1.900% senior notes due 2017	300.0	300.0
2.300% senior notes due 2018	200.0	200.0
2.250% senior notes due 2019	500.0	—
3.950% senior notes due 2020	500.0	500.0
3.250% senior notes due 2022	750.0	850.0
4.000% senior notes due 2023	150.0	150.0
Total	$2,700.0	$2,300.0

During 2015, we continued to actively manage our interest rate swaps and have terminated the hedging relationships of certain swap contracts and entered into new swaps that were designated as fair value hedges of our senior notes.

A sensitivity analysis to measure potential changes in the market value of our debt and interest rate swap contracts from a change in interest rates indicated that a one percentage point increase in interest rates at December 31, 2014 would have reduced the aggregate fair value of our net payable by $396.4 million. A one percentage point decrease at December 31, 2014 would have increased the aggregate fair value of our net payable by $472.9 million.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
CELGENE CORPORATION AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	58
Consolidated Balance Sheets as of December 31, 2014 and 2013	59
Consolidated Statements of Income – Years Ended December 31, 2014, 2013 and 2012	60
Consolidated Statements of Comprehensive Income – Years Ended December 31, 2014, 2013 and 2012	61
Consolidated Statements of Cash Flows – Years Ended December 31, 2014, 2013 and 2012	62
Consolidated Statements of Stockholders' Equity – Years Ended December 31, 2014, 2013 and 2012	64
Notes to Consolidated Financial Statements	65
Financial Statement Schedule	
Schedule II – Valuation and Qualifying Accounts	116

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, 2014 and 2013, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2014. 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, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 and our report dated February 20, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP
Short Hills, New Jersey
February 20, 2015

Table of Contents

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

	December 31, 2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$4,121.6	$3,234.4
Marketable securities available for sale	3,425.1	2,452.6
Accounts receivable, net of allowances of $32.1 and $40.0 at December 31, 2014 and 2013, respectively	1,166.7	1,061.4
Inventory	393.1	340.4
Deferred income taxes	11.7	25.3
Other current assets	594.4	436.4
Total current assets	9,712.6	7,550.5
Property, plant and equipment, net	642.6	593.4
Intangible assets, net	4,067.6	2,839.7
Goodwill	2,191.2	2,041.2
Other assets	726.1	353.4
Total assets	$17,340.1	$13,378.2
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	$605.9	$544.8
Accounts payable	198.2	156.2
Accrued expenses	991.1	1,001.1
Income taxes payable	12.7	16.0
Current portion of deferred revenue	28.5	27.7
Other current liabilities	275.8	199.7
Total current liabilities	2,112.2	1,945.5
Deferred revenue, net of current portion	27.8	23.7
Income taxes payable	272.9	235.0
Deferred income taxes	555.6	804.9
Other non-current liabilities	1,581.1	582.7
Long-term debt, net of discount	6,265.7	4,196.5
Total liabilities	10,815.3	7,788.3
Commitments and Contingencies (Note 18)		
Stockholders' Equity:		
Preferred stock, $.01 par value per share, 5.0 million shares authorized; none outstanding at December 31, 2014 and 2013, respectively	—	—
Common stock, $.01 par value per share, 1,150.0 million shares authorized; issued 924.8 million and 906.5 million shares at December 31, 2014 and 2013, respectively (Note 1)	9.2	9.1
Common stock in treasury, at cost; 124.6 million and 101.5 million shares at December 31, 2014 and 2013, respectively (Note 1)	(10,698.8)	(7,662.1)
Additional paid-in capital (Note 1)	9,827.2	8,676.4
Retained earnings	6,472.4	4,472.5
Accumulated other comprehensive income	914.8	94.0
Total stockholders' equity	6,524.8	5,589.9
Total liabilities and stockholders' equity	$17,340.1	$13,378.2

See accompanying Notes to Consolidated Financial Statements

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)

	Years Ended December 31,		
	2014	2013	2012
Revenue:			
Net product sales	$7,563.8	$6,362.3	$5,385.6
Other revenue	106.6	131.6	121.1
Total revenue	7,670.4	6,493.9	5,506.7
Expenses:			
Cost of goods sold (excluding amortization of acquired intangible assets)	385.9	340.4	299.1
Research and development	2,430.6	2,226.2	1,724.2
Selling, general and administrative	2,027.9	1,684.5	1,373.5
Amortization of acquired intangible assets	258.3	262.8	194.5
Acquisition related charges, net	48.7	171.1	169.0
Total costs and expenses	5,151.4	4,685.0	3,760.3
Operating income	2,519.0	1,808.9	1,746.4
Other income and (expense):			
Interest and investment income, net	28.2	22.0	15.3
Interest (expense)	(176.1)	(91.6)	(63.2)
Other income (expense), net	(43.7)	(73.9)	(17.0)
Income before income taxes	2,327.4	1,665.4	1,681.5
Income tax provision	327.5	215.5	225.3
Net income	$1,999.9	$1,449.9	$1,456.2
Net income per share (Note 1):			
Basic	$2.49	$1.75	$1.69
Diluted	$2.39	$1.68	$1.65
Weighted average shares (Note 1):			
Basic	802.7	827.7	861.9
Diluted	836.0	860.6	881.6

See accompanying Notes to Consolidated Financial Statements

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in millions)

	Years Ended December 31,		
	2014	2013	2012
Net income	$1,999.9	$1,449.9	$1,456.2
Other comprehensive income (loss):	—	27.4	25.9
Foreign currency translation adjustments	(49.8)	27.4	25.9
Pension liability adjustment	(8.6)	3.2	(4.7)
Change in functional currency of a foreign subsidiary	—	—	13.1
Net asset transfer of a common control foreign subsidiary	—	—	0.6
Net unrealized gains (losses) related to cash flow hedges:	—	128.0	1.4
Unrealized holding gains (losses)	568.1	(3.2)	39.2
Tax (expense) benefit	12.3	(2.6)	13.8
Unrealized holding gains (losses), net of tax	580.4	(5.8)	53.0
Reclassification adjustment for (gains) included in net income	(23.1)	(7.3)	(79.6)
Tax expense (benefit)	(1.7)	(6.9)	1.9
Reclassification adjustment for (gains) losses included in net income, net of tax	(24.8)	(14.2)	(77.7)
Net unrealized gains (losses) on marketable securities available for sale:			
Unrealized holding gains (losses)	494.0	205.1	1.3
Tax (expense) benefit	(173.9)	(77.1)	0.1
Unrealized holding gains (losses), net of tax	320.1	128.0	1.4
Reclassification adjustment for losses included in net income	5.4	7.3	1.1
Tax (benefit)	(1.9)	(2.2)	(0.1)
Reclassification adjustment for losses included in net income, net of tax	3.5	5.1	1.0
Total other comprehensive income	820.8	143.7	12.6
Comprehensive income	$2,820.7	$1,593.6	$1,468.8

See accompanying Notes to Consolidated Financial Statements

Table of Contents

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

	Years Ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net income	$1,999.9	$1,449.9	$1,456.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	104.3	96.9	84.9
Amortization	269.3	277.2	198.6
Deferred income taxes	(272.3)	(246.6)	100.2
Impairment charges	133.2	105.4	148.0
Change in value of contingent consideration	48.7	171.1	166.4
Share-based compensation expense	447.6	325.8	231.0
Share-based employee benefit plan expense	40.7	32.6	19.3
Reclassification adjustment for cash flow hedges included in net income	(23.1)	(7.3)	(79.6)
Unrealized change in value of derivative instruments	(48.8)	(1.4)	71.7
Other, net	(8.1)	18.0	11.8
Change in current assets and liabilities, excluding the effect of acquisitions:			
Accounts receivable	(166.3)	(101.4)	(30.1)
Inventory	(56.5)	(89.7)	(69.7)
Other operating assets	52.6	(90.9)	91.7
Accounts payable and other operating liabilities	252.3	287.2	68.2
Payment of contingent consideration	(14.3)	(75.0)	—
Income tax payable	39.1	57.4	(455.5)
Deferred revenue	8.0	16.7	5.5
Net cash provided by operating activities	2,806.3	2,225.9	2,018.6
Cash flows from investing activities:			
Proceeds from sales of marketable securities available for sale	2,175.9	3,642.3	1,743.7
Purchases of marketable securities available for sale	(2,661.4)	(3,983.6)	(2,768.8)
Payments for acquisition of businesses, net of cash acquired	(710.0)	—	(352.2)
Purchases of intellectual property and other assets	(24.8)	(19.4)	(48.9)
Capital expenditures	(150.3)	(119.7)	(111.5)
Purchases of investment securities	(67.4)	(47.1)	(30.0)
Other investing activities	—	(1.1)	14.1
Net cash used in investing activities	(1,438.0)	(528.6)	(1,553.6)
Cash flows from financing activities:			
Payment for treasury shares	(2,975.1)	(2,764.6)	(2,043.6)
Proceeds from short-term borrowing	2,566.9	4,462.0	4,494.8
Principal repayments on short-term borrowing	(3,012.2)	(4,227.9)	(4,712.2)
Proceeds from sale of common equity put options	10.3	1.2	—
Payment of contingent consideration	(25.7)	(225.0)	—
Proceeds from the issuance of long-term debt	2,470.6	1,479.6	1,486.7
Net proceeds from share-based compensation arrangements	297.2	551.6	476.2
Excess tax benefit from share-based compensation arrangements	250.6	169.4	49.3
Net cash used in financing activities	(417.4)	(553.7)	(248.8)

Effect of currency rate changes on cash and cash equivalents	(63.7)	0.4	14.7
Net increase in cash and cash equivalents	887.2	1,144.0	230.9
Cash and cash equivalents at beginning of period	3,234.4	2,090.4	1,859.5
Cash and cash equivalents at end of period	$4,121.6	$3,234.4	$2,090.4

See accompanying Notes to Consolidated Financial Statements

Table of Contents

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

	Years Ended December 31,		
	2014	2013	2012
Supplemental schedule of non-cash investing and financing activity:			
Acquisition date fair value of contingent consideration issued in business combinations	$1,060.0	$—	$171.7
Change in net unrealized gain on marketable securities available for sale	$(494.0)	$(205.1)	$(1.3)
Investment in NantBioScience, Inc. preferred equity	$90.0	$—	$—
Supplemental disclosure of cash flow information:			
Interest paid	$196.2	$90.8	$48.4
Income taxes paid	$294.6	$291.9	$469.6

See accompanying Notes to Consolidated Financial Statements

Table of Contents

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

Years Ended December 31, 2014, 2013 and 2012	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity
Balances at December 31, 2011 (Note 1)	$8.6	$(2,760.7)	$6,760.7	$1,566.4	$(62.3)	$ 5,512.7
Net income				1,456.2		1,456.2
Other comprehensive income			(13.7)		12.6	(1.1)
Mature shares tendered related to option exercise		(1.2)	0.6			(0.6)
Exercise of stock options and warrants and conversion of restricted stock units	0.2	(10.6)	482.9			472.5
Shares purchased under share repurchase program		(2,050.7)				(2,050.7)
Issuance of common stock for employee benefit plans			19.2			19.2
Expense related to share-based compensation			230.5			230.5
Income tax benefit upon exercise of stock options			55.8			55.8
Balances at December 31, 2012	$8.8	$(4,823.2)	$7,536.0	$3,022.6	$(49.7)	$ 5,694.5
Net income				1,449.9		1,449.9
Other comprehensive income					143.7	143.7
Exercise of stock options and conversion of restricted stock units	0.2	(69.7)	623.5			554.0
Shares purchased under share repurchase program		(2,769.2)				(2,769.2)
Issuance of common stock for employee benefit plans	0.1		21.9			22.0
Expense related to share-based compensation			325.0			325.0
Income tax benefit upon exercise of stock options			170.0			170.0
Balances at December 31, 2013	$9.1	$(7,662.1)	$8,676.4	$4,472.5	$94.0	$ 5,589.9
Net income				1,999.9		1,999.9
Other comprehensive income					820.8	820.8
Exercise of stock options and conversion of restricted stock units	0.1	(126.1)	424.2			298.2
Shares purchased under share repurchase program		(2,929.5)				(2,929.5)
Issuance of common stock for employee benefit plans		18.9	26.5			45.4
			447.5			447.5

Expense related to share-based compensation						
Income tax benefit upon exercise of stock options			252.6			252.6
Balances at December 31, 2014	$9.2	$(10,698.8)	$9,827.2	$6,472.4	$914.8	$ 6,524.8

See accompanying Notes to Consolidated Financial Statements

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in millions, except per share amounts, unless otherwise indicated)

1. Nature of Business, Basis of Presentation and Summary of Significant Accounting Policies

Celgene Corporation, together with its subsidiaries (collectively "we," "our," "us," "Celgene" or the "Company"), is an integrated global biopharmaceutical company engaged primarily in the discovery, development and commercialization of innovative therapies for the treatment of cancer and inflammatory diseases through gene and protein regulation. We are dedicated to innovative research and development designed to bring new therapies to market and we are involved in research in several scientific areas designed to deliver proprietary next-generation therapies, targeting areas including intracellular signaling pathways, protein homeostasis and epigenetics in cancer and immune cells, immunomodulation in cancer and autoimmune diseases and therapeutic application of cell therapies.

Our primary commercial stage products include REVLIMID®, ABRAXANE®, POMALYST®/IMNOVID®, VIDAZA®, azacitidine for injection (generic version of VIDAZA®), THALOMID® (sold as THALOMID® or Thalidomide Celgene™ outside of the U.S.), OTEZLA® and ISTODAX®. OTEZLA® was approved by the U.S. Food and Drug Administration (FDA) in March 2014 for the treatment of adult patients with active psoriatic arthritis and in September 2014 for the treatment of patients with moderate to severe plaque psoriasis who are candidates for phototherapy or systemic therapy. In January 2015, OTEZLA® was approved by the European Commission (EC) for the treatment of both psoriasis and psoriatic arthritis in certain adult patients. We began recognizing revenue related to OTEZLA® during the second quarter of 2014.

Additional sources of revenue include royalties from Novartis Pharma AG (Novartis) on their sales of FOCALIN XR® and the entire RITALIN® family of drugs, the sale of products and services through our Celgene Cellular Therapeutics (CCT) subsidiary and other licensing agreements.

The consolidated financial statements include the accounts of Celgene Corporation and its subsidiaries. Investments in limited partnerships and interests where we have an equity interest of 50% or less and do 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.

In June 2014, our stockholders voted to approve an amendment to our Certificate of Incorporation that increased the number of shares of common stock that we are authorized to issue and effected a two-for-one stock split of outstanding shares (Stock Split). As a result, our total number of authorized shares of common stock increased from 575.0 million to 1.150 billion on June 18, 2014. Stockholders of record received one additional share of common stock for each share of common stock owned. All impacted share numbers and per share amounts presented in the consolidated financial statements and the accompanying notes to the financial statements have been restated to reflect the impact of the Stock Split. Common stock held in treasury was not adjusted for the Stock Split.

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. We are subject to certain risks and uncertainties related to, among other things, product development, regulatory approval, market acceptance, scope of patent and proprietary rights, competition, outcome of legal and governmental proceedings, European credit risk, technological change and product liability.

Financial Instruments: Certain financial instruments reflected in the Consolidated Balance Sheets, (e.g., cash, cash equivalents, accounts receivable, certain other assets, accounts payable, short-term borrowings 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 4).
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, 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 ineffectiveness 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, on our stock price and interest rates. The use of these derivative instruments modifies the exposure of these risks with the intent to reduce our risk or cost.

Cash, Cash Equivalents and Marketable Securities Available for Sale: We invest our excess cash primarily in money market funds, U.S. Treasury securities, U.S. government-sponsored agency securities, U.S. government-sponsored agency mortgage-backed securities (MBS), non-U.S. government, agency and supranational securities, global corporate debt securities and asset backed 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. We determine the appropriate classification of our investments in marketable debt and equity securities at the time of purchase. In addition, our equity investments in the publicly traded common stock of companies with whom we have entered into collaboration agreements are also designated as marketable securities available for sale.

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.

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; our intent to hold to maturity and an evaluation as to whether it is more likely than not that we will not have to sell before recovery of its cost basis; our expected future cash flows from the security; and issues that raise concerns about the issuer's ability to continue as a going concern.

Concentration of Credit Risk: Cash, cash equivalents and marketable securities are financial instruments that potentially subject the Company to concentration of credit risk. We invest our excess cash primarily in money market funds, U.S. Treasury securities, U.S. government-sponsored agency securities, U.S. government-sponsored agency MBS, non-U.S. government, agency and supranational securities, global corporate debt securities and asset backed securities (See Note 6). We have 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.

We sell our products in the United States primarily through wholesale distributors and specialty contracted pharmacies. Therefore, wholesale distributors and large pharmacy chains account for a large portion of our U.S. trade receivables and net product revenues (See Note 19). International sales are primarily made directly to hospitals, clinics and retail chains, many of which in Europe are government owned and have extended their payment terms in recent years given the economic pressure these countries are facing. We continuously monitor the creditworthiness of our customers, including these governments, and have internal policies regarding customer credit limits. We estimate an allowance for doubtful accounts primarily based on the credit worthiness of our customers, historical payment patterns, aging of receivable balances and general economic conditions, including publicly available information on the credit worthiness of countries themselves and provinces or areas within such countries where they are the ultimate customers.

We continue to monitor economic conditions, including the volatility associated with international economies, the sovereign debt crisis in certain European countries and associated impacts on the financial markets and our business. Our current business model in these markets is typically to sell our products directly to principally government owned or controlled hospitals, which in turn directly deliver critical care to patients. Our products are used to treat life-threatening diseases and we believe this business model enables timely delivery and adequate supply of products. Many of the outstanding receivable balances are related to government-funded hospitals and we believe the receivable balances are ultimately collectible. Similarly, we believe that future sales to these customers will continue to be collectible.

The credit and economic conditions within Spain, Italy, Portugal and Greece, as well as increasing sales levels in those countries have in the past resulted in, and may continue to result in, an increase in the average length of time it takes to collect accounts receivable. Our total net receivables in Spain, Italy and Portugal are composed almost entirely of amounts receivable from government-owned or controlled hospitals and the public sector and amounted to $241.8 million at December 31, 2014, compared to $348.4 million at December 31, 2013. Approximately $44.4 million of the $241.8 million receivable at December 31, 2014 was greater than one year past due. Our exposure to the sovereign debt crisis in Greece is limited, as we do not have a material amount of receivables in Greece. We maintain timely and direct communication with hospital customers in Spain, Italy and Portugal

regarding both the current and past due receivable balances. We continue to receive payments from these countries and closely monitor the plans for payment at the regional government level. Payments from customers in these countries are not received on regular intervals and several months could elapse between significant payments. We also regularly request and receive positive confirmation of the validity of our receivables from most of the regional governmental authorities.

In determining the appropriate allowance for doubtful accounts for Spain, Italy and Portugal, we considered the balance of past due receivables related to sales made to government-owned or supported customers. We regularly monitor developments in Europe to assess whether the level of risk of default for any customers has increased and note the ongoing efforts by the European Union, European Monetary Union and International Monetary Fund to support countries with large public deficits and outstanding debt balances. We also monitor the efforts of individual countries to support their regions with large public deficits and outstanding debt balances. We have not experienced significant losses or write-offs with respect to the collection of our accounts receivable in these countries as a result of their economic difficulties and we do not expect to have write-offs or adjustments to accounts receivable which would have a material adverse impact on our financial position or results of operations.

Inventory: Inventories are recorded at the lower of cost or market, with cost determined on a first-in, first-out basis. We periodically review 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, we 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.

We capitalize inventory costs associated with certain products prior to regulatory approval of products, or for inventory produced in new production facilities, when management considers it highly probable that the pre-approval inventories will be saleable. The determination to capitalize is based on the particular facts and circumstances relating to the expected regulatory approval of the product or production facility being considered, and accordingly, the time frame within which the determination is made varies from product to product. The assessment of whether or not the product is considered highly probable to be saleable is made on a quarterly basis and includes, but is not limited to, how far a particular product or facility has progressed along the approval process, any known safety or efficacy concerns, potential labeling restrictions and other impediments. We could be required to write down previously capitalized costs related to pre-launch inventories upon a change in such judgment, or due to a denial or delay of approval by regulatory bodies, a delay in commercialization or other potential factors.

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. Building improvements are depreciated over the remaining useful life of the building. 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 capitalized assets 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.

Capitalized Software Costs: We capitalize 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.

Investments in Other Entities: We hold a portfolio of investments in equity securities and certain investment funds that are accounted for under either the equity method or cost method. Investments in companies or certain investment funds over which we have significant influence but not a controlling interest are accounted for using the equity method, with our share of earnings or losses reported in other income (expense), net. Investments in equity securities of companies that become publicly traded are accounted for as available-for-sale marketable securities prospectively from the date of such companies' initial public offering.

Our cost method and equity method investments are included in other assets on the Consolidated Balance Sheets. All 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; any other information that we may be aware of related to the investment.

Other Intangible Assets: 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 or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Intangible assets which are not amortized include acquired in-process research and development (IPR&D) and acquired intangible assets held for sale. Amortization is initiated for IPR&D intangible assets when their useful lives have been determined. IPR&D intangible assets which are determined to have had a drop in their fair value are adjusted downward and an expense recognized in the income statement. These IPR&D intangible assets are tested at least annually or when a triggering event occurs that could indicate a potential impairment.

Goodwill: Goodwill represents the excess of purchase price over fair value of net assets acquired in a business combination accounted for by the acquisition method of accounting and is not amortized, but is subject to impairment testing. We test our goodwill for impairment at least annually or when a triggering event occurs that could indicate a potential impairment by assessing qualitative factors or performing a quantitative analysis in determining whether it is more likely than not that the fair value of net assets are below their carrying amounts.

Impairment of Long-Lived Assets: Long-lived assets, such as property, plant and equipment and certain other long-term assets 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 for the amount by which the carrying amount of the assets exceed the fair value of the assets.

Contingent Consideration from Business Combinations: Subsequent to the acquisition date, we measure contingent consideration arrangements at fair value for each period with changes in fair value recognized in income as acquisition related charges, net. Changes in fair values reflect new information about related IPR&D and other assets and the passage of time. In the absence of new information, changes in fair value reflect only the passage of time as development work towards the achievement of the milestones progresses, and is accrued based on an accretion schedule.

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 month, 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 our 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 Income. We had a net foreign exchange loss of $9.5 million in 2014, a gain of $22.2 million in 2013, and a loss of $10.8 million in 2012. These amounts include the impact of gains and losses on foreign exchange contracts not designated as hedging instruments (See Note 5).

Research and Development Costs: Research and development costs are expensed as incurred. These include all internal and external costs related to services contracted by us. 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 upon regulatory approval are capitalized and amortized over the remaining useful life of the related product. Upfront payments are recorded when incurred, and milestone payments are recorded when the specific milestone has been achieved.

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. 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. We recognize the benefit of an uncertain tax position that we have taken or expect to take on income tax returns we file 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 and the sales price is fixed and determinable. 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 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 do 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.

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 generally based on historical payment data and estimates of future Medicaid beneficiary utilization applied to the Medicaid unit rebate formula established by the Center for Medicaid and Medicare Services. The Medicaid rebate percentage was increased and extended to Medicaid Managed Care Organizations in March 2010. The accrual of the rebates associated with Medicaid Managed Care Organizations is calculated based on estimated historical patient data related to Medicaid Managed Care Organizations. We also analyze actual billings received from the states to further support the accrual rates. Subsequent to implementation of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the 2010 U.S. Health Care Reform Law), certain states have not completed their Medicaid Managed Care Organization billing for the years of 2010 through 2014. Our accruals for these Medicaid Managed Care Organization rebates had been at elevated levels given the delays in the receipt of complete invoices from certain states. Due to the receipt of more complete claims data during 2013 and 2014, the accruals for certain states were reduced from these elevated levels as a result of both payments being applied to the accrual during 2013 and 2014 and changes in estimate of the ultimate obligation during the fourth quarters of both 2013 and 2014. We will continue to adjust the rebate accruals as more information becomes available and to reflect actual claims experience. Effective January 1, 2011, manufacturers of pharmaceutical products are responsible for 50% of the patient’s cost of branded prescription drugs related to the Medicare Part D Coverage Gap. In order to estimate the cost to us of this coverage gap responsibility, we analyze data for eligible Medicare Part D patients against data for eligible Medicare Part D patients treated with our products as well as the historical invoices. This expense is recognized throughout the year as costs are incurred. In certain international markets government-sponsored programs require rebates to be paid based on program specific rules and, accordingly, the rebate accruals are determined primarily on estimated eligible sales.

Rebates or administrative fees are offered to certain wholesale customers, group purchasing organizations and end-user customers, consistent with pharmaceutical industry practices. Settlement of rebates and fees may generally occur from one to 15 months from the date of sale. We record a provision for rebates at the time of sale based on contracted rates and historical redemption rates. Assumptions used to establish the provision include level of wholesaler inventories, contract sales volumes and average contract pricing. We regularly review the information related to these estimates and adjust the provision accordingly.

Chargeback accruals are based on the differentials between product acquisition prices paid by wholesalers and lower government contract pricing paid by eligible customers covered under federally qualified programs. Distributor

service fee accruals are based on contractual fees to be paid to the wholesale distributor for services provided.
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 are included in chargeback accruals and are based on estimated Department of Defense eligible sales multiplied by the TRICARE rebate formula.
We record 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).
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 collectability is reasonably assured. If royalties cannot be reasonably estimated or collectability of a royalty amount is not reasonably assured, royalties are recognized as revenue when the cash is received.
Share-Based Compensation: We utilize share based compensation in the form of stock options, restricted stock units (RSUs) and performance-based restricted stock units (PSUs). Compensation expense is recognized in the Consolidated Statements of

Income based on the estimated fair value of the awards at grant date. Compensation expense 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 and is recognized on a straight-line basis over the requisite service period, which is generally the vesting period required to obtain full vesting. Management expectations related to the achievement of performance goals associated with PSU grants is assessed regularly and that assessment is used to determine whether PSU grants are expected to vest. If performance-based milestones related to PSU grants are not met or not expected to be met, any compensation expense recognized to date associated with grants that are not expected to vest will be reversed.

The fair values of stock option grants are estimated as of the date of grant using a Black-Scholes option valuation model. The fair values of RSU and PSU grants are based on the market value of our Common Stock on the date of grant.

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 by the weighted-average number of common shares outstanding during the period, assuming potentially dilutive common shares resulting from option exercises, RSUs, PSUs, 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 us 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.

New Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers” (ASU 2014-09). ASU 2014-09 supersedes nearly all existing revenue recognition guidance under U.S. GAAP and requires revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. This accounting guidance is effective for us beginning in the first quarter of 2017 using one of two prescribed transition methods. Early adoption is not permitted. We are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

2. Acquisitions

Nogra Pharma Limited (Nogra) Acquisition

On April 23, 2014, we entered into a license agreement with Nogra, pursuant to which Nogra granted us an exclusive, royalty-bearing license for its intellectual property relating to GED-0301, an antisense oligonucleotide targeting Smad7, to develop and commercialize products containing GED-0301 for the treatment of Crohn’s disease and other indications. A phase II trial of GED-0301 in patients with active Crohn's disease has been completed and we have initiated a multi-trial clinical program that is designed to support global registrations of GED-0301 in Crohn's disease. Under the terms of the agreement, which became effective on May 14, 2014 after receipt of certain governmental clearances and approvals, we made an upfront payment of $710.0 million and may make additional contingent developmental, regulatory and sales milestone payments as well as payments based on percentages of annual sales of licensed products. The maximum aggregate amount payable for development and regulatory milestones is approximately $815.0 million, which covers such milestones relating to Crohn’s disease and other indications. Starting from global annual net sales of $500.0 million, aggregate tiered sales milestone payments could total a maximum of $1.050 billion if global annual net sales reach $4.000 billion.

The development and application of the intellectual property covered under the license agreement will be managed by joint committees composed of members from each of Nogra and us. We have the tie-breaking vote on the joint steering committee and as such have ultimate decision-making authority for development, regulatory and commercialization decisions. The agreement also includes provisions for access to employees of Nogra, technical

assistance, transfer of manufacturing agreements and transfer of Nogra know-how related to GED-0301. Based on the foregoing factors, for accounting purposes, we have concluded that the acquired assets meet the definition of a business and have accounted for the GED-0301 license as IPR&D acquired in a business combination. The acquisition method of accounting requires that (a) the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date and (b) the fair value of IPR&D be classified as an indefinite-lived asset until the successful completion or abandonment of the associated research and development efforts. Pro-forma results of operations for this acquisition have not been presented because this acquisition is not material to our consolidated results of operations.

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

The fair value of consideration transferred to acquire the license amounted to:

	Fair Value at the Acquisition Date
Cash	$710.0
Contingent consideration	1,060.0
Total fair value of consideration transferred	$1,770.0

Our potential contingent consideration payments are classified as liabilities, which were measured at fair value as of the acquisition date, with $5.0 million classified as current liabilities and $1.055 billion classified as non-current liabilities. We estimated the fair value of potential contingent consideration using a probability-weighted income approach, which reflects the probability and timing of future potential payments. This fair value measurement is based on significant inputs that are not observable in the market and thus represents a level three liability within the fair value hierarchy. The resulting probability-weighted cash flows were discounted using a discount rate based on a market participant assumption. See Note 4 for post-acquisition changes in fair value. The purchase price allocation resulted in the following amounts being allocated to the assets acquired at the acquisition date based on their respective fair values:

	Fair Value at the Acquisition Date
In-process research and development product rights	$1,620.0
Current deferred tax assets	1.3
Non-current deferred tax liabilities, net	(1.3)
Total identifiable net assets	1,620.0
Goodwill	150.0
Total net assets acquired	$1,770.0

The fair value of the acquired IPR&D asset was based on the present value of expected net cash flows from the GED-0301 product candidate. Net cash flows were determined by estimating future sales, net of the costs to complete development of GED-0301 into a commercially viable product. Estimated net cash flows were adjusted to reflect the probability of successfully developing a new drug from a product candidate that has completed a phase II trial. Additionally, the projections considered the relevant market sizes and growth factors and the nature and expected timing of a new product introduction. The resulting net cash flows from such potential products include our estimates of cost of sales, operating expenses, and income taxes. The rates utilized to discount the net cash flows to their present value were commensurate with the stage of development of the project and uncertainties in the economic estimates used in the projections described above. The acquired IPR&D asset is accounted for as an indefinite-lived intangible asset until regulatory approval in a major market or discontinuation.

The excess of purchase price over the fair value amounts assigned to the assets acquired represents the goodwill amount resulting from the acquisition. The goodwill recorded as part of the acquisition is largely attributable to intangible assets that do not qualify for separate recognition. We expect this goodwill to be deductible for tax purposes.

The license agreement may be terminated (i) at our discretion upon 180 days' written notice to Nogra, provided that such termination will not become effective before May 14, 2017, and (ii) by either party upon material breach of the other party, subject to cure periods. Upon the expiration of our royalty payment obligations under the license agreement, on a country-by-country and licensed product-by-licensed product basis, the license granted under the license agreement will become fully paid-up, irrevocable, perpetual, and non-terminable with respect to such licensed product in such country.

Avila Acquisition

On March 7, 2012 (the Avila Acquisition Date), we acquired all of the outstanding common stock of Avila Therapeutics, Inc., subsequently renamed Celgene Avilomics Research, herein referred to as Avila, for consideration valued at the Avila Acquisition Date at $535.1 million, consisting of $363.4 million of cash ($352.2 million, net of cash acquired) and contingent developmental and regulatory milestone payments valued at $171.7 million. The acquisition resulted in Avila becoming our wholly-owned subsidiary. The results of operations for Avila are included in our consolidated financial statements from the Avila Acquisition Date and the assets and liabilities of Avila were recorded at their respective fair values on the Avila Acquisition Date and consolidated with our other assets and liabilities.

The acquisition has been accounted for using the acquisition method of accounting which requires that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date and requires the fair value of acquired IPR&D to be classified as indefinite-lived assets until the successful completion or abandonment of the associated research and development efforts.

Our potential contingent consideration payments are classified as liabilities, which were measured at fair value as of the Avila Acquisition Date and subsequently adjusted for the passage of time and probability of payment. We have paid $40.0 million in contingent consideration payments to the former shareholders of Avila subsequent to the Avila Acquisition Date and the range of remaining potential milestone payments is from no payment if none of the remaining milestones are achieved to an estimated maximum of $555.0 million if all remaining milestones are achieved. The potential milestones consist of developmental and regulatory achievements, including milestones for the initiation of phase III studies, investigational new drug, or IND, filings, and other regulatory events.

As part of the acquisition of Avila, we recorded intangible assets to reflect the fair value of the platform technology intangible asset as well as IPR&D. The $330.8 million fair value assigned to platform technology intangible asset was based primarily on expected cash flows from future product candidates to be developed from the Avilomics platform and the $198.4 million fair value assigned to acquired IPR&D was primarily based on expected cash flows from the CC-292 product candidate. The excess of purchase price over the fair value amounts assigned to the assets acquired and liabilities assumed represents the goodwill amount resulting from the acquisition. The goodwill recorded as part of the acquisition is largely attributable to full ownership rights to the Avilomics platform.

During 2014 and 2012, we recorded $129.2 million and $69.2 million in impairment charges, respectively, which were recorded as research and development expense, to write down the IPR&D asset recorded for the CC-292 program due to adjustments to the probability-weighted forecasted cash flows related to CC-292 compared to prior estimates. The adjustments to the probability-weighted forecasted cash flows related to CC-292 also resulted in reductions in the fair value of our contingent consideration payable to the former shareholders of Avila of $58.0 million in 2014 and $4.5 million in 2012, which were recorded as reductions of acquisition related charges, net.

3. Earnings Per Share

	2014	2013	2012
Net income	$1,999.9	$1,449.9	$1,456.2
Weighted-average shares:			
Basic	802.7	827.7	861.9
Effect of dilutive securities:			
Options, RSUs, PSUs, warrants and other	33.3	32.9	19.7
Diluted	836.0	860.6	881.6
Net income per share:			
Basic	$2.49	$1.75	$1.69
Diluted	$2.39	$1.68	$1.65

The total number of potential shares of common stock excluded from the diluted earnings per share computation because their inclusion would have been anti-dilutive was 18.7 million in 2014, 14.3 million in 2013 and 25.3 million in 2012.

During the period of April 2009 through December 2014, our Board of Directors has approved repurchases of up to an aggregate of $13.500 billion of our common stock, including the April 2014 authorization to repurchase an additional $4.000 billion of our common stock.

As part of the management of our share repurchase program, we may, from time to time, sell put options on our common stock with strike prices that we believe represent an attractive price to purchase our shares. If the trading price of our shares exceeds the strike price of the put option at the time the option expires, we will have economically reduced the cost of our share repurchase program by the amount of the premium we received from the sale of the put option. If the trading price of our stock is below the strike price of the put option at the time the option expires, we would purchase the shares covered by the option at the strike price of the put option. During 2014 and 2013, we recorded net gains of $11.6 million and $1.2 million, respectively, from selling put options on our common stock. At December 31, 2014, we had no outstanding put options.

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

We repurchased 22.0 million shares of common stock under the program from all sources during 2014 at a total cost of $2.928 billion, excluding transaction fees. As of December 31, 2014, we had a remaining open-ended repurchase authorization of $3.140 billion.

4. 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, 2014 and 2013, and the valuation techniques we utilized to determine such fair value.

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Our Level 1 assets consist of marketable equity securities. Our Level 1 liability relates to our publicly traded Contingent Value Rights (CVRs). See Note 18 for a description of the CVRs.
- 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. Our Level 2 assets consist primarily of U.S. Treasury securities, U.S. government-sponsored agency securities, U.S. government-sponsored agency MBS, non-U.S. government, agency and supranational securities, global corporate debt securities, asset backed securities, foreign currency forward contracts, purchased foreign currency options and interest rate swap contracts. Our Level 2 liabilities relate to written foreign currency options, foreign currency forward contracts and interest rate swap contracts.
- Level 3 inputs utilize unobservable inputs and include valuations of assets or liabilities for which there is little, if any, market activity. We do not have any Level 3 assets. Our Level 3 liabilities consist of contingent consideration related to undeveloped product rights resulting from the acquisitions of Gloucester Pharmaceuticals, Inc. (Gloucester) and Nogra in addition to contingent consideration related to the undeveloped product rights and technology platform acquired as part of the acquisition of Avila. The maximum potential remaining payments related to the contingent consideration from the acquisitions of Gloucester, Avila and Nogra are estimated to be $120.0 million, $555.0 million and $1.865 billion, respectively.

	Balance at December 31, 2014	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities	$3,425.1	$1,051.3	$2,373.8	$—
Forward currency contracts	550.7	—	550.7	—
Purchased currency options	9.8	—	9.8	—
Interest rate swaps	20.0	—	20.0	—
Total assets	$4,005.6	$1,051.3	$2,954.3	$—
Liabilities:				
Contingent value rights	$(136.3)	$(136.3)	$—	$—
Written currency options	(4.6)	—	(4.6)	—
Other acquisition related contingent consideration	(1,279.0)	—	—	(1,279.0)
Total liabilities	$(1,419.9)	$(136.3)	$(4.6)	$(1,279.0)

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

	Balance at December 31, 2013	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities	$2,452.6	$433.1	$2,019.5	$—
Cash equivalents	20.0	—	20.0	—
Total assets	$2,472.6	$433.1	$2,039.5	$—
Liabilities:				
Forward currency contracts	$(9.2)	$—	$(9.2)	$—
Contingent value rights	(118.1)	(118.1)	—	—
Interest rate swaps	(49.6)	—	(49.6)	—
Other acquisition related contingent consideration	(228.5)	—	—	(228.5)
Total liabilities	$(405.4)	$(118.1)	$(58.8)	$(228.5)

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

	2014	2013
Liabilities:		
Balance at beginning of period	$(228.5)	$(198.1)
Amounts acquired or issued	(1,060.0)	—
Net change in fair value	(30.5)	(30.4)
Settlements	40.0	—
Transfers in and/or out of Level 3	—	—
Balance at end of period	$(1,279.0)	$(228.5)

Level 3 liabilities increased by $1.051 billion in 2014 compared to 2013. Amounts acquired or issued represents $1.060 billion from the May 2014 acquisition of Nogra. The $30.5 million net increase in fair value included an increase of $75.6 million in the fair value of the contingent consideration related to our acquisition of Nogra, which reflects both the passage of time and an increase of $19.8 million related to an increase in the estimated probability of one milestone payment. This increase was partly offset by a $46.2 million decrease in the contingent consideration related to our acquisition of Avila, which included a $58.0 million adjustment based on a change in the estimated probability-weighted forecasted cash flows related to CC-292. The $40.0 million settlement represents two milestone payments related to our acquisition of Avila. The $30.4 million increase in the fair value of Level 3 liabilities in 2013 was primarily due to probability adjustments for two Avila milestones.

5. Derivative Instruments and Hedging Activities

Our revenue and earnings, cash flows and fair values of assets and liabilities can be impacted by fluctuations in foreign exchange rates and interest rates. We actively manage the impact of foreign exchange rate and interest rate movements through operational means and through the use of various financial instruments, including derivative instruments such as foreign currency option contracts, foreign currency forward contracts, treasury rate lock agreements and interest rate swap contracts. In instances where these financial instruments are accounted for as cash flow hedges or fair value hedges we may from time to time terminate the hedging relationship. If a hedging relationship is terminated we generally either settle the instrument or enter into an offsetting instrument.

Foreign Currency Risk Management

We maintain a foreign exchange exposure management program to mitigate the impact of volatility in foreign exchange rates on future foreign currency cash flows, translation of foreign earnings and changes in the fair value of assets and liabilities denominated in foreign currencies.

Through our revenue hedging program, we endeavor to reduce the impact of possible unfavorable changes in foreign exchange rates on our future U.S. dollar cash flows that are derived from foreign currency denominated sales. To achieve this objective, we

hedge a portion of our forecasted foreign currency denominated sales that are expected to occur in the foreseeable future, typically within the next three years. We manage our anticipated transaction exposure principally with foreign currency forward contracts and occasionally foreign currency put and call options.

Foreign Currency Forward Contracts: We use foreign currency forward contracts to hedge specific forecasted transactions denominated in foreign currencies, manage exchange rate volatility in the translation of foreign earnings, and to reduce exposures to foreign currency fluctuations of certain assets and liabilities denominated in foreign currencies.

We manage a portfolio of 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, 2014 and December 31, 2013 had settlement dates within 36 months. The spot rate components of these foreign currency forward contracts are designated as cash flow hedges and, to the extent effective, any unrealized gains or losses are reported in other comprehensive income (OCI) and reclassified to operations in the same periods during which the underlying hedged transactions affect earnings. If a hedging relationship is terminated with respect to a foreign currency forward contract, accumulated gains or losses associated with the contract remain in OCI until the hedged forecasted transaction occurs and are reclassified to operations in the same periods during which the underlying hedged transactions affect earnings. Any ineffectiveness on these foreign currency forward contracts is reported on the Consolidated Statements of Income in other income (expense), net. The forward point components of these foreign currency forward contracts are not designated as cash flow hedges and all fair value adjustments of forward point amounts are recorded to other income (expense), net. Foreign currency forward contracts entered into to hedge forecasted revenue and expenses were as follows at December 31, 2014 and December 31, 2013:

	Notional Amount	
Foreign Currency:	2014	2013
Australian Dollar	$18.8	$—
British Pound	304.8	279.4
Canadian Dollar	43.7	—
Euro	3,375.7	3,318.2
Japanese Yen	541.1	559.1
Total	$4,284.1	$4,156.7

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 on an ongoing basis. As of December 31, 2014, credit risk did not materially change the fair value of our foreign currency forward contracts.

We also manage a portfolio of foreign currency contracts to reduce exposures to foreign currency fluctuations of certain recognized assets and liabilities denominated in foreign currencies and, from time to time, we enter into foreign currency contracts to manage exposure related to translation of foreign earnings. These foreign currency forward contracts have not been designated as hedges and, accordingly, any changes in their fair value are recognized on the Consolidated Statements of Income in other income (expense), net in the current period. The aggregate notional amount of the foreign currency forward non-designated hedging contracts outstanding at December 31, 2014 and December 31, 2013 were $835.5 million and $878.5 million, respectively.

Foreign Currency Option Contracts: From time to time, we may hedge a portion of our future foreign currency exposure by utilizing a strategy that involves both a purchased local currency put option and a written local currency

call option that are accounted for as hedges of future sales denominated in that local currency. Specifically, we sell (or write) a local currency call option and purchase a local currency put option with the same expiration dates and local currency notional amounts but with different strike prices. This combination of transactions is generally referred to as a “collar.” The expiration dates and notional amounts correspond to the amount and timing of forecasted foreign currency sales. If the U.S. dollar weakens relative to the currency of the hedged anticipated sales, the purchased put option value reduces to zero and we benefit from the increase in the U.S. dollar equivalent value of our anticipated foreign currency cash flows; however, this benefit would be capped at the strike level of the written call, which forms the upper end of the collar. The premium collected from the sale of the call option is equal to the premium paid for the purchased put option, resulting in a net zero cost for each collar. Foreign currency option contracts entered into to hedge forecasted revenue were as follows at December 31, 2014 and 2013:

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

	Notional Amount[1]	
	2014	2013
Foreign currency option contracts designated as hedging activity:		
Purchased Put	$152.6	$—
Written Call	$160.9	$—

[1] U.S. dollar notional amounts are calculated as the hedged local currency amount multiplied by the strike value of the foreign currency option. The local currency notional amounts of our purchased put and written call that are designated as hedging activities are equal to each other.

Interest Rate Risk Management

In anticipation of issuing fixed-rate debt, we may use forward starting interest rate swaps (forward starting swaps) or treasury rate lock agreements (treasury rate locks) that are designated as cash flow hedges to hedge against changes in interest rates that could impact expected future issuances of debt. To the extent these hedges of cash flows related to anticipated debt are effective, any realized or unrealized gains or losses on the treasury rate locks or forward starting swaps are reported in OCI and are recognized in income over the life of the anticipated fixed-rate notes.

Forward Starting Interest Rate Swaps: During 2014, we entered into forward starting swaps, that were designated as cash flow hedges, with an aggregate notional value of $250.0 million and effective dates in November 2015, maturing in ten years to hedge against changes in interest rates that could impact an anticipated issuance of debt in 2015. During January 2015, we entered into additional forward starting swaps with effective dates in November 2015.

In anticipation of issuing debt in 2014, we entered into an aggregate notional value of $1.500 billion in forward starting swaps that were designated as cash flow hedges. In April 2014 we accelerated our planned debt issuance date, which resulted in hedge ineffectiveness in the forward starting swaps and a $3.6 million charge to other income (expense), net due to differences between the effective date of the swaps and the accelerated debt issuance date. In addition, all forward starting swaps were settled upon the issuance of debt in May 2014 when the net fair value of the forward starting swaps in accumulated OCI was a loss position of $25.9 million. The net loss of $25.9 million will be recognized as interest expense over the life of the associated senior notes.

Interest Rate Swap Contracts: From time to time we hedge the fair value of certain debt obligations through the use of interest rate swap contracts. The interest rate swap contracts are designated hedges of the fair value changes in the notes attributable to changes in interest rates. Since the specific terms and notional amount of the swap are intended to match those of the debt being hedged, it is assumed to be a highly effective hedge and all changes in fair value of the swap are recorded on the Consolidated Balance Sheets with no net impact recorded in income. Any net interest payments made or received on interest rate swap contracts are recognized as interest expense. If a hedging relationship is terminated for an interest rate swap contract, accumulated gains or losses associated with the contract are measured and recorded as a reduction or increase of current and future interest expense associated with the previously hedged debt obligations.

We have entered into swap contracts that were designated as hedges of certain of our fixed rate notes and also terminated the hedging relationship by settling certain of those swap contracts during 2012, 2013 and 2014. The settlement of swap contracts resulted in the receipt of net proceeds of $25.5 million and $22.9 million in 2014 and 2013, respectively, which are accounted for as a reduction of current and future interest expense associated with these notes. See Note 11 for additional details related to reductions of current and future interest expense.

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

The following table summarizes the notional amounts of our outstanding interest rate swap contracts at December 31, 2014 and December 31, 2013:

	Notional Amount	
	2014	2013
Interest rate swap contracts entered into as fair value hedges of the following fixed-rate senior notes:		
2.450% senior notes due 2015	$300.0	