Celgene Corporation is delivering the promise of science to people facing extraordinary challenges. Our marketed therapies – THALOMID® (thalidomide), ALKERAN® (melphalan), Focalin™, and cellular and tissue therapeutics – offer hope to patients and families. The treatments we provide today are just the beginning. Our extensive pipeline of anti-cancer and anti-inflammatory/immunomodulatory compounds have the potential to transform the way physicians treat patients in the future.

The compounds that make up this deep pipeline include IMiDs™, SelCIDs™, Focalin LA, SERMS, benzopyrans, kinase inhibitors, tubulin inhibitors and ligase modulators. Today at Celgene, we discover and develop the drugs that will help people live longer and healthier lives tomorrow and far into the future.

In 2002, we significantly enhanced our long-term value by expanding our commercial franchise, advancing the development of our diverse pipeline, and discovering new classes of compounds through our proprietary technology. The progress we made strongly positions us to realize the full therapeutic and commercial potential of our key programs. It also moved us closer to our goal of becoming a highly profitable, global biopharmaceutical company with leading franchises in oncology and inflammation/immunology and with a major business in the emerging area of cellular therapeutics.
2002 Corporate Highlights

Corporate and Commercial Achievements

- Record level prescriptions accelerated THALOMID® (thalidomide) revenue growth to $119 million representing a 45% increase for the full year. Encouraging clinical data for THALOMID from major medical meetings in 2002 suggest a bright future …
We expanded our commercial franchise and our commitment to cancer patients with the addition of ALKERAN®, an FDA approved drug for the treatment of multiple myeloma patients in oral and intravenous form …
The launch of Focalin, our refined version of Ritalin, and Ritalin® LA, the long-acting formulation of Ritalin, by Novartis, marked a meaningful turning point in our growth and development of multiple revenue streams ...
Building on our commitment to the oncology community, we acquired Anthrogenesis Corp., a leader in placental stem cell technology, to accelerate commercial opportunities and realize the full therapeutic potential of placental stem cells ...
Clinical and Regulatory Advancements

Following the FDA review of our protocols through the Special Protocol Assessment Program, Celgene initiated a pair of Phase III pivotal programs (US and international) for REVIMID™ in relapsed/refractory multiple myeloma and refractory metastatic melanoma …
During 2002 we expanded our commercial operations, advanced our ongoing drug development programs, and strengthened our development pipeline with the addition of a new class of compounds. As a result of these successes, we have moved significantly closer to our goal of becoming a highly profitable, global biopharmaceutical company.

Total product revenues for 2002 grew by 46 percent to $123 million from $84 million in 2001. Most of this growth came from THALOMID® (thalidomide) sales, which increased by 45 percent to a record $119 million from $82 million. We believe the growth in THALOMID sales will continue to be considerable, especially as new clinical data are presented.

During 2002, data from several Phase II clinical trials of THALOMID validated the regimens we will evaluate in the pivotal trials of THALOMID in newly diagnosed multiple myeloma and renal cell carcinoma. The published and presented data demonstrated that newly diagnosed multiple myeloma patients and metastatic renal cell cancer patients treated with THALOMID, in combination with standard therapies, experienced a significant reduction in the severity of their disease. Based on these data, we designed the pivotal trials to investigate the use of THALOMID to treat newly diagnosed multiple myeloma and metastatic renal cell carcinoma and file appropriate regulatory applications to seek marketing approval for these diseases. The trial designs were finalized by the FDA through its Special Protocol Assessment Program. The pivotal trial in multiple myeloma began in December 2002 and the renal cell cancer trial is scheduled to begin in 2003.

Clinical investigators recently presented data from the first clinical trials of THALOMID in thyroid cancer, myelofibrosis (a disease of the bone marrow) and complex regional pain syndrome. The growing body of clinical data provides valuable insight into how THALOMID may help patients in the future.

Also contributing to total revenue in 2002 was our strategic alliance with Novartis. During the year, Novartis launched Focalin™ (d-methylphenidate) and Ritalin® LA for the treatment of attention deficit disorder and attention deficit hyperactivity disorder (ADD/ADHD) and worked to establish both products in the competitive ADD/ADHD marketplace. Through our agreement
with Novartis, we receive royalties not only on Focalin but also on Ritalin®, Ritalin LA and Ritalin SR. We expect royalties and milestone payments from Novartis to continue to make meaningful contributions to our total revenue and to our operating profits.

We significantly strengthened our commercial franchise — and also our commitment to hematology and oncology patients — by making several acquisitions. Our intellectual property estate for one of our most significant programs, the IMiDs™, was broadened by the strategic acquisition of exclusive rights to the intellectual property covering thalidomide analogs from Children’s Hospital in Boston and EntreMed, Inc. Celgene also completed a strategic equity investment in EntreMed, Inc. in December 2002.

In addition to THALOMID and Focalin™, our portfolio of marketed products now includes ALKERAN® and placental stem cell products. ALKERAN is approved for the treatment of multiple myeloma and ovarian cancer. The strategic agreement we entered into with GlaxoSmithKline to promote and distribute ALKERAN gives us increased opportunities to leverage our newly expanded oncology sales force and to provide these important oncology therapies to the patients who need them.

To expand our hematological franchise and strengthen our research capability, we acquired Anthrogenesis Corp. Anthrogenesis has discovered and developed proprietary technology to procure, process and differentiate stem cells from the human placenta. From this source, Anthrogenesis is able to recover large quantities of highly-versatile stem cells that appear to have many of the characteristics previously attributed to only embryonic stem cells; however, unlike the embryo, the placenta is a non-controversial source of stem cells. Through our commercial organization, we plan to provide hematologists and oncologists with ready access to a large, renewable source of stem cells for use in a wide range of therapeutic applications.

The strategic alliance of Celgene and Anthrogenesis leverages all of our commercial and scientific franchises and complements our pipeline of oncology products. In our initial collaboration with Anthrogenesis, some of our small-molecule drugs demonstrated the ability to selectively differentiate placental stem cells. This exciting finding from this partnership encouraged us
to further investigate the transforming potential of placental stem cells.

We believe that stem cells will revolutionize the way physicians treat many serious diseases and will enhance the way scientists develop innovative medicines. By playing a key role in this process, Celgene will help patients realize the full therapeutic benefits of stem cells more rapidly.

**Robust Development Pipeline**

Our commercial franchise, driven primarily by THALOMID, fuels the development of our extensive pipeline. We believe that this pipeline, which consists of several different classes of novel small-molecule drugs, is one of the broadest and deepest in the biotechnology industry today. We advanced the development of each of those classes last year by moving new clinical candidates into Phase I trials, identifying new target indications, completing pilot efficacy trials and initiating the pivotal programs for THALOMID and REVIMID™.

The most developed compound in our pipeline, REVIMID (CC-5013), has the potential on its own to transform Celgene into a highly profitable biopharmaceutical company. REVIMID is a member of our IMiD™ class of drugs, which are analogs of thalidomide. In Phase II clinical studies, REVIMID has demonstrated anti-cancer activity both as a single agent and in combination with other therapies. For example, in a Phase II trial of REVIMID in combination with dexamethasone, 96% of patients experienced either stabilization or reduction of their disease following treatment. Based on this finding, we initiated a pivotal program to evaluate the same REVIMID regimen in refractory and relapsed multiple myeloma. We also initiated a pivotal program for REVIMID in metastatic melanoma based on previously presented data from a Phase I/II trial in solid tumor cancers.

A third potential indication for REVIMID emerged in 2002: myelodysplastic syndromes (MDS). MDS is a hematological malignancy that affects approximately 50,000 people in the United States. In a Phase I/II clinical trial, clinical investigators reported that REVIMID demonstrated substantial erythropoietic (red blood cell-forming) activity in MDS patients. Some patients who were dependent on regular blood transfusions to maintain an acceptable level of health achieved transfusion independence after REVIMID therapy. Most exciting, five patients with a specific chromosome abnormality called 5q minus experienced a complete genetic response. REVIMID has received fast track designation from the U.S. Food and Drug Administration.
(FDA) and for the treatment of multiple myeloma (MM) and myelodysplastic syndromes (MDS). We are pursuing multiple regulatory pathways to realize the full therapeutic and commercial potential of REVIMID™ as quickly as possible.

During 2002 we also advanced the development of our other classes of compounds. We completed a Phase I/II clinical trial of CC-1088, our lead SeICID™, in Crohn’s disease, an inflammatory disorder of the intestine. Based on the data from this trial, which showed that CC-1088 has anti-inflammatory activity, we will evaluate more potent SeICIDs in other chronic inflammatory and respiratory diseases. Our early-stage programs made progress as well. In the kinase-inhibitor class, our first JNK inhibitor, CC-401, successfully completed a Phase I trial in healthy human volunteers. Our pipeline of JNK inhibitors holds enormous promise for the treatment of a wide range of chronic and acute diseases. A versatile target, JNK is involved in the onset and progression of diabetes, stroke, rheumatoid arthritis, asthma and cancer. We look forward to advancing the development of CC-401 and additional JNK inhibitors in 2003.

Another class of compounds, our ligase modulators, made the important transition from target discovery to drug discovery in 2002. So far, the ligase modulators have demonstrated activity in preclinical models. In 2002, Celgene scientists also discovered a new class of tubulin inhibitors. These small-molecule anti-cancer compounds demonstrate activity against drug-resistant cancer cells, inhibition of inflammatory cytokines and anti-angiogenic activity. Our pipeline contains numerous compounds that could improve the lives of patients with cancer and inflammatory diseases.

In 2003, we expect to achieve the major milestone of full-year profitability and join the elite group of profitable biotechnology growth companies. Importantly, we will attain profitability while retaining the intellectual property that supports our key programs and the development rights that will enable us to benefit from the programs’ full upside potential.

We thank all of our employees who worked with commitment and passion to make 2002 such a successful year full of so many important accomplishments. And we thank you, our shareholders, for your continued support and encouragement.

John W. Jackson
Chairman and Chief Executive Officer

Sol J. Barer, Ph.D.
President and Chief Operating Officer

Our new state-of-the-art research facility in San Diego, California.
Celgene completed the design and initiated a THALOMID® multicenter double blind Phase III trial for previously untreated multiple myeloma patients and plan to launch a THALOMID Phase III trial for patients with untreated metastatic renal cell cancer, after review of our protocols by the FDA...
Clinical investigators presented and published extensive data on THALOMID®, REVIMID™ and ACTIMID™ in new and target indications …
Myelodysplastic syndromes emerged as a leading indication for REVIMID™ after encouraging new data from a Phase I/II clinical trial indicated REVIMID has substantial erythropoietic and cytogenic activity ...
Celgene continues to advance potential clinical compounds in our proprietary SelCID™ program with special focus in chronic inflammatory and respiratory diseases...
THALOMID®

Sales of THALOMID (thalidomide) have grown significantly since it was approved by the FDA in 1998 for the treatment of erythema nodosum leprosum, an inflammatory condition of leprosy. In 2002 THALOMID revenues totaled a record $119 million. Moreover, we anticipate that these revenues will continue to increase significantly over the next several years. THALOMID is now an established product whose growth is being driven by substantial increases in prescriptions and by emerging areas of potential use. We will continue to use the revenues from THALOMID to accelerate the development of our extensive pipeline of novel therapies.

In 2002 clinical investigators published and presented important new data from trials of THALOMID in two potential indications. Two studies evaluating the combination of THALOMID plus dexamethasone to treat newly diagnosed multiple myeloma were published in the Journal of Clinical Oncology. The data from the trials provided support for our decision to evaluate the same regimen in our recently initiated pivotal trial of THALOMID in newly diagnosed multiple myeloma.

Data presented by Dr. Robert Amato of the Baylor Cancer Center validated the regimen for our second pivotal trial of THALOMID, which will study the drug as a combination therapy with Interleukin-2 (IL-2) for the treatment of renal cell cancer.

“Based on the promising clinical data from patients treated with THALOMID in combination with IL-2, we expanded our Phase II trial and, with Celgene, designed a pivotal trial to evaluate this regimen for patients with very-difficult-to-treat metastatic renal cell cancer.”

Dr. Robert Amato
Principle investigator of THALOMID plus IL-2 renal cell cancer trial.

We continue to identify new activities for THALOMID. In 2002 we presented the first clinical data on THALOMID in myelofibrosis and in thyroid cancer; and in March 2003 clinical investigators presented the first data on THALOMID in complex regional pain syndrome. With over 150 clinical trials now evaluating THALOMID, other possible new indications are continuing to emerge. This confirms the substantial growth potential for THALOMID and helps guide our regulatory development programs for both THALOMID and REVIMID™ (CC-5013).

REVIMID™

We believe that REVIMID – a novel, orally available compound that demonstrated medically meaningful
anti-cancer activity in initial clinical trials – has the potential to transform Celgene into a major biopharmaceutical company.

Last year we significantly advanced the clinical and regulatory development of REVIMID as a treatment for hematological and solid tumor cancers. Based on positive data from preliminary studies, we designed pivotal programs for REVIMID in multiple myeloma and metastatic melanoma. After the FDA reviewed the protocols through the Special Protocol Assessment program, we finalized the trial designs and initiated both pivotal programs.

We also identified an additional potential indication for REVIMID. In a Phase I/II clinical trial, REVIMID demonstrated medically meaningful activity in myelodysplastic syndromes (MDS), a rare blood disorder.

REVIMID has received fast track designation from the FDA for multiple myeloma and myelodysplastic syndromes (MDS) and we are pursuing multiple regulatory pathways for REVIMID to fully realize the substantial therapeutic and commercial potential of this novel compound as quickly as possible.

**Pipeline**

Our proprietary drug discovery platforms in Warren, NJ, and San Diego, CA have accelerated the identification of numerous classes of novel drugs that harness the revolutionary therapeutic benefits of selective gene and protein regulation. Seven classes of proprietary drugs now make up our deep and diverse pipeline: IMiDs™, SelCIDs™, SERMs, benzopyrans, kinase inhibitors, tubulin inhibitors and ligase modulators.

In 2002 many of our novel compounds advanced through the pipeline, making important transitions to the next stage in the drug development process – for example, from target discovery to initial drug discovery; from medical chemistry to preclinical development; from preclinical testing to clinical trials; and from one clinical trial stage to the next. The compounds we develop...
### Celgene’s Product Pipeline

<table>
<thead>
<tr>
<th><strong>THALOMID</strong> (thalidomide)</th>
<th><strong>ENL</strong></th>
<th><strong>Multiple Myeloma</strong></th>
<th><strong>Renal Cell Cancer</strong></th>
<th><strong>MDS</strong></th>
<th><strong>Prostate Cancer</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ritalin Program</strong></td>
<td><strong>Focalin</strong>: ADD/ADHD</td>
<td><strong>Focalin</strong>: Cognitive Dysfunction</td>
<td><strong>Ritalin LA</strong>: ADD/ADHD</td>
<td><strong>Focalin LA</strong>: ADD/ADHD</td>
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<tr>
<td><strong>ALKERAN</strong>: Multiple Myeloma</td>
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</table>

**Cellular Therapeutics**
- Stem Cell Transplants*: Cancer
- Ambio-dry*: Ophthalmology

**IMiDs**
- **REVIMID**: Multiple Myeloma (FDA Fast Track)
- **REVIMID**: Metastatic Melanoma
- **REVIMID**: MDS (FDA Fast Track)
- **REVIMID**: Solid Tumors
- **REVIMID**: Inflammation
- **ACTIMID**: Multiple Myeloma
- **ACTIMID**: Prostate Cancer
- Others

**SelCIDs**
- **CC 1088**: Crohn’s Disease
- **CC 1088**: MDS
- **CC 7095**: Inflammation
- **CC 1064**: Inflammation
- Others: Inflammation/Respiratory

**Benzopyrans**
- **CC 8490**: Glioblastoma

**SERMs**
- **SERMox**: Osteoporosis

**Kinases**
- **JNK**: Cancer/Inflammation
- **IKK**: Cancer/Inflammation
- **MKK**: Cancer/Inflammation
- Others: Cancer/Inflammation

**Tubulin Inhibitors**: Cancer

**Ligases**: Cancer/Inflammation
today are the foundation for the potential treatments for cancer and inflammation we deliver to physicians and patients tomorrow.

Our IMiDs™ (Immunomodulatory Drugs) program has the potential to produce multiple successful drugs. Our lead compound in this class is REVIMID. ACTIMID™, our second IMiD, demonstrated medically meaningful anti-cancer activity in an initial multiple myeloma clinical trial. We also identified prostate cancer as the first solid tumor target indication for ACTIMID, and we plan to initiate a Phase II trial in 2003. We have developed a third IMiD, from a new sub-class of IMiDs, that we plan to move into clinical trials within the next twelve months. The IMiDs have an enormous potential to transform Celgene, and we will advance their clinical and regulatory development to realize their full potential in hematological and solid tumor cancers as well as inflammation and complex regional pain syndromes (CRPS).

Our SelCIDs™ (Selective Cytokine Inhibitory Drugs) program reached an important milestone recently with the completion of the pilot trial of CC-1088 in in-vivo studies and promotes apoptosis (cell death).

Following FDA approval, we launched new 100mg and 200mg strength capsules of THALOMID® in March 2003. Crohn’s disease. The data from this trial suggest that CC-1088 has anti-inflammatory activity and provide the clinical rationale to advance the development of additional, more potent SelCIDs for a variety of chronic inflammatory diseases. Besides inflammatory diseases, the SelCIDs also have potential indications in respiratory diseases. We plan to further evaluate this important class of orally available drugs for both types of disorders.

Our proprietary technology for developing SERMs (Selective Estrogen Receptor Modulators) gained significant credibility following our formation of a strategic partnership with Novartis to develop these drugs for the prevention and treatment of osteoporosis. The SERM program progressed ahead of schedule in 2002 when Novartis selected a preclinical candidate from our class of novel compounds.

CC-8490, the lead compound from our class of benzopyrans, markedly inhibits the growth of glioma (a brain tumor originating from the nervous system) in in-vivo studies and promotes apoptosis (cell death)
in preclinical glioblastoma models. Based on these preclinical data, we will initiate a Phase I/II trial of CC-8490 in patients with glioblastoma in partnership with the National Cancer Institute and we continue to explore other molecules from this class.

Two of our exciting programs focus on compounds that block or modulate the activity of kinases and ligases (important classes of proteins that control key cellular functions). Our scientists and our research partners discovered the extraordinary potential of kinase inhibitors and ligase modulators, and we are establishing a strong intellectual property position in these promising drug categories.

Our most advanced kinase program targets the protein JNK (c-Jun N-terminal kinase). Our lead compound, CC-401, moved from preclinical testing into the clinic in 2002 and successfully completed a Phase I safety trial. JNK is a “universal target”, meaning that it is implicated in the onset and progression of a wide range of indications including diabetes, stroke, rheumatoid arthritis, asthma, cancer, as well as affecting organ transplantation.

We look forward to initiating Phase II clinical trials for our JNK inhibitors in a wide variety of chronic and acute diseases.

Ligase modulators represent the next generation of proteosome inhibitors. Our novel, small-molecule ligase modulators, which are selective, have demonstrated anti-cancer activity in preclinical models.

Our scientists recently discovered a new class of tubulin inhibitors, anti-cancer compounds, that stop cancer cells from proliferating by impeding cell division. This novel class contains multiple compounds that have demonstrated activity against drug-resistant cancer cells, inhibition of inflammatory cytokines and activity against angiogenesis (development of new blood vessels) in preclinical models.

**Cellular Therapeutics**

We strengthened our focus in hematological and other malignancies last year with the acquisition of Anthrogenesis Corp. Anthrogenesis, now known as Celgene Cellular Therapeutics, has discovered and developed proprietary technology to procure large quantities of versatile composite stem cells from human placental tissue. This enables us to gather, differentiate and control large quantities of placental stem cells as therapeutic agents.

Stem cells have the potential to transform the way physicians treat cancer, as well as autoimmune
and regenerative diseases, and to revolutionize the manner in which researchers develop innovative therapies. However, the controversial nature of embryonic stem cells, and the inability to procure large quantities of stem cells from existing sources, have limited the transforming potential of stem cell therapy. These factors will not be an issue with placental stem cells. Our proprietary technology enables us to gather several therapeutic doses of cells from a single placenta without an extended ethical debate.

Within Celgene Cellular Therapeutics, we have organized three commercial business units based upon our access to high-quality placental stem cells and tissues: providing stem cell transplant products to physicians treating hematological and other malignancies; collecting and storing stem cells at the time of birth for family use; and producing biomaterials derived from human placental tissue for wound, trauma care and reconstructive procedures.

Today, physicians treating hematological cancers regularly prescribe stem cells for transplant as an essential component of a treatment strategy. More than 100,000 people in the United States are diagnosed annually with blood cancers that can be treated by stem cell transplants; however, only a fraction receive such transplants, in part, because of inadequate sources of adult doses of therapeutic stem cells. The combination of our placental stem cell technology and our commercial infrastructure has the potential to overcome this problem and make stem cell transplant units readily available to physicians who treat hematological malignancies.

The creation of Celgene Cellular Therapeutics provides an immediate commercial synergy, and it also has long-term drug discovery and development benefits. We see vast scientific promise in combining our work in placental stem cells with our existing drug discovery programs to develop orally available drugs for the treatment of cancer, and, longer term, for combating immune and metabolic disorders and neurological diseases.

Lifebank provides an all-inclusive private cord blood (stem cell) banking program for expectant parents.

Ambiodry is the first commercial product from Celgene Cellular Therapeutics currently being used by ophthalmologists for ocular repair.
Accelerated the development of SERMs for the prevention and treatment of osteoporosis through Novartis’ selection of a preclinical candidate from our novel class of SERM (Selective Estrogen Receptor Modulators) compounds …
Drug Discovery Accomplishments

- Celgene scientists discovered a new class of tubulin inhibitors, anti-proliferative compounds offering medically meaningful potential through multi-faceted anti-cancer mechanisms of action ...
Successfully completed a Phase I trial in healthy volunteers with our lead JNK inhibitor, CC-401, accelerating the development of our c-Jun N-terminal kinase (JNK) program ...
◆ Our ligase modulators made the important transition from target discovery to drug discovery and demonstrated anti-cancer activity in preclinical models.
Financial Section

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**Selected Consolidated Financial Data**

The following Selected Consolidated Financial Data should be read in conjunction with our Consolidated Financial Statements and the related Notes thereto, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other financial information included elsewhere in this Annual Report. The data set forth below with respect to our Consolidated Statements of Operations for the years ended December 31, 2002, 2001 and 2000 and the Consolidated Balance Sheet data as of December 31, 2002 and 2001 are derived from our Consolidated Financial Statements which have been audited by KPMG LLP, independent certified public accountants, and which are included elsewhere in this Annual Report and are qualified by reference to such Consolidated Financial Statements and related Notes thereto. Some information has been derived from other audited consolidated financial statements. Our historical results are not necessarily indicative of future results of operations.

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<tr>
<td><strong>Consolidated Statements of Operations Data:</strong></td>
<td></td>
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</tr>
<tr>
<td>Total revenue</td>
<td>$135,746</td>
<td>$114,243</td>
<td>$84,908</td>
<td>$38,192</td>
<td>$19,276</td>
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<tr>
<td>Costs and operating expenses</td>
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<td>139,186</td>
<td>119,217</td>
<td>68,857</td>
<td>56,705</td>
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<tr>
<td>Interest income/(expense), net</td>
<td>23,030</td>
<td>20,807</td>
<td>15,496</td>
<td>(1,990)</td>
<td>1,050</td>
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<td>Tax benefit</td>
<td>98</td>
<td>1,232</td>
<td>1,810</td>
<td>3,018</td>
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</tr>
<tr>
<td>Loss from continuing operations</td>
<td>(101,001)</td>
<td>(2,904)</td>
<td>(17,003)</td>
<td>(29,637)</td>
<td>(36,379)</td>
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<td>Preferred stock dividend (including accretion and imputed dividends)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>818</td>
<td>25</td>
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<tr>
<td>Loss from continuing operations applicable to common stockholders</td>
<td>$(101,001)</td>
<td>$(2,904)</td>
<td>$(17,003)</td>
<td>$(30,455)</td>
<td>$(36,404)</td>
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<tr>
<td>Per share of common stock-basic and diluted:</td>
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<td></td>
<td></td>
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<tr>
<td>Loss from continuing operations applicable to common stockholders</td>
<td>$(1.31)</td>
<td>$(0.04)</td>
<td>$(0.25)</td>
<td>$(0.59)</td>
<td>$(0.75)</td>
</tr>
<tr>
<td>Weighted average number of shares of common stock outstanding</td>
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<td>75,108</td>
<td>66,598</td>
<td>51,449</td>
<td>48,811</td>
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<tr>
<td><strong>Consolidated Balance Sheet Data:</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Cash and cash equivalents, and marketable securities</td>
<td>$261,182</td>
<td>$310,041</td>
<td>$306,162</td>
<td>$28,947</td>
<td>$18,076</td>
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<td>Total assets</td>
<td>327,287</td>
<td>353,982</td>
<td>346,726</td>
<td>46,873</td>
<td>31,486</td>
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<td>Long-term obligations under capital leases and equipment notes payable</td>
<td>40</td>
<td>46</td>
<td>633</td>
<td>1,828</td>
<td>2,656</td>
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<tr>
<td>Convertible notes</td>
<td>—</td>
<td>11,714</td>
<td>11,714</td>
<td>38,495</td>
<td>8,349</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(322,367)</td>
<td>(222,367)</td>
<td>(220,455)</td>
<td>(204,170)</td>
<td>(173,715)</td>
</tr>
<tr>
<td>Stockholders’ equity (deficit)</td>
<td>276,698</td>
<td>310,425</td>
<td>295,533</td>
<td>(9,727)</td>
<td>8,393</td>
</tr>
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Note: amounts are adjusted for the three-for-one stock split effected in April 2000.

Includes $32.2 million from litigation settlement and related agreements with EntreMed and $55.7 million of acquired in process research and development as a result of the Anthrogenesis acquisition.
Overview

We were organized in 1980 as a unit of Celanese Corporation, a chemical company. Our initial mandate was to apply biotechnology to the production of fine and specialty chemicals. Following the 1986 merger of Celanese Corporation with American Hoechst Corporation, we were spun off as an independent biopharmaceutical company. In July 1987, we completed an initial public offering of our common stock and commenced the research and development of chemical and biotreatment processes for the chemical and pharmaceutical industries. We discontinued the biotreatment operations in 1994 to focus on our targeted small molecule cancer and immunology compound development programs and our biocatalytic chiral chemistry program.

Between 1990 and 1998, our revenue was generated primarily through the development and supply of chirally pure intermediates to pharmaceutical companies for use in new drug development and, to a lesser degree, from agrochemical research and development contracts. However, as revenue from THALOMID® sales, license agreements and milestone payments related to our cancer and immunology programs increased, sales of chirally pure intermediates became a less integral part of our strategic focus. Accordingly, on January 9, 1998, we completed the sale of our chiral intermediates business to Cambrex Corporation for $15.0 million. Terms of the sale provided for a payment to Celgene of $7.5 million at closing and future royalties on product sales not to exceed the net present value on the initial date of the sale of $7.5 million, with a guarantee of certain minimum payments to Celgene beginning in the third year following the close of the agreement.

In July 1998, we received approval from the FDA to market THALOMID® (thalidomide) for use in ENL, a side effect of leprosy, and, in late September 1998, we commenced sales of THALOMID® in the United States. Sales have grown rapidly each year since the launch and, in 2002, we recorded net sales of Celgene of $7.5 million at closing and future royalties on product sales not to exceed the net present value on the initial date of the sale of $7.5 million, with a guarantee of certain minimum payments to Celgene beginning in the third year following the close of the agreement.

On February 16, 2000, we completed a follow-on public offering to sell 10,350,000 shares of our common stock at a price of $33.67 per share, as adjusted for a three-for-one stock split effective April 2000. 8,802,000 shares were for our account and 1,548,000 were for the account of a selling shareholder pursuant to the conversion of $9,288,000 of the 9%, January 1999 convertible notes held by that shareholder. Our proceeds, net of offering expenses, were approximately $278.0 million.

On April 19, 2000, we signed a license and development agreement with Novartis Pharma AG in which we granted to Novartis a license for d-MPH, our chirally pure version of Ritalin®. The agreement provides for significant upfront and milestone payments based on achieving various regulatory approvals and royalties on the entire family of Ritalin® products upon approval of d-MPH by the FDA. We have retained the rights for the use of d-MPH in oncology indications. We received approval from the FDA to market d-MPH, or Focalin®, on November 14, 2001.

On August 31, 2000, we completed a merger, accounted for as a pooling-of-interests, with Signal Pharmaceuticals, Inc., a privately held biopharmaceutical company focused on the discovery and development of drugs that regulate genes associated with disease.

On December 31, 2002, we completed a merger, accounted for under the purchase method, with Anthrogenesis Corp., a privately held biotherapeutics company pioneering the recovery of stem cells from human placental tissue following the completion of a full-term, successful pregnancy.

We have sustained losses in each year since our inception as an independent biopharmaceutical company in 1986. In 2002, we had a net loss of $100.0 million, including one-time charges primarily as a result of acquired in-process R&D related to the Anthrogenesis acquisition and a patent litigation settlement.

At December 31, 2002, we had an accumulated deficit of $322.4 million. We expect to make substantial expenditures to further develop and commercialize THALOMID®, develop our other oncology and immunological disease programs, further develop and commercialize our stem cell recovery efforts and advance our gene regulation and target discovery program. These expenditures are expected to be more than offset by increasing product sales, royalties, revenues from various research collaborations and license agreements with other pharmaceutical and biopharmaceutical companies, and investment income.

Subject to the risks described elsewhere in this Annual Report on Form 10-K under “Risk Factors”, we believe there are significant market opportunities for the pharmaceutical products and processes under development by us. To address these and potential future opportunities in a timely and competitive manner, we intend to seek out drug discovery and development collaborations and licensing arrangements with third parties. We have entered into agreements covering the manufacture and distribution for us of certain compounds, such as THALOMID® and Focalin®, and the development by us of processes for producing chirally pure crop protection agents for license to agrochemical manufacturers. The latter development activities are performed through Celgro Corporation, our wholly owned agrochemical subsidiary.

We have established a commercial sales, marketing and customer service organization to sell and support our products, and as of March 1, 2003, we employ approximately 160 persons in this capacity. We intend to develop and market our own pharmaceuticals for indications with economically accessible patient populations in our disease franchises. For drugs with indications outside the oncology and immunological disease fields and for larger patient populations, we may partner with
other pharmaceutical companies. We currently partner with other companies for the development and commercialization of our chirally pure pharmaceutical and agrochemical products. We expect these arrangements typically will include some combination of license fees, milestone payments, reimbursement of research and development expenses and royalty arrangements. We also may acquire products or companies to expand our product portfolio and to augment our development and commercialization resources.

Future operating results will depend on many factors, including demand for our products, regulatory approvals of our products, the timing of the introduction and market acceptance of new products by us or competing companies, the timing of research and development milestones and our ability to control costs.

**Results of Operations**

**Fiscal Years Ended December 31, 2002, 2001 and 2000**

**Total revenue.** Our total revenue for the year ended December 31, 2002 increased 19% to $135.7 million compared with $114.2 million for the same period in 2001. Total revenue in 2002 consisted of product sales of $122.9 million, of which $119.1 million were THALOMID® sales and $3.8 million were sales of Focalin™, which received FDA approval in November 2001, and research contract revenue of $12.8 million compared with product sales of $84.2 million, of which $82.0 million were THALOMID® sales and $2.2 million were sales of Focalin™, research contract revenue of $28.1 million and related party revenue of $1.9 million in 2001. THALOMID® sales continue to grow in oncology as more clinical data is presented either in publications or at oncology meetings. Research contract revenue and royalty income in 2002, which decreased from 2001, included approximately $4.9 million of amortization of an upfront payment related to an agreement with Novartis and $4.7 million in royalty income from Novartis on sales of their Ritalin® family of products. There was no related party revenue in 2002 as the initial terms of both related party agreements expired in 2001 and such entities are no longer considered related parties. Our total revenue for the year ended December 31, 2001 increased 35% to $114.2 million compared with $84.9 million for the same period in 2000. Total revenue in 2001 consisted of product sales of $84.2 million, of which $82.0 million were THALOMID® sales and $2.2 million were sales of Focalin™, research contract revenue of $28.1 million and related party revenue of $1.9 million in 2001. THALOMID® sales continue to increase as manufacturing costs incurred prior to Focalin’s™ approval in November 2001 were expensed as research and development expenses. This favorability will continue until the quantity previously expensed is completely sold. Cost of goods sold in 2001 increased approximately 27% to $13.6 million, or 14% of product sales, from approximately $13.6 million, or 16% of product sales, in 2000. This increase was primarily related to the significant increase in THALOMID® sales. Additionally, expenses related to product royalties on THALOMID® sales increased due to larger royalty percentages as higher sales thresholds were met. Cost of goods sold for 2002 relating to Focalin™ sales continued to be favorably impacted as manufacturing costs incurred prior to Focalin’s™ approval in November 2001 were expensed as research and development expenses. This favorability will continue until the quantity previously expensed is completely sold. Cost of goods sold in 2002 increased approximately 27% to $17.3 million, or 14% of product sales, from approximately $13.6 million, or 16% of product sales, in 2000, in line with the increase in product sales and therefore primarily volume related. Cost of goods sold for 2001 relating to Focalin™ sales was favorably impacted as manufacturing costs incurred prior to Focalin’s™ approval in November 2001 were expensed as research and development expenses.

**Research and development expenses.** Research and development expenses consist primarily of salaries and benefits, contractor fees, principally with contract research organizations to assist in our clinical development programs, clinical drug supplies for our clinical and preclinical programs as well as other consumable research supplies, and allocated facilities charges such as building rent and utilities. Research and development expenses in 2002 increased 25% to $84.9 million from $67.7 million in 2001. Approximately $49.1 million in 2002 was spent on THALOMID® and its follow-on compounds, the IMIDs™ and SelCIDs™, primarily for preclinical toxicology and phase I/II clinical trials, the initiation of our phase III clinical trials in multiple myeloma and metastatic melanoma and legal expenses related to patent filings. We spent approximately $35.8 million in our gene regulation, target discovery and agro-chemical programs, primarily for internal headcount related expenses, laboratory supplies and product development costs. Research and development expenses in 2001 increased 20% to $67.7 million from $56.2 million in 2000. Approximately $33.1 million was spent on THALOMID® and its follow-on
compounds, the IMiDs® and SelICIDs®, primarily for preclinical toxicology and phase I/II clinical trials, regulatory expenses for preparation of a supplementary New Drug Application, or sNDA, for THALOMID®, in multiple myeloma and legal expenses related to patent filings. Approximately $2.8 million was spent for Focalin®, primarily for drug supply that was expensed prior to FDA approval. We spent approximately $31.8 million in our gene regulation, target discovery and agro-chemical programs, primarily for internal headcount related expenses, laboratory supplies and product development costs. As a percent of total revenue, research and development expenses were approximately 63%, 59% and 66% in 2002, 2001 and 2000, respectively.

Reference the table on page 4 of Part I – Business section for the status of specific compounds. In general, estimated time to completion within the various stages of clinical development are as follows:

<table>
<thead>
<tr>
<th>Clinical Phase</th>
<th>Estimated Completion Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I</td>
<td>1 - 2 years</td>
</tr>
<tr>
<td>Phase II</td>
<td>2 - 3 years</td>
</tr>
<tr>
<td>Phase III</td>
<td>2 - 3 years</td>
</tr>
</tbody>
</table>

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

**Selling, general and administrative expenses.** Selling expenses consist of salaries and benefits for sales and marketing and customer service personnel, warehousing and distribution costs, and other commercial expenses to support the sales force and the education and registration efforts underlying the S.T.E.P.S.® program. General and administrative expenses consist primarily of salaries and benefits, outside services for legal, audit, tax and investor activities and allocations of facilities costs, principally for rent, utilities and property taxes. Selling, general and administrative expenses increased 20% in 2002 to $69.7 million from $58.0 million in 2001. The increased spending was primarily commercial expenses to support the commercialization of THALOMID®, with approximately a $2.7 million increase in sales and marketing expenses primarily related to the sales force expansion and an increase of $2.5 million in customer service and warehousing and distribution, primarily related to bringing the previously out-sourced customer service function in-house and a rollout of an enhanced S.T.E.P.S.® program. As a percent of total revenue, selling, general and administrative expenses were approximately 51%, 51% and 55% in 2002, 2001 and 2000, respectively.

**Litigation settlement and related agreements.** On December 31, 2002, we entered into a series of agreements with EntreMed, Inc. and Children’s Medical Center Corporation to effectively terminate ongoing litigation relating to patents for thalidomide analogs and to grant an exclusive license to us for the rights to those patents. Under the terms of an Asset Purchase Agreement, we paid to EntreMed $10,000,000 for all thalidomide analog patents and associated clinical data and records, and the termination of any litigation surrounding those patents. Under the terms of a Securities Purchase Agreement, we acquired from EntreMed 3,350,000 shares of Series A Convertible Preferred Stock, and warrants for an additional 7,000,000 common shares for $16,750,000. The Series A Convertible Preferred Stock is convertible, at our option, into an aggregate of 16,750,000 shares of common stock at an initial conversion price of $1.00 per share provided, however, that the conversion price in effect from time to time shall be subject to certain adjustments. Dividends will accrue at 6% per annum on these preferred stock. We shall have the right to one vote for each share of Common Stock into which such share of Series A Convertible Preferred Stock could then be converted, and with respect to such vote, we shall have full voting rights and powers equal to the voting rights and powers of the holders of shares of Common Stock. The warrants have an exercise price of $1.50 per share, vest after six months from the date of grant and expire after seven years from the date of grant. The Company completed an assessment of the estimated realizable value of the investment. Considering the level of the Company’s ownership interest in EntreMed, its history of operating losses and the fact that EntreMed is a clinical-stage biopharmaceutical company engaged primarily in research and development activities with proposed products and research programs in the early stage of clinical development, and, based on such assessment, the entire amount of such Preferred Stock was written down.

We also signed an exclusive license agreement with CMCC that terminated any existing thalidomide analog agreements between CMCC and EntreMed and directly granted us an exclusive worldwide license for the analog patents. We paid to CMCC $2,500,000 under this agreement with another $2,500,000 payable between 2004 and 2006, the present value relating to
which aggregating $2,201,500 was charged to 2002 earnings. Additionally, we entered into a five year sponsored research agreement with CMCC whereby we have committed $300,000 per year in funding. Additional payments are possible under the agreement depending on the successful development and commercialization of thalidomide analogs.

We recorded a charge to earnings for the cost of these agreements and related expenses of $32,211,500 in 2002 including the write down of the EntreMed Series A Convertible Preferred Stock and certain legal expenses incurred in connection with the settlement.

Acquired in-process research and development On December 31, 2002, we completed the acquisition of Anthrogenesis Corp. for an aggregate purchase price of $60.0 million (See Note 3). Anthrogenesis is an early-stage biotherapeutics company delivering stem cell therapies produced from renewable human placental sources/materials. We acquired Anthrogenesis to realize the substantial therapeutic and commercial potential of placental stem cells through its commercial and developmental infrastructure.

The acquisition of Anthrogenesis was accounted for using the purchase method of accounting for business combinations. Approximately 55.7 million of the total purchase consideration of $60.0 million was allocated to IPR&D, which was charged to expense at the acquisition date.

In 2003, we do not expect the acquisition of Anthrogenesis to significantly impact the overall level of research and development expenses, or materially change our current product sales mix.

Merger-related costs. We incurred one-time costs of $6.7 million related to the merger with Signal Pharmaceuticals, Inc. in 2000. These costs were primarily related to fees for financial advisors, accountants, lawyers and financial printers.

Interest and other income and interest expense. Interest and other income increased approximately 11% in 2002 to $23.1 million from $20.9 million in 2001. The increase was primarily related to higher realized gains of approximately $5.0 million on sales of certain marketable securities offset by lower interest income on lower average cash balances and lower yields on our securities during 2002. Interest and other income increased approximately 19% in 2001 to $20.9 million from $17.6 million in 2000. The increase was primarily related to higher average cash balances and the recognition of a gain on the sale of certain marketable securities during 2001.

Interest expense decreased 67% to approximately $27,000 in 2002 compared with approximately $83,000 in 2001. The decrease was primarily related to exercising the purchase options on the majority of our leased equipment during 2002. Interest expense decreased 96% to approximately $83,000 in 2001 compared with $2.1 million in 2000. The decrease was primarily related to an agreement with the convertible note-holders to eliminate the interest requirements in exchange for the right to hedge the shares underlying the convertible notes.

Loss from continuing operations. The loss from continuing operations increased significantly in 2002 to $101.0 million from $2.9 million in 2001. The increased loss resulted from the acquisition of Anthrogenesis, whereby we incurred a charge of $55.7 million for in-process research and development costs, the litigation settlement and related agreements with EntreMed, Inc. and CMCC which resulted in a charge of $32.2 million, an increase of $32.8 million in other operating costs and expenses as explained above under “Cost of goods sold”, “Research and development expenses” and “Selling, general and administrative expenses” and a decrease of $1.1 million in the net income tax benefit, partially offset by an increase in total revenue of $21.5 million as explained above under “Total revenues” and an increase in net interest and other income and expense of $2.2 million as explained above under “Interest and other income and expense”. The loss from continuing operations decreased significantly in 2001, to $2.9 million from $17.0 million in 2000. The decreased loss resulted from an increase in total revenue of $29.3 million as explained above under “Total revenues” and an increase in net interest and other income and expense of $5.3 million as explained above under “Interest and other income and expense”, partially offset by an increase in costs and expenses of $20.0 million as explained above under “Cost of goods sold”, “Research and development expenses” and “Selling, general and administrative expenses.”

Gain on sale of chiral assets. We received royalty payments from Cambrex Corporation of approximately $1.0 million, $992,000 and $719,000 in 2002, 2001 and 2000, respectively, which represent additional portions of the purchase price paid by Cambrex for our chiral assets.

Liquidity and Capital Resources
Since inception, we have financed our working capital requirements primarily through product sales, private and public sales of our debt and equity securities, income earned on the investment of proceeds from the sale of such securities and revenue from research contracts and license and milestone payments. Since our initial product launch in the third quarter of 1998, we have recorded net product sales totaling approximately $296.6 million through December 31, 2002.

Our working capital at December 31, 2002 decreased approximately 18% to $251.8 million from $306.5 million in 2001. The decrease in working capital was primarily due to a lower combination of cash, cash equivalents and marketable securities and higher current liabilities.
Cash and cash equivalents increased to $85.5 million in 2002 from $47.1 million in 2001 while investments in marketable debt securities decreased to $175.7 million in 2002 from $262.9 million in 2001. Total cash, cash equivalents and marketable securities decreased by approximately $48.8 million reflecting increased spending for both commercial and research and development activities and the litigation settlement and related agreements with EntreMed and CMCC, partially offset by the receipt of funds from revenue received from research contracts and collection of receivables from sales of THALOMID®.

We expect that our rate of spending will increase as the result of research and product development spending, increased clinical trial costs, increased expenses associated with the regulatory approval process and commercialization of products currently in development, increased costs related to the commercialization of THALOMID® and increased capital investments. On February 16, 2000, we completed a public offering of 10,350,000 shares of our common stock, as adjusted for a three-for-one stock split effective April 2000. Proceeds from the transaction, net of expenses, were approximately $278.0 million. These funds, combined with the increasing revenue from product sales and various research agreements and collaborations, are expected to provide sufficient capital for our operations for the foreseeable future.

**Contractual Obligations**

Our major outstanding contractual obligations relate to our operating (facilities) leases.

We lease a 44,500-square foot laboratory and office facility in Warren, New Jersey, under a lease with an unaffiliated party, which has a term ending in May 2007 with two five-year renewal options, a 29,000-square foot facility which has a term ending in July 2010 with two five-year renewal options, and an 11,400-square foot facility with a term ending in 2005. Monthly rental expenses for these facilities are approximately $74,000. We also lease an 18,000-square foot laboratory and office facility in North Brunswick, New Jersey, under a lease with an unaffiliated party that has a term ending in December 2009 with two five-year renewal options. Monthly rental expenses for this facility are approximately $50,200.

In December 2001, we entered into another lease to consolidate our San Diego operations into one building. The 78,200-square foot laboratory and office facility in San Diego, California was leased from an unaffiliated party and has a term ending in August 2012. Monthly rental expenses for this facility are approximately $172,000.

The three leases for the 44,000-square feet of San Diego laboratory and office space recently vacated by us are coterminous and end in December 2003. Under the leases, we reimburse the landlord for taxes, insurance and operating costs associated with the property and have an outstanding letter of credit for $150,000 in favor of the landlord that is fully collateralized by cash. Upon transferring our operations to the new facility, the 2003 lease obligations and remaining unamortized leasehold improvements for the vacated properties were taken as a charge to earnings in the fourth quarter of 2002.

Upon completion of the acquisition of Anthrogenesis on December 31, 2002, we assumed 2 separate leases in the existing facility for office and laboratory space in Cedar Knolls, New Jersey. The leases are for a combined space of approximately 15,000 square feet with a monthly rental expense of approximately $10,000. Both leases have original five year terms with one expiring in 2004 and one expiring in 2007 with a five year renewal option. In November of 2002, Anthrogenesis entered into a lease for an additional 11,000 square feet of laboratory space in Baton Rouge, Louisiana. The lease has a five year term with a three year renewal option. Monthly rental expense for this facility is approximately $7,500.

For a schedule of payments related to the operating leases, refer to the table included in footnote 17(a) to the consolidated financial statements included elsewhere in this Annual Report.

**Critical Accounting Policies**

In December 2001, the SEC requested that all registrants discuss their most “critical accounting policies” in management’s discussion and analysis of financial condition and results of operations. The SEC indicated that a “critical accounting policy” is one which is both important to the portrayal of the company’s financial condition and results 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 2 to our consolidated financial statements included in this annual report, we believe the following accounting policy to be critical:

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

In accordance with Staff Accounting Bulletin No. 101 (“SAB 101”) Revenue Recognition in Financial Statements,
upfront payments are recorded as deferred revenue and recognized over the estimated service period. If the estimated service period is subsequently modified, the period over which the upfront fee is recognized is modified accordingly on a prospective basis. Revenue from the achievement of research and development milestones, which represent the achievement of a significant step in the research and development process, are recognized when and if the specific milestones are achieved. Continuation of certain contracts is dependent upon our achieving specific contractual milestones; however, none of the payments received to date are refundable regardless of the outcome of the project. Research funding is recorded in the period during which the expenses covered by the funding occurred.

Acquired in-process research and development ("IPR&D"). IPR&D represents that portion of the purchase price of the Anthrogenesis acquisition that relates to the research and development activities, which are yet to demonstrate their technological feasibility and have no alternative future use. The estimated fair value of these projects is determined by employment of a discounted cash flow model. The discount rates used take into account the stage of completion and the risks surrounding the successful development and commercialization of each of the purchased in-process technology projects that were valued. The analysis included forecasted future cash flows that are expected to result from the progress made on the in-process project prior to the purchase dates. Appropriate operating expenses are deducted from the total forecasted net revenues to establish a forecast of net returns on the completed portion of the in-process technology. Finally, these net returns are discounted to a present value using discount rates that incorporate the weighted average cost of capital relative to the biotech industry and the Company as well as product specific risks associated with the purchased in-process research and development products. The product specific risk factors include the product’s phase of development, likelihood of success, manufacturing process capability, scientific rationale, pre-clinical safety and efficacy data, target product profile, and development plan and takes into consideration an overall discount rate, which represents a risk premium to the Company’s weighted average cost of capital for purchase valuation purposes. The forecast data in the analysis is based on internal product level forecast information maintained by management in the ordinary course of managing the business. The inputs used by management in analyzing IPR&D is based on assumptions, which management believes to be reasonable but which are inherently uncertain and unpredictable. These assumptions may be incomplete or inaccurate, and no assurance can be given that unanticipated events and circumstances will not occur. The valuations used to estimate IPR&D require us to use significant estimates and assumptions, that if changed, may result in a different valuation for IPR&D. Valuations for the Anthrogenesis acquisition was completed by an independent third-party consulting firm in accordance with SEC guidelines.

Recently Issued Accounting Standards
In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002. In November 2002, the FASB issued Interpretation No. 45, Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its Obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002. None of the provisions are expected to have a material effect on the Company’s financial statements.

Certification of Financial Statements
The certifications by our Chief Executive Officer and Chief Financial Officer of this Annual Report on Form 10-K as required by Section 906 of the Sarbane-Oxley Act of 2002 (18 U.S.C. Section 1350), have been submitted to the Securities and Exchange Commission as additional correspondence accompanying this report.
Quantitative and Qualitative Disclosures About Market Risk

Market Risk

Our holdings of financial instruments are comprised of commercial paper, U.S. government and corporate securities. These financial instruments may be classified as securities available for sale and carried at fair value or held to maturity and carried at amortized cost depending upon our intent. Securities classified as available for sale are held for an indefinite period of time and are intended to be used to meet our ongoing liquidity needs. Unrealized gains and losses (which are deemed to be temporary) on available for sale securities, if any, are reported in a separate component of stockholders’ equity. The cost of all debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization, along with realized gains and losses, is included in interest and other income. We do not use financial derivatives for investment or trading purposes. As of December 31, 2002 and 2001, all securities have been classified as available for sale.

We have established guidelines relative to diversification and maturities to maintain safety and liquidity. These guidelines are reviewed periodically and may be modified depending on market conditions. Although our investments are 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. Our investments are also subject to interest rate risk and will decrease in value if market interest rates increase. Due to the limited number of foreign currency transactions, our foreign exchange currency risk is minimal.

The table below presents the principal amounts and related weighted average interest rates by year of maturity for our investment portfolio as of December 31, 2002:

<table>
<thead>
<tr>
<th>(in Thousands $)</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008 and beyond</th>
<th>Total</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Rate</td>
<td>$20,800</td>
<td>—</td>
<td>$20,510</td>
<td>$64,345</td>
<td>$22,500</td>
<td>$37,275</td>
<td>$165,430</td>
<td>$173,707</td>
</tr>
<tr>
<td>Average Interest Rate</td>
<td>6.76%</td>
<td>—</td>
<td>8.02%</td>
<td>6.78%</td>
<td>6.26%</td>
<td>7.76%</td>
<td>7.08%</td>
<td></td>
</tr>
<tr>
<td>Variable Rate</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$ 2,000</td>
<td>$ 2,000</td>
</tr>
<tr>
<td>Average Interest Rate</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>8.00%</td>
<td>8.00%</td>
</tr>
<tr>
<td>Total</td>
<td>$20,800</td>
<td>—</td>
<td>$20,510</td>
<td>$64,345</td>
<td>$22,500</td>
<td>$39,275</td>
<td>$167,430</td>
<td>$175,707</td>
</tr>
</tbody>
</table>

We do not use derivative financial instruments.
Independent Auditors’ Report

The Board of Directors and Stockholders
Celgene Corporation:

We have audited the consolidated financial statements of Celgene Corporation and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedule as listed on the accompanying index. 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 auditing standards generally accepted in the United States of America. 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, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2(i) to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 141, “Business Combinations” effective July 1, 2001.

KPMG LLP

Short Hills, New Jersey
January 29, 2003
Celgene Corporation

Consolidated Balance Sheets

December 31, 2002  2001

**Assets**  
Current assets:
- Cash and cash equivalents $85,475,088 $47,141,291
- Marketable securities available for sale 175,706,555 262,900,049
- Accounts receivable, net of allowance of $1,019,760 and $998,395 at December 31, 2002 and December 31, 2001, respectively 17,659,065 13,415,101
- Inventory 4,805,770 3,603,462
- Other current assets 12,449,429 9,362,423

Total current assets 296,095,907 336,422,326

- Plant and equipment, net 19,600,063 10,645,647
- Goodwill 2,972,784 —
- Intangible assets 3,010,000 —
- Other assets 5,607,974 6,914,445

Total assets $327,286,728 $353,982,418

**Liabilities and Stockholders’ Equity**  
Current liabilities:
- Accounts payable $16,515,634 $10,831,464
- Accrued expenses 27,574,973 13,667,022
- Current portion of capital leases and note obligation 86,318 586,731
- Current portion of deferred revenue 109,327 4,882,668

Total current liabilities 44,286,252 29,967,885

- Long term convertible notes — 11,713,600
- Capitalized leases and note obligation, net of current portion 39,885 46,215
- Deferred revenue, net of current portion 1,389,888 —
- Other non-current liabilities 4,872,784 1,829,251

Total liabilities 50,588,776 43,556,951

Stockholders’ equity:
- Preferred stock, $.01 par value per share, 5,000,000 authorized; none outstanding at December 31, 2002 and December 31, 2001 —
- Common stock, $.01 par value per share 120,000,000 shares authorized; issued 80,176,713 and 75,574,785 shares at December 31, 2002 and December 31, 2001, respectively. 801,768 755,748
- Additional paid-in capital 591,277,196 527,023,001
- Accumulated deficit (322,367,256) (222,367,088)
- Deferred compensation — (1,592,490)
- Notes receivable from stockholders (42,000) (42,000)
- Accumulated other comprehensive income 7,028,244 6,651,100

Total stockholders’ equity 276,697,952 310,425,467

Total liabilities and stockholders’ equity $327,286,728 $353,982,418

See accompanying notes to consolidated financial statements.
### Celgene Corporation

**Consolidated Statements of Operations**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product sales</td>
<td>$122,921,166</td>
<td>$84,194,839</td>
<td>$62,675,879</td>
</tr>
<tr>
<td>Research contract and royalty income</td>
<td>12,824,614</td>
<td>28,149,501</td>
<td>15,882,112</td>
</tr>
<tr>
<td>Related-party collaborative agreement revenue</td>
<td>—</td>
<td>1,898,605</td>
<td>6,349,996</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>135,745,780</strong></td>
<td><strong>114,242,945</strong></td>
<td><strong>84,907,987</strong></td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>17,322,108</td>
<td>13,571,401</td>
<td>9,986,743</td>
</tr>
<tr>
<td>Research and development</td>
<td>84,924,323</td>
<td>67,653,087</td>
<td>56,172,848</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>69,716,760</td>
<td>57,961,795</td>
<td>46,389,311</td>
</tr>
<tr>
<td>Litigation settlement and related agreements</td>
<td>32,211,500</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Acquired in-process research and development</td>
<td>55,700,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Merger-related costs</td>
<td>—</td>
<td>—</td>
<td>6,668,110</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>259,874,691</strong></td>
<td><strong>139,186,283</strong></td>
<td><strong>119,217,012</strong></td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>(124,128,911)</td>
<td>(24,943,338)</td>
<td>(34,309,025)</td>
</tr>
<tr>
<td>Other income and expense:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and other income</td>
<td>23,057,635</td>
<td>20,890,006</td>
<td>17,576,856</td>
</tr>
<tr>
<td>Interest expense</td>
<td>27,334</td>
<td>82,971</td>
<td>2,080,981</td>
</tr>
<tr>
<td><strong>Loss before tax benefit</strong></td>
<td>(101,098,610)</td>
<td>(4,136,303)</td>
<td>(18,813,150)</td>
</tr>
<tr>
<td>Tax benefit</td>
<td>98,442</td>
<td>1,231,964</td>
<td>1,809,677</td>
</tr>
<tr>
<td><strong>Loss from continuing operations</strong></td>
<td>(101,000,168)</td>
<td>(2,904,339)</td>
<td>(17,003,473)</td>
</tr>
<tr>
<td>Discontinued operations:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sale of chiral assets</td>
<td>1,000,000</td>
<td>991,737</td>
<td>719,103</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$(100,000,168)</td>
<td>$(1,912,366)</td>
<td>$(16,284,370)</td>
</tr>
</tbody>
</table>

Per share of common stock-basic and diluted:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss from continuing operations</td>
<td>(1.31)</td>
<td>(0.04)</td>
<td>(0.25)</td>
</tr>
<tr>
<td>Discontinued operations:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sale of chiral assets</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Net loss applicable to common stockholders</td>
<td>(1.29)</td>
<td>(0.03)</td>
<td>(0.24)</td>
</tr>
</tbody>
</table>

Weighted average number of shares of common stock outstanding - basic and diluted

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>77,337,000</td>
<td>75,108,000</td>
<td>66,598,000</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
## Celgene Corporation

### Consolidated Statement of Stockholders’ Equity (Deficit)

**Years ended December 31, 2002, 2001 and 2000**

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances at January 1, 2000</td>
<td>24,492,639</td>
<td>$41,330,800</td>
<td>—</td>
</tr>
<tr>
<td>Exercise of stock options and warrants</td>
<td>2,424,930</td>
<td>24,250</td>
<td>10,433,013</td>
</tr>
<tr>
<td>Issuance of common stock for employee benefit plans</td>
<td>40,394</td>
<td>404</td>
<td>1,047,351</td>
</tr>
<tr>
<td>Issuance of common stock in follow-on offering</td>
<td>2,934,000</td>
<td>29,340</td>
<td>278,083</td>
</tr>
<tr>
<td>Costs related to follow-on offering</td>
<td>28,000,274</td>
<td>(8,851,150)</td>
<td>41,301,822</td>
</tr>
<tr>
<td>Conversion of long term convertible notes</td>
<td>4,358,260</td>
<td>43,583</td>
<td>20,826,965</td>
</tr>
<tr>
<td>Shares issued for stock split</td>
<td>30,787,500</td>
<td>307,875</td>
<td>30,787,500</td>
</tr>
<tr>
<td>Deferred compensation</td>
<td>—</td>
<td>—</td>
<td>1,809</td>
</tr>
<tr>
<td>Amortization of deferred compensation</td>
<td>970,309</td>
<td>3,087,681</td>
<td>970,309</td>
</tr>
<tr>
<td>Collection of notes receivable from stockholders</td>
<td>33,600</td>
<td>33,600</td>
<td></td>
</tr>
<tr>
<td>Issuance of Signal preferred stock warrants for promissory note</td>
<td>450,000</td>
<td>450,000</td>
<td></td>
</tr>
<tr>
<td>Comprehensive loss:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>(16,284,370)</td>
<td>(16,284,370)</td>
<td></td>
</tr>
<tr>
<td>Net change in unrealized gain (loss) on available for sale securities</td>
<td>—</td>
<td>1,001,783</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive loss</td>
<td>(15,282,587)</td>
<td>1,001,783</td>
<td></td>
</tr>
<tr>
<td>Balances at December 31, 2000</td>
<td>—</td>
<td>$73,999,889</td>
<td>—</td>
</tr>
<tr>
<td>Balances at January 1, 2001</td>
<td>—</td>
<td>$73,999,889</td>
<td>—</td>
</tr>
<tr>
<td>Exercise of stock options and warrants</td>
<td>1,544,625</td>
<td>15,446</td>
<td>909,879</td>
</tr>
<tr>
<td>Issuance of common stock for employee benefit plans</td>
<td>29,014</td>
<td>290</td>
<td>909,879</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(282)</td>
<td>(2,804)</td>
<td>(2,804)</td>
</tr>
<tr>
<td>Reduction of deferred compensation for terminations</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Amortization of deferred compensation</td>
<td>2,465,406</td>
<td>2,465,406</td>
<td></td>
</tr>
<tr>
<td>Expense related to non-employee stock options and restricted stock granted to employees</td>
<td>1,025,921</td>
<td>1,025,921</td>
<td></td>
</tr>
<tr>
<td>Collection of notes receivable from stockholders</td>
<td>20,000</td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>Comprehensive income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>(1,912,366)</td>
<td>(1,912,366)</td>
<td></td>
</tr>
<tr>
<td>Net change in unrealized gain (loss) on available for sale securities</td>
<td>6,760,396</td>
<td>6,760,396</td>
<td></td>
</tr>
<tr>
<td>Less: reclassification adjustment for gain included in net loss</td>
<td>(1,019,175)</td>
<td>(1,019,175)</td>
<td></td>
</tr>
<tr>
<td>Net unrealized gain (loss) on securities</td>
<td>5,741,221</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>5,828,856</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances at December 31, 2001</td>
<td>—</td>
<td>$519,290,323</td>
<td>—</td>
</tr>
<tr>
<td>Balances at January 1, 2002</td>
<td>—</td>
<td>$519,290,323</td>
<td>—</td>
</tr>
<tr>
<td>Exercise of stock options and warrants</td>
<td>1,246,600</td>
<td>12,466</td>
<td>909,879</td>
</tr>
<tr>
<td>Issuance of common stock for employee benefit plans</td>
<td>29,014</td>
<td>290</td>
<td>909,879</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(282)</td>
<td>(2,804)</td>
<td>(2,804)</td>
</tr>
<tr>
<td>Conversion of long term convertible notes</td>
<td>1,864,549</td>
<td>18,645</td>
<td>11,713,600</td>
</tr>
<tr>
<td>Shares issued for Anthrogenesis acquisition</td>
<td>1,455,381</td>
<td>14,555</td>
<td>47,441,037</td>
</tr>
<tr>
<td>Reduction of deferred compensation for terminations</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Amortization of deferred compensation</td>
<td>1,264,742</td>
<td>1,264,742</td>
<td></td>
</tr>
<tr>
<td>Expense related to non-employee stock options and restricted stock granted to employees</td>
<td>467,223</td>
<td>467,223</td>
<td></td>
</tr>
<tr>
<td>Income tax benefit upon exercise of stock options</td>
<td>77,087</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive loss:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>(1,900,000,168)</td>
<td>(1,900,000,168)</td>
<td></td>
</tr>
<tr>
<td>Net change in unrealized gain (loss) on available for sale securities</td>
<td>6,323,272</td>
<td>6,323,272</td>
<td></td>
</tr>
<tr>
<td>Less: reclassification adjustment for gain included in net loss</td>
<td>(5,946,128)</td>
<td>(5,946,128)</td>
<td></td>
</tr>
<tr>
<td>Net unrealized gain (loss) on securities</td>
<td>377,144</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive loss</td>
<td>(9,023,024)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**See accompanying notes to consolidated financial statements.**
### Celgene Corporation

#### Consolidated Statements of Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss from continuing operations</td>
<td>$(101,000,168)</td>
<td>$(2,904,339)</td>
<td>$(17,003,473)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash used in operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization of long-term assets</td>
<td>5,181,708</td>
<td>5,086,048</td>
<td>3,722,467</td>
</tr>
<tr>
<td>Provision for accounts receivable allowances</td>
<td>294,533</td>
<td>553,168</td>
<td>130,000</td>
</tr>
<tr>
<td>Realized gain on marketable securities available for sale</td>
<td>(5,946,128)</td>
<td>(1,019,175)</td>
<td>—</td>
</tr>
<tr>
<td>Non-cash acquired in-process research and development</td>
<td>55,700,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Non-cash stock-based compensation</td>
<td>467,223</td>
<td>3,529,116</td>
<td>4,057,990</td>
</tr>
<tr>
<td>Amortization of premium on marketable securities available for sale</td>
<td>366,967</td>
<td>212,066</td>
<td>4,057,990</td>
</tr>
<tr>
<td>Shares issued for employee benefit plans</td>
<td>965,760</td>
<td>741,509</td>
<td>1,047,755</td>
</tr>
<tr>
<td>Depreciation and amortization of long-term assets</td>
<td>5,181,708</td>
<td>5,086,048</td>
<td>3,722,467</td>
</tr>
<tr>
<td>Provision for accounts receivable allowances</td>
<td>294,533</td>
<td>553,168</td>
<td>130,000</td>
</tr>
<tr>
<td>Realized gain on marketable securities available for sale</td>
<td>(5,946,128)</td>
<td>(1,019,175)</td>
<td>—</td>
</tr>
<tr>
<td>Non-cash acquired in-process research and development</td>
<td>55,700,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Non-cash stock-based compensation</td>
<td>467,223</td>
<td>3,529,116</td>
<td>4,057,990</td>
</tr>
<tr>
<td>Amortization of premium on marketable securities available for sale</td>
<td>366,967</td>
<td>212,066</td>
<td>4,057,990</td>
</tr>
<tr>
<td>Shares issued for employee benefit plans</td>
<td>965,760</td>
<td>741,509</td>
<td>1,047,755</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(37,819,414)</td>
<td>(1,654,771)</td>
<td>(1,435,546)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(11,077,313)</td>
<td>(7,869,661)</td>
<td>(9,637,333)</td>
</tr>
<tr>
<td>Cash outflow on Anthrogenesis acquisition, net of cash acquired</td>
<td>(10,298,604)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from sales and maturities of marketable securities available for sale</td>
<td>133,265,430</td>
<td>119,789,801</td>
<td>139,575,925</td>
</tr>
<tr>
<td>Purchases of marketable securities available for sale</td>
<td>(40,115,630)</td>
<td>(231,373,743)</td>
<td>(276,264,605)</td>
</tr>
<tr>
<td>Proceeds from sale of chiral intermediate assets</td>
<td>1,000,000</td>
<td>991,973</td>
<td>41,330,800</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>72,773,883</td>
<td>(118,461,630)</td>
<td>(145,606,910)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net proceeds from follow-on public offering</td>
<td>—</td>
<td>—</td>
<td>277,668,800</td>
</tr>
<tr>
<td>Proceeds from notes receivable from stockholders</td>
<td>—</td>
<td>20,000</td>
<td>33,600</td>
</tr>
<tr>
<td>Proceeds from exercise of common stock options and warrants</td>
<td>3,967,607</td>
<td>6,775,919</td>
<td>10,457,762</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(1,547)</td>
<td>(2,804)</td>
<td>—</td>
</tr>
<tr>
<td>Repayment of capital lease and note obligations</td>
<td>(586,732)</td>
<td>(929,258)</td>
<td>(1,593,127)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>3,379,328</td>
<td>5,863,857</td>
<td>286,567,035</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>38,333,797</td>
<td>(114,252,544)</td>
<td>(139,524,579)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>47,141,291</td>
<td>161,393,835</td>
<td>21,869,256</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>$85,475,088</td>
<td>$47,141,291</td>
<td>$161,393,835</td>
</tr>
<tr>
<td><strong>Supplemental schedule of non-cash investing and financing activity:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net unrealized gain(loss) on marketable securities available for sale</td>
<td>$ (377,144)</td>
<td>$ 5,741,221</td>
<td>$ 1,001,783</td>
</tr>
<tr>
<td>Issuance of common stock upon the conversion of convertible notes and accrued interest thereon, net</td>
<td>$11,713,600</td>
<td>—</td>
<td>26,737,824</td>
</tr>
<tr>
<td>Issuance of common stock upon the conversion of convertible preferred stock and Signal preferred stock</td>
<td>$ (327,748)</td>
<td>$ (832,711)</td>
<td>$ 6,706,274</td>
</tr>
<tr>
<td>Issuance of common stock, options and warrants in connection with acquisition of Anthrogenesis</td>
<td>$ 47,441,037</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Supplemental disclosure of cash flow information:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>$27,334</td>
<td>$82,971</td>
<td>$3,114,144</td>
</tr>
<tr>
<td>Cash received related to tax benefit</td>
<td>$ —</td>
<td>$1,231,964</td>
<td>$1,809,677</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
Celgene Corporation and its subsidiaries (collectively “Celgene” or the “Company”) is a fully-integrated, biopharmaceutical company engaged in the discovery, development and commercialization of novel therapies designed to treat cancer and immunological diseases through regulation of cellular, genomic and proteomic targets. THALOMID® (thalidomide), the Company’s lead product, was approved for sale in the United States by the U.S. Food and Drug Administration on July 16, 1998, and sales of THALOMID® in 2002 totaled $119.1 million. THALOMID® is being evaluated in clinical trials for the treatment of solid tumor and hematological cancers as well as serious inflammatory diseases.

In November 2001, Celgene received FDA approval for Focalin™, its refined version of Ritalin®, for the treatment of attention deficit disorder/attention deficit hyperactivity disorder. Focalin™ is marketed by Novartis Pharma AG. Under the agreement with Novartis, Celgene will collect royalties on the entire Ritalin® family of products. Several classes of small molecule drugs highlight Celgene’s product pipeline: IMiDs® (Immunomodulatory Drugs), SelCIDs™ (Selective Cytokine Inhibitory Drugs), SERMs (Selective Estrogen Receptor Modulators), benzopyrans, kinase inhibitors, tubulin inhibitors and ligase modulators. These classes are novel and proprietary oral agents that are being developed for the treatment of solid tumor and hematological cancers and chronic inflammatory diseases, such as Crohn’s disease and rheumatoid arthritis.

On August 31, 2000, the Company completed its merger with Signal Pharmaceuticals, Inc., a privately held San Diego-based biopharmaceutical company focused on the discovery and development of drugs that regulate genes associated with disease. The Company issued 3,710,144 shares of its common stock for all the outstanding common shares of Signal at an exchange ratio of .1257 of a share of Celgene common stock for each share of Signal common stock. Immediately prior to the consummation of the merger, all Signal preferred shares were converted into Signal common shares on a one-for-one basis. In addition, Celgene issued 380,607 options for all the Signal options outstanding at the closing date. The purchase price also included approximately $6.7 million representing merger related costs which consisted of transaction fees for financial advisors, attorneys, accountants and other related charges. The merger was accounted for as a pooling-of-interests. All prior period consolidated financial statements of Celgene have been restated to include the results of operations, financial position and cash flows of Signal.

On December 31, 2002, the Company completed its merger with Anthrogenesis Corporation, a privately held New Jersey based biotherapeutics company pioneering the recovery of stem cells from human placental tissue following the completion of a full-term, successful pregnancy. The Company issued 1,455,381 shares of its common stock for all the outstanding common shares of Anthrogenesis at an exchange ratio of .4545 of a share of Celgene common stock for each share of Anthrogenesis common stock. An additional 1,247,203 shares are issuable upon the exercise of Anthrogenesis’ outstanding stock options and warrants. Including the fair value of the options and warrants and direct costs of the merger, the purchase price of the merger was approximately $60.0 million. The merger was accounted for using the purchase method of accounting.

The consolidated financial statements include the accounts of Celgene Corporation and its subsidiaries. All inter-company transactions have been eliminated.

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

2. Summary of Significant Accounting Policies

(a) Cash Equivalents
At December 31, 2002 and 2001, cash equivalents consisted principally of highly liquid funds invested in commercial paper, money market funds, and United States government securities such as treasury bills and notes. These instruments are stated at cost, which approximates market value because of the short maturity of these investments.

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

A decline in the market value of any available-for-sale below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established.

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

(c) Concentration of Credit Risk

Cash, cash equivalents, and marketable securities are financial instruments that potentially subject the Company to concentration of credit risk. The Company invests its excess cash primarily in U.S. government and agency securities and marketable debt securities of financial institutions and corporations with strong credit ratings. The Company also has established guidelines relative to diversification and maturities to maintain safety and liquidity. These guidelines are reviewed periodically and may be modified to take advantage of trends in yields and interest rates. The Company has for a majority of its investments held them to maturity. However, the Company has the ability to sell these investments before maturity and has therefore classified the investments as available for sale. The Company has not experienced any significant losses on its investments.

(d) Inventory

Inventories are carried at the lower of cost or market using the first-in, first-out (FIFO) method.

(e) Plant and Equipment

Plant and equipment are stated at cost. Depreciation of plant and equipment is provided using the straight-line method. The estimated useful lives of fixed assets are as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laboratory equipment and machinery</td>
<td>5 years</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>5 years</td>
</tr>
<tr>
<td>Computer Equipment</td>
<td>3 years</td>
</tr>
</tbody>
</table>

Amortization of leasehold improvements is calculated using the straight-line method over the remaining term of the lease or the life of the asset, whichever is shorter. Maintenance and repairs are charged to operations as incurred, while renewals and improvements are capitalized.

(f) Goodwill and Other Intangible Assets

Goodwill represents the excess of costs over the fair value of identifiable net assets of businesses acquired. The Company adopted the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 142, Goodwill and Other Intangible Assets, as of January 1, 2002. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, Accounting for Impairment or Disposal of Long-Lived Assets. At the time of adoption of SFAS No. 142, the Company did not have any goodwill or other intangible assets with an indefinite useful life.

(g) Impairment of Long-Lived Assets

SFAS No. 144 provides a single accounting model for long-lived assets to be disposed of. SFAS No. 144 also changes the criteria for classifying an asset as held for sale and broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses
on such operations. The Company adopted SFAS No. 144 on January 1, 2002. The adoption of SFAS No. 144
did not affect the Company’s financial statements.

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

Goodwill and intangible assets not subject to amortization are tested at least annually for impairment, and
are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired.
An impairment loss is recognized to the extent that the carrying amount exceeds the asset’s fair value.

Prior to the adoption of SFAS No. 144, the Company accounted for long-lived assets in accordance with
SFAS No. 121, Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of.

(h) Other Assets
Other assets include capitalized costs associated with a new customer service system, an enhanced
S.T.E.P.S.® system, certain patent rights and licensed technology. Costs associated with the customer service
system and the enhanced S.T.E.P.S.® system, which were developed and implemented during 2000 and 2001,
respectively, were capitalized in accordance with Statement of Position No. 98-1, Accounting for the Costs of
Computer Software Developed and Obtained for Internal Use, and are amortized over their estimated useful
life of three years from the date the system was ready for its intended use. At December 31, 2002 and 2001,
computer software costs totaled approximately $4.2 million and $5.3 million, respectively, which is net of
$4.4 million and $2.0 million in accumulated amortization, respectively. The cost of patent rights is amortized
using the straight-line method over the life of the patents. The weighted average remaining patent life at
December 31, 2002 is 9 years. Licensed technology is stated at cost and depreciated over the estimated
useful life of three years using the straight-line method. At December 31, 2002 and 2001, patent rights
and licensed technology totaled $0.9 million and $1.0 million, respectively which is net of $1.6 million and
$1.5 million in accumulated amortization, respectively.

(i) Business Combinations
In July 2001, the FASB issued SFAS No. 141, Business Combinations. SFAS No. 141 requires that all
business combinations be accounted for under a single method—the purchase method. Use of the pooling-
of-interests method no longer is permitted. SFAS No. 141 requires that the purchase method be used for
business combinations initiated after June 30, 2001. Subsequent to SFAS 141 becoming effective, the
Company completed its merger with Anthrogenesis on December 31, 2002, which was accounted for using
the purchase method of accounting. The Company’s merger with Signal, which was completed on August 31,
2000, was accounted for as a pooling-of-interests.

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

(k) Research and Development Costs
All research and development costs are expensed as incurred. These include all internal costs,
external costs related to services contracted by the Company and research services conducted for others.
Research and development costs consist primarily of salaries and benefits, contractor fees, clinical drug
supplies for preclinical and clinical development programs, consumable research supplies and allocated facility
and administrative costs.
(l) Income Taxes
The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect for years in which the temporary differences are expected to reverse.

Research and development tax credits will be recognized as a reduction of the provision for income taxes when realized.

(m) Revenue Recognition
Revenue from the sale of products is recognized upon product shipment. Provisions for discounts for early payments, rebates and sales returns under terms customary in the industry are provided for in the same period the related sales are recorded. Revenue under research contracts is recorded as earned under the contracts, as services are provided. In accordance with SEC Staff Accounting Bulletin No. 101, upfront nonrefundable fees associated with license and development agreements where the Company has continuing involvement in the agreement, are recorded as deferred revenue and recognized over the estimated service period. If the estimated service period is subsequently modified, the period over which the up-front fee is recognized is modified accordingly on a prospective basis. Revenues from the achievement of research and development milestones, which represent the achievement of a significant step in the research and development process, are recognized when and if the milestones are achieved. Continuation of certain contracts and grants are dependent upon the Company achieving specific contractual milestones; however, none of the payments received to date are refundable regardless of the outcome of the project. Grant revenue is recognized in accordance with the terms of the grant and as services are performed, and generally equals the related research and development expense.

Until October 2001, Axys Pharmaceutical was treated as a related party, as the previous Chief Executive Officer of Axys served on the Signal Board of Directors at the time Signal and Axys entered into a collaboration agreement prior to the merger with Celgene. The initial term of that agreement expired in October 2001. Therefore revenue recognized subsequent to October 2001 is no longer classified as related party. Accordingly, there was no related party revenue recorded in 2002, and $1.9 million and $2.5 million of related party revenue was recorded in 2001 and 2000, respectively.

Serono S.A. was treated as a related party based on its ownership interest in Signal at the time Signal and Serono entered into a collaboration agreement. The initial term of the agreement expired in November 2000 and while the agreement has been extended, Serono is no longer considered a related party. Accordingly, revenue from Serono of $3.8 million was recognized in 2000 as related party revenue.

As a result of the merger with Signal, revenues from these companies have ceased being classified as related party revenue upon the expiration of the initial term of the respective agreements.

(n) Stock Option Plans
The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board (“APB”) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, in accounting for its fixed plan stock options. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, Accounting for Stock-Based Compensation, as amended, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123, as amended.

When the exercise price of employee or director stock options is less than the fair value of the underlying stock on the grant date, the Company records deferred compensation for the difference and amortizes this amount to expense over the vesting period of the options. Options or stock awards issued to non-employees and consultants are recorded at their fair value as determined in accordance with SFAS No. 123 and EITF No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services and recognized over the related vesting period.
The following table illustrates the effect on net loss and net loss per share as if the fair-value-based method under SFAS No. 123 had been applied.

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss applicable to common stockholders:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As reported</td>
<td>$(100,000,168)</td>
<td>$(1,912,366)</td>
<td>$(16,284,370)</td>
</tr>
<tr>
<td>Add stock-based employee compensation expense included in reported net income</td>
<td>1,515,208</td>
<td>2,675,074</td>
<td>3,087,681</td>
</tr>
<tr>
<td>Deduct total stock-based employee compensation expense determined under fair-value-based method for all awards</td>
<td>(18,101,000)</td>
<td>(22,990,000)</td>
<td>(21,727,000)</td>
</tr>
<tr>
<td>Pro forma</td>
<td>$(116,585,960)</td>
<td>$(22,227,292)</td>
<td>$(34,923,689)</td>
</tr>
</tbody>
</table>

Net loss per common share basic and diluted:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>As reported</td>
<td>$ (1.29)</td>
<td>$ (0.03)</td>
<td>$ (0.24)</td>
</tr>
<tr>
<td>Pro forma</td>
<td>(1.51)</td>
<td>(0.30)</td>
<td>(0.52)</td>
</tr>
</tbody>
</table>

The pro forma effects on net loss applicable to common stockholders and net loss per common share for 2002, 2001 and 2000 may not be representative of the pro forma effects in future years since compensation cost is allocated on a straight-line basis over the vesting periods of the grants, which extends beyond the reported years.

The weighted-average fair value per share was $8.13, $9.83 and $16.44 for stock options granted in 2002, 2001 and 2000, respectively. The Company estimated the fair values using the Black-Scholes option pricing model and used the following assumptions:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rate</td>
<td>2.02%</td>
<td>3.52%</td>
<td>4.84%</td>
</tr>
<tr>
<td>Expected stock price volatility</td>
<td>58%</td>
<td>57%</td>
<td>57%</td>
</tr>
<tr>
<td>Expected term until exercise (years)</td>
<td>2.89</td>
<td>2.81</td>
<td>2.81</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

(a) Earnings per Share

“Basic” earnings (loss) per common share equals net income (loss) applicable to common stockholders divided by weighted average common shares outstanding during the period. “Diluted” earnings per common share would equal net income applicable to common stockholders divided by the sum of weighted average common shares outstanding during the period plus common stock equivalents if dilutive. The Company’s basic and diluted per share amounts are the same since the assumed exercise of stock options, and warrants, and the conversion of convertible debentures and preferred stock are all anti-dilutive. The number of common stock equivalents excluded from the calculation were 11,046,271 in 2002, 10,128,670 in 2001 and 11,033,930 in 2000.

(p) Comprehensive Income (Loss)

Comprehensive income (loss) consists of net losses and the change in net unrealized gains (losses) on securities classified as available for sale and is presented in the consolidated statements of stockholders’ equity (deficit).

(q) Financial Instruments

The fair value, which equals carrying value, of marketable securities available for sale is based on quoted market prices. For all other financial instruments, their carrying value approximates fair value due to the short maturity of these instruments.

(r) Warehousing and Distribution Expenses

Warehousing and distribution expenses are included in selling, general and administrative expenses and totaled approximately $3.5 million, $5.4 million and $4.5 million in 2002, 2001, and 2000, respectively.
Recently Issued Accounting Standards

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002.

In November 2002, the FASB issued Interpretation No. 45, Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on the Company’s financial statements. The disclosure requirements are effective for consolidated financial statements of interim or annual periods ending after December 15, 2002.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123. This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial statements.

As discussed in Note 1, on December 31, 2002, Celgene completed the acquisition of Anthrogenesis Corp., for an aggregate purchase price of $60.0 million. Anthrogenesis is an early-stage biotherapeutics company delivering stem cell therapies produced from renewable human placental sources/materials. The Company acquired Anthrogenesis to realize the substantial therapeutic and commercial potential of placental stem cells through its commercial and developmental infrastructure. The merger was consummated pursuant to the Purchase Option Agreement and Plan of Merger, dated April 26, 2002, as amended. The Company issued 1,455,381 shares of common stock valued at $31.2 million for all the outstanding shares of Anthrogenesis at an exchange ratio of .4545 of a share of Celgene common stock for each share of Anthrogenesis common stock outstanding. The Company also issued 1,247,203 Celgene stock options and warrants in exchange for all the Anthrogenesis stock options and warrants at the same exchange ratio. All of the Anthrogenesis options and warrants were vested at the time of their assumption by Celgene, or the exercise price of such options and warrants exceeded the market price of Celgene stock on the date of acquisition. The fair value of these options and warrants aggregating $16.7 million was included in the acquisition purchase price and were determined using the Black-Scholes model using the following assumptions:

Fair market value of the underlying shares was based on the average closing price of Celgene’s common stock on December 31, 2002.
Risk free interest rate of 2%.
Expected stock price volatility of 65%.
Expected term until exercise 2.5 to 3 years.
Expected dividend yield 0%.

In addition, an outstanding convertible loan of $8.5 million due to the Company from Anthrogenesis, bearing interest at prime plus 2%, was also included in the purchase price. The purchase price also includes $3.6 million representing acquisition related costs, which consisted of transaction fees for financial advisors, attorneys, accountants and other related charges. The acquisition of Anthrogenesis was structured as a tax-free reorganization under Section 368(a) of the Internal Revenue Code and was accounted for using the purchase method of accounting for business combinations. The consolidated financial statements as of
December 31, 2002 includes the net assets and liabilities of Anthrogenesis. The purchase price was allocated to the assets purchased and liabilities assumed based upon their respective fair values, with the excess of the purchase price over the estimated fair market value of net tangible and intangible assets acquired allocated to goodwill based on a third-party valuation report, as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$2,671,319</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>649,028</td>
</tr>
<tr>
<td>Non current assets</td>
<td>8,864</td>
</tr>
<tr>
<td>IPR&amp;D</td>
<td>55,700,000</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>3,010,000</td>
</tr>
<tr>
<td>Goodwill</td>
<td>2,972,784</td>
</tr>
<tr>
<td><strong>Total assets acquired</strong></td>
<td><strong>65,011,995</strong></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(3,547,463)</td>
</tr>
<tr>
<td>Non current liabilities</td>
<td>(1,429,740)</td>
</tr>
<tr>
<td><strong>Total liabilities assumed</strong></td>
<td><strong>(4,977,203)</strong></td>
</tr>
<tr>
<td><strong>Net assets acquired</strong></td>
<td><strong>$60,034,792</strong></td>
</tr>
</tbody>
</table>

Approximately $55.7 million of the purchase price represents the estimated fair value of IPR&D projects that had not yet reached technological feasibility and had no alternative future use. Accordingly, this amount was immediately expensed in the consolidated statement of income upon the acquisition date.

Intangible assets acquired represent supplier agreements and customer lists and have a weighted average useful life of 11.6 years. Amortization expense for the next five fiscal years is expected to be approximately $315,000 per year.

The goodwill from the Anthrogenesis acquisition has been allocated to the Company’s Stem Cell Therapy segment. In accordance with SFAS 142, Goodwill and Other Intangible Assets, the Company will not amortize goodwill resulting from this acquisition, but will review it at least annually for potential impairment issues. This goodwill is not deductible for tax purposes.

The allocation may be adjusted over the next three quarters as integration plans are finalized, as allowed by SFAS 141, Business Combinations.

IPR&D represents that portion of the purchase price of an acquisition related to the research and development activities which are yet to demonstrate their technological feasibility and have no alternative future use. Accordingly, the IPR&D of $55.7 million was charged to operations upon the acquisition date. The estimated fair value of these projects was determined by employment of a discounted cash flow model. The discount rates used take into account the stage of completion and the risks surrounding the successful development and commercialization of each of the purchased in-process technology projects that were valued. The analysis included forecasted future cash flows that were expected to result from the progress made on the in-process project prior to the purchase dates. Appropriate operating expenses were deducted from the total forecasted net revenues to establish a forecast of net returns on the completed portion of the in-process technology. Finally, these net returns were discounted to a present value using discount rates that incorporate the weighted average cost of capital relative to the biotech industry and the Company as well as product specific risks associated with the purchased in-process research and development products. The product specific risk factors included the product’s phase of development, likelihood of success, manufacturing process capability, scientific rationale, pre-clinical safety and efficacy data, target product profile, and development plan. In addition to the product specific risk factors, an overall discount rate of 36% was used for the purchase valuation, which represents a risk premium to the Company’s weighted average cost of capital.

The forecast data in the analysis was based on internal product level forecast information maintained by management in the ordinary course of managing the business. The inputs used by management in analyzing IPR&D was based on assumptions, which management believed to be reasonable but which are inherently uncertain and unpredictable. These assumptions may be incomplete or inaccurate, and no assurance can be given that unanticipated events and circumstances will not occur.
The following unaudited pro forma results of operations of Celgene for the years ended December 31, 2002 and 2001, assumes the acquisition of Anthrogenesis has been accounted for using the purchase method of accounting as of January 1, 2002 and 2001, and assumes the purchase price has been allocated to the assets purchased and the liabilities assumed based on fair values at the date of acquisition. Anthrogenesis’ results of operations included in the following unaudited pro forma financial information are derived from their unaudited financial statements for the year ended December 31, 2002 and their audited financial statements for the year ended December 31, 2001. The unaudited pro forma net loss and loss per share amounts for both the years include the charge for purchased research and development of approximately $55.7 million, which was recognized at the acquisition date, and also include an adjustment to reflect amortization of intangibles recorded in conjunction with the acquisition. The unaudited pro forma results of operations is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial positions that would have occurred if the transactions had been consummated at the dates indicated, nor is it necessarily indicative of future operating results or financial position of the combined companies and should not be construed as representative of these amounts for any future dates or periods.

<table>
<thead>
<tr>
<th>Year Ended December 31, 2002</th>
<th>Year Ended December 31, 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>$138,000,424</td>
</tr>
<tr>
<td>Net loss</td>
<td>(112,897,451)</td>
</tr>
<tr>
<td>Net loss per share</td>
<td>$ (1.43)</td>
</tr>
</tbody>
</table>

Prior to the merger, when two senior executives of the Company served on the Board of Directors of Anthrogenesis, the Company entered into the following transactions with Anthrogenesis:

In April 2001, the Company entered into a license and development agreement with Anthrogenesis for the development of a human angiogenesis assay system for screening the effect of certain molecules on the process of neovascularization. The Company paid $250,000 for a one year exclusive, royalty-free license to all assay system technology. This payment was expensed upon the signing of the agreement.

In December 2001, the Company entered into a second development agreement with Anthrogenesis for a period of one year which required Anthrogenesis to perform certain development work on several of the Company’s compounds. The Company recorded a development fee of $250,000 which was amortized over the term of the agreement.

On December 31, 2002, the Company entered into a series of agreements with EntreMed, Inc. and Children’s Medical Center Corporation to effectively terminate ongoing litigation relating to patents for thalidomide analogs and to grant an exclusive license to Celgene for the rights to those patents. Under the terms of an Asset Purchase Agreement the Company paid to EntreMed, $10,000,000 in cash for all thalidomide analog patents and associated clinical data and records and the termination of any litigation surrounding those patents. Under the terms of a Securities Purchase Agreement, the Company acquired from EntreMed 3,350,000 shares of Series A Convertible Preferred Stock and warrants exercisable into an additional 7,000,000 common shares for an aggregate cash consideration of $16,750,000. The Series A Convertible Preferred Stock is convertible, at the option of the Company, into an aggregate of 16,750,000 shares of common stock at an initial conversion price of $1.00 per share provided, however, that the conversion price in effect from time to time shall be subject to certain adjustments. Dividends will accrue at 6% per annum on the preferred stock. The Company shall have the right to one vote for each share of Common Stock into which such share of Series A Convertible Preferred Stock could then be converted and with respect to such vote the Company shall have full voting rights and powers equal to the voting rights and powers of the holders of shares of Common Stock. The warrants have an exercise price of $1.50 per share, vest after six months from the date of grant and expire after seven years from the date of grant. The Company completed an assessment of the estimated realizable value of the investment. Considering the level of the Company’s ownership interest in EntreMed, its history of operating losses and the fact that EntreMed is a clinical-stage biopharmaceutical company engaged primarily in research and development activities with proposed products and research programs in the early stage of clinical development, and based on such assessment, the entire amount of such Preferred Stock was written down.
The Company signed an exclusive license agreement with CMCC which terminated any existing thalidomide analog agreements between CMCC and EntreMed and directly granted to Celgene an exclusive worldwide license for the analog patents. The Company paid to CMCC $2,500,000 under this agreement with another $2,500,000 payable between 2004 and 2006, the present value relating to which aggregating $2,201,500 was charged to 2002 operations. Additional payments are possible under the agreement depending on the successful development and commercialization of thalidomide analogs.

Celgene recorded a charge to earnings for the cost of these agreements and related expenses of $32,211,500 in 2002 including write down of the EntreMed Convertible Preferred Stock and certain legal expenses incurred in connection with the settlement.

### 5. Marketable Securities Available for Sale

The amortized cost, gross unrealized holding gains, gross unrealized holding losses and fair value of available-for-sale securities by major security type and class of security at December 31, 2002 and 2001, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Amortized Cost</th>
<th>Gross Unrealized Gain</th>
<th>Gross Unrealized Loss</th>
<th>Estimated Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December 31, 2002</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government agencies</td>
<td>$ 149,906</td>
<td>$ 1,795</td>
<td>—</td>
<td>$ 151,701</td>
</tr>
<tr>
<td>Government bonds and notes</td>
<td>553,593</td>
<td>5,235</td>
<td>—</td>
<td>558,828</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>167,974,812</td>
<td>9,428,832</td>
<td>(2,407,618)</td>
<td>174,996,026</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$168,678,311</td>
<td>$9,435,862</td>
<td>$(2,407,618)</td>
<td>$175,706,555</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Amortized Cost</th>
<th>Gross Unrealized Gain</th>
<th>Gross Unrealized Loss</th>
<th>Estimated Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December 31, 2001</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government agencies</td>
<td>$ 24,668,882</td>
<td>$ 318,218</td>
<td>—</td>
<td>$ 24,987,100</td>
</tr>
<tr>
<td>Government bonds and notes</td>
<td>553,594</td>
<td>15,076</td>
<td>—</td>
<td>568,670</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>231,026,473</td>
<td>7,603,951</td>
<td>(1,286,145)</td>
<td>237,344,279</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$256,248,949</td>
<td>$7,937,245</td>
<td>$(1,286,145)</td>
<td>$262,900,049</td>
</tr>
</tbody>
</table>

Maturities of debt securities classified as available-for-sale were as follows at December 31, 2002:

<table>
<thead>
<tr>
<th></th>
<th>Amortized Cost</th>
<th>Estimated Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>$ 21,122,872</td>
<td>$ 21,237,984</td>
</tr>
<tr>
<td>Due after one year through five years</td>
<td>107,152,079</td>
<td>111,899,755</td>
</tr>
<tr>
<td>Due after five years through ten years</td>
<td>38,560,675</td>
<td>40,568,816</td>
</tr>
<tr>
<td>Due after ten years</td>
<td>1,842,682</td>
<td>2,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$168,678,308</td>
<td>$175,706,555</td>
</tr>
</tbody>
</table>

### 6. Inventory

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2002</td>
</tr>
<tr>
<td>Raw materials</td>
<td>$2,680,398</td>
</tr>
<tr>
<td>Work in process</td>
<td>555,232</td>
</tr>
<tr>
<td>Finished goods</td>
<td>1,570,140</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4,805,770</strong></td>
</tr>
</tbody>
</table>
Plant and equipment consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2002</td>
</tr>
<tr>
<td>Laboratory equipment and machinery</td>
<td>$16,306,960</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>10,915,557</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>3,944,806</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>3,456,798</td>
</tr>
<tr>
<td>Leased equipment</td>
<td>1,089,617</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>388,121</td>
</tr>
<tr>
<td></td>
<td>36,101,859</td>
</tr>
<tr>
<td>Less: accumulated depreciation and amortization</td>
<td>16,501,796</td>
</tr>
<tr>
<td></td>
<td>$19,600,063</td>
</tr>
</tbody>
</table>

Accrued expenses consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2002</td>
</tr>
<tr>
<td>Professional and consulting fees</td>
<td>$ 2,949,560</td>
</tr>
<tr>
<td>Accrued compensation</td>
<td>11,579,121</td>
</tr>
<tr>
<td>Accrued interest, royalties and license fees</td>
<td>3,852,105</td>
</tr>
<tr>
<td>Accrued sales returns and rebates</td>
<td>4,728,674</td>
</tr>
<tr>
<td>Accrued facility costs</td>
<td>2,445,025</td>
</tr>
<tr>
<td>Other</td>
<td>2,020,488</td>
</tr>
<tr>
<td></td>
<td>$27,574,973</td>
</tr>
</tbody>
</table>

On September 16, 1998, the Company issued convertible notes to an institutional investor in the amount of $8.75 million. The notes had a five-year term and a coupon rate of 9.25% with interest payable on a semi-annual basis. The notes contained a conversion feature that allowed the note holders to convert the notes into common shares at $3.67 per share. These notes were issued at a discount of $437,500 which was being amortized over three years. On October 16, 2000, all of the notes were converted into 2,386,387 common shares.

On January 20, 1999, the Company issued to an institutional investor convertible notes in the amount of $15.0 million. The notes had a five year term and a coupon rate of 9% with interest payable on a semi-annual basis. The notes contained a conversion feature that allowed the note holders to convert the notes into common shares after one year at $6.00 per share. Issuance costs of $750,000 incurred in connection with these notes were being amortized over three years. Just prior to the Company’s follow-on offering on February 16, 2000, a portion of the notes totaling $9.3 million were converted into 1,548,000 common shares and included in the public offering. On May 17, 2000, an additional $4.0 million of the notes were converted into 666,399 common shares and issued to the note holders. On June 14, 2002, the remaining notes having a carrying value of $1.7 million were converted into 285,601 common shares.

On July 6, 1999, the Company issued to an institutional investor convertible notes in the amount of $15.0 million. The notes had a five year term and a coupon rate of 9% with interest payable on a semi-annual basis. The notes contained a conversion feature that allows the note holders to convert the notes into common shares after one year at $6.33 per share. There was no fee or discount associated with these notes. On July 6, 2000, $5.0 million of the notes were converted to 789,474 common shares. On June 14, 2002, the remaining notes having a carrying value of $10.0 million were converted into 1,578,948 common shares.

On September 26, 2000, the Company entered into an agreement with the note holders of the January 1999 and the July 1999 notes that allows the note holders to take a “short position” in the common stock (as defined in the respective Note Purchase Agreements) of the Company with certain limitations on transactions resulting in a “short position” based upon the level of the stock price. In exchange for the Company consenting to waive the provisions that prohibit short sales, the note holders waived the right to the receipt of any interest after the effective date of August 24, 2000.
At December 31, 2001, the fair value of the Company’s convertible notes exceeded their carrying value reflecting the increase to $31.92 per share in the market value of the Company’s common stock. An increase in the market price of the Company’s common stock over the conversion price has the effect of increasing the fair value of the convertible notes.

In November 1996, the Company issued a secured promissory note for $3.0 million. The proceeds of the note payable were used for general corporate purposes and working capital. The note payable accrued interest at a rate of 14% and was secured by certain assets of the Company. The outstanding obligation at December 31, 1999 of approximately $396,000 was repaid upon its due date during May 2000.

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

Rights Plan
During 1996, the Company adopted a shareholder rights plan (“Rights Plan”). The Rights Plan involves the distribution of one “Right” as a dividend on each outstanding share of the Company’s common stock to each holder of record on September 26, 1996. Each Right shall entitle the holder to purchase one-tenth of a share of common stock. The Rights trade in tandem with the common stock until, and are exercisable upon, certain triggering events, and the exercise price is based on the estimated long term value of the Company’s common stock. In certain circumstances, the Rights Plan permits the holders to purchase shares of the Company’s common stock at a discounted rate. The Company’s Board of Directors retains the right at all times prior to acquisition of 15% of our voting common stock by an acquiror, to discontinue the Rights Plan through the redemption of all rights or to amend the Rights Plan in any respect. On February 17, 2000, the Company’s Board of Directors approved an amendment to the Rights Plan changing the initial exercise price thereunder from $100.00 per Right (as defined in the original Rights Plan agreement) to $700.00 per Right and extending the final expiration date of the Rights Plan to February 17, 2010.

(a) Stock Options and Restricted Stock Awards
The Company has two equity incentive plans (“Incentive Plans”) that provide for the granting of options, restricted stock awards, stock appreciation rights, performance awards and other stock-based awards to employees and officers of the Company to purchase not more than an aggregate of 4,200,000 shares of common stock under the 1992 plan and 8,500,000 shares of common stock under the 1998 plan, as amended, subject to adjustment under certain circumstances. As a result of the merger with Signal, the Company also assumed the former Signal stock option plans. The options issued pursuant to the former Signal plans converted into Celgene options upon consummation of the merger at a .1257-for-1 exchange ratio. No additional options will be granted from the former Signal plans.

As a result of the acquisition of Anthrogenesis, the Company also assumed the former Anthrogenesis stock option plans. Options that had been granted prior to Celgene’s acquisition of Anthrogenesis were granted at the fair market value of Anthrogenesis at the date of grant, as determined by the Anthrogenesis Board of Directors. Anthrogenesis options generally vested immediately and have a life of ten years from the date of grant. The Anthrogenesis options converted into Celgene options at an exchange ratio of .4545. The Management Compensation and Development Committee of the Board of Directors (the “Committee”) determines the type, amount and terms, including vesting, of any awards made under the Incentive Plans. The 1992 Plan terminated in 2002 and the 1998 Plan will terminate in 2008.

With respect to options granted under the Incentive Plans, the exercise price may not be less than the fair market value of the common stock on the date of grant. In general, each option granted under the Plans vests evenly over a three or four year period and expires 10 years from the date of grant, subject to earlier expiration in case of termination of employment. The vesting period for options and restricted stock awards
granted under the Plans is subject to certain acceleration provisions if a change in control, as defined in the Plans, occurs.

On and after September 19, 2000, stock options granted to executives at the vice-president level and above contain a reload feature which provides that if (1) the optionee exercises all or any portion of the stock option (a) at least six months prior to the expiration of the stock option, (b) while employed by the Company and (c) prior to the expiration date of the 1998 Long-Term Incentive Plan and (2) the optionee pays the exercise price for the portion of the stock option exercised or pays applicable withholding taxes by using common stock owned by the optionee for at least six months prior to the date of exercise, the optionee shall be granted a new stock option under the 1998 Long-Term Incentive Plan on the date all or any portion of the stock option is exercised to purchase the number of shares of common stock equal to the number of shares of common stock exchanged by the optionee to exercise the stock option or to pay withholding taxes thereon. The reload stock option will be exercisable on the same terms and conditions as apply to the original stock option except that (x) the reload stock option will become exercisable in full on the day which is six months after the date the original stock option is exercised, (y) the exercise price shall be the fair market value (as defined in the 1998 Long-Term Incentive Plan) of the common stock on the date the reload stock option is granted and (z) the expiration of the reload stock option will be the date of expiration of the original stock option. An optionee may not reload the reload stock option unless otherwise permitted by the Company’s Compensation Committee. As of December 31, 2002, the Company has issued 620,000 stock options to executives which contain the reload features noted above.

On June 16, 1995, the stockholders of the Company approved the 1995 Non-Employee Directors’ Incentive Plan, which provides for the granting of non-qualified stock options to purchase an aggregate of not more than 1,050,000 shares of common stock (subject to adjustment under certain circumstances) to directors of the Company who are not officers or employees of the Company (“Non-Employee Directors”). Each new Non-Employee Director, upon the date of election or appointment, receives an option to purchase 20,000 shares of common stock. Additionally, upon the date of each annual meeting of stockholders, each continuing Non-Employee Director receives an option to purchase 10,000 shares of common stock (or a pro rata portion thereof for service less than one year). The shares subject to each non-employee director’s option grant of 20,000 shares vest in four equal annual installments commencing on the first anniversary of the date of grant. The shares subject to an annual meeting option grant vest in full on the date of the first annual meeting of stockholders held following the date of grant. On June 22, 1999, the stockholders of the Company approved an amendment to the 1995 Non-Employee Directors’ Incentive Plan that a.) increased the number of shares authorized to 1,800,000 and b.) provided for a discretionary grant upon the date of each annual meeting of an additional option to purchase up to 5,000 shares to a non-employee director who serves as a member (but not a chairman) of a committee of the Board of Directors and up to 10,000 shares to a non-employee director who serves as the chairman of a committee of the Board of Directors. All options are granted at an exercise price that equals the fair market value of the Company’s common stock at the grant date and expire 10 years after the date of grant. This plan terminates in 2005.
The following table summarizes the stock option activity for the aforementioned Plans:

<table>
<thead>
<tr>
<th>Shares available for grant</th>
<th>Options outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance January 1, 2000</td>
<td>3,279,374</td>
</tr>
<tr>
<td>Authorized</td>
<td>2,417,100</td>
</tr>
<tr>
<td>Expired</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>(3,266,281)</td>
</tr>
<tr>
<td>Exercised</td>
<td>—</td>
</tr>
<tr>
<td>Cancelled</td>
<td>99,555</td>
</tr>
<tr>
<td>Repurchases</td>
<td>2,197</td>
</tr>
</tbody>
</table>

Balance December 31, 2000

<table>
<thead>
<tr>
<th>Shares available for grant</th>
<th>Options outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Expired</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>(1,111,450)</td>
</tr>
<tr>
<td>Exercised</td>
<td>—</td>
</tr>
<tr>
<td>Cancelled</td>
<td>457,249</td>
</tr>
<tr>
<td>Repurchases</td>
<td>190</td>
</tr>
</tbody>
</table>

Balance December 31, 2001

<table>
<thead>
<tr>
<th>Shares available for grant</th>
<th>Options outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized</td>
<td>—</td>
</tr>
<tr>
<td>Expired</td>
<td>(73,706)</td>
</tr>
<tr>
<td>Granted</td>
<td>(3,204,884)</td>
</tr>
<tr>
<td>Exercised</td>
<td>—</td>
</tr>
<tr>
<td>Cancelled</td>
<td>423,627</td>
</tr>
<tr>
<td>Repurchases</td>
<td>721</td>
</tr>
<tr>
<td>Assumed on acquisition</td>
<td>137,031</td>
</tr>
</tbody>
</table>

Balance December 31, 2002

<table>
<thead>
<tr>
<th>Shares available for grant</th>
<th>Options outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized</td>
<td>—</td>
</tr>
<tr>
<td>Expired</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>—</td>
</tr>
<tr>
<td>Exercised</td>
<td>—</td>
</tr>
<tr>
<td>Cancelled</td>
<td>—</td>
</tr>
<tr>
<td>Repurchases</td>
<td>—</td>
</tr>
</tbody>
</table>

The following table summarizes information concerning options outstanding under the Incentive Plans at December 31, 2002:

<table>
<thead>
<tr>
<th>Range of exercise price</th>
<th>Number outstanding at 12/31/02</th>
<th>Weighted average exercise price</th>
<th>Weighted average remaining term (yrs.)</th>
<th>Number exercisable at 12/31/02</th>
<th>Weighted average exercise price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 0.15 - 3.50</td>
<td>854,656</td>
<td>$ 2.26</td>
<td>4.8</td>
<td>854,656</td>
<td>$ 2.26</td>
</tr>
<tr>
<td>3.51 - 6.00</td>
<td>2,193,854</td>
<td>3.00</td>
<td>5.6</td>
<td>2,069,568</td>
<td>5.11</td>
</tr>
<tr>
<td>6.01 - 24.00</td>
<td>3,381,771</td>
<td>16.67</td>
<td>9.0</td>
<td>3,062,688</td>
<td>16.21</td>
</tr>
<tr>
<td>24.01 - 30.00</td>
<td>2,895,075</td>
<td>26.04</td>
<td>8.0</td>
<td>2,059,419</td>
<td>26.25</td>
</tr>
<tr>
<td>30.01 - 50.00</td>
<td>368,526</td>
<td>36.63</td>
<td>7.6</td>
<td>230,893</td>
<td>35.71</td>
</tr>
<tr>
<td>50.01 - 70.00</td>
<td>1,135,550</td>
<td>64.27</td>
<td>7.6</td>
<td>761,522</td>
<td>64.11</td>
</tr>
<tr>
<td></td>
<td>10,829,432</td>
<td>$21.37</td>
<td>7.5</td>
<td>9,038,746</td>
<td>$19.27</td>
</tr>
</tbody>
</table>

The Company recorded $6,706,274 and $1,024,244 of deferred compensation for options granted under the former Signal plans during 2000 and 1999, respectively, representing the difference between the option exercise price and the estimated fair value of the underlying stock for financial statement presentation purposes. The Company amortized the deferred compensation over the vesting period of the options and recorded $1,264,742, $2,465,406 and $3,087,681 of compensation expense during the years ended December 31, 2002, 2001 and 2000, respectively. During 2002, the Company reversed $327,748 of deferred compensation related to option holders who are no longer providing services to the Company.
During 2001, the Company issued to certain employees an aggregate of 52,500 restricted stock awards. Such restricted stock awards will vest on September 19, 2006 unless certain conditions are met prior to the vesting date. The restricted stock awards provide for accelerated vesting during specified intervals in 25% increments if certain milestones relating to research and development activities and the level of the Company’s stock price are met over the next three years. The fair value of these restricted stock awards at the grant date amounted to $1,385,625 which is being recorded as compensation expense over the contractual vesting period. During 2002 and 2001, the Company recorded $250,466 and $209,668, respectively, in compensation expense relating to these restricted stock awards, which is classified as selling, general and administrative expenses.

Former non-employee directors of Signal, who entered into consulting agreements with Celgene effective August 31, 2000, held unvested stock options to purchase 36,457 shares of the Company’s common stock. As a result, the Company is required to record compensation expense relative to the fair value of such options which is being recognized over the remaining vesting period for such options. During 2002, 2001 and 2000 the Company recorded $216,757, $854,042 and $970,309 in compensation expense relating to stock, stock options or warrants issued to consultants, advisors or financial institutions, respectively.

(b) Warrants

In connection with the placement of the Series B Convertible Preferred Stock in June 1997, the Company issued warrants to purchase 1,557,690 shares of common stock at an exercise price of $2.50 per share with a term of four years from the issuance date which ended on June 1, 2002. In May 2002, the remaining 967,693 warrants were exercised and the equivalent number of common shares were issued. As of December 31, 2002, there were no warrants outstanding.

Upon the completion of the Anthrogenesis acquisition, Celgene assumed the Anthrogenesis warrants then outstanding. Anthrogenesis had issued warrants to investors at exercise prices equivalent to the per share price of their investment. Celgene has 216,839 warrants outstanding to acquire an equivalent number of shares of Celgene common stock at an average exercise price of $13.14 per warrant.

13. Employee Benefit Plans

The Company has an investment savings plan and a deferred compensation plan for certain employees, of which the investment savings plan qualifies under Section 401(k) of the Internal Revenue Code. The Company’s contributions to the savings plan are discretionary and have historically been made in the form of the Company’s common stock. Such contributions are based on specified percentages of employee contributions and aggregated a total expense charged to operations of $2.9 million in 2002, $1.4 million in 2001 and $1.2 million in 2000.

During 2000, the Company’s Board of Directors approved a deferred compensation plan effective September 1, 2000. Eligible participants, which include certain top-level executives of the Company as specified by the plan, can elect to defer up to 25% of the participant’s base salary, 100% of cash bonuses and restricted stock and stock options gains (both subject to a minimum deferral of 50% of each award of restricted stock or stock option gain approved by the Committee for deferral). Company contributions to the deferred compensation plan represent a 100% match of the participant’s deferral up to a specified percentage (ranging from 10% to 25%, depending on the employee’s position as specified in the plan) of the participant’s base salary. The Company recorded $371,150, $359,608 and $52,541 in expense associated with the matching of the deferral of compensation for 2002, 2001 and 2000, respectively. All amounts are 100% vested at all times, except with respect to restricted stock, which will not be vested until the date the applicable restrictions lapse. At December 31, 2002 and 2001, the Company had a deferred compensation liability included in other non-current liabilities in the consolidated balance sheets of approximately $2.7 million and $1.6 million, respectively, which included the participant’s elected deferral of salaries and bonuses, the Company’s matching contribution and earnings on deferred amounts as of that date. The plan provides participants eight investment options for amounts they elect to defer. Such options include a combination of funds that offer the investor the option to spread their risk across a diverse group of investments. These investment choices include an equity and equity index fund, a bond fund, a fund that is balanced between equities and bonds, a fund that invests worldwide, a growth fund and a fund that invests in mid to large cap companies and seeks capital appreciation.
On April 19, 2000, the Company entered into an agreement with Novartis Pharma AG wherein the Company granted to Novartis an exclusive worldwide license for the development and marketing of d-methylphenidate, or d-MPH, its chirally pure version of Ritalin®. The Company also granted rights to all its related intellectual property and patents, including new formulations of the currently marketed Ritalin®. Celgene received a $10.0 million, nonrefundable, upfront license fee payment in July 2000 and is entitled to receive substantial milestone payments in addition to royalties on the entire family of Ritalin® drugs. The upfront license fee of $10.0 million was recognized as revenue over a 17 month period commencing June 2000 which was management’s estimate of the period of time required to fulfill its obligations related to obtaining FDA approval of the immediate release form of d-MPH. The Company received FDA approval to market the drug in November 2001. Accordingly, the Company recognized approximately $5.4 million and $4.6 million of research contract revenue in 2001 and 2000, respectively. The Company also received a milestone payment of $5.0 million in December 2000 upon acceptance of the New Drug Application, or NDA, by the FDA for d-MPH. The milestone payment was recognized as research contract revenue in December 2000. The Company received an additional milestone payment of $12.5 million in November 2001, upon FDA approval to market the drug which was recognized as research contract revenue. The Company incurred costs related to the agreement of approximately $0.0, $2.8 million and $9.4 million in 2002, 2001 and 2000, respectively.

In December 2000, the Company signed a collaborative research agreement with Novartis for joint research of selective estrogen receptor modulator compounds, or SERMs, for the treatment and prevention of osteoporosis. The Company received a nonrefundable, upfront payment of $10.0 million and is entitled to receive milestone payments for specific preclinical, clinical and regulatory endpoints, as well as royalties upon commercialization of products receiving FDA marketing approval. The upfront payment was amortized over the two year research period. The Company incurred costs of approximately $1.8 million and $2.0 million in 2002 and 2001, respectively, related to this agreement. The agreement was extended in December 2002 for an additional six months.

On October 15, 1999, the Company entered into a two-year collaborative research and license agreement with Axys to develop and commercialize certain compounds for use in the prevention and/or treatment of certain human diseases. The Company received an initial non-refundable license fee of $2.0 million, which was amortized over the term of the agreement, and the potential to receive additional payments based on the achievement of certain program milestones, as well as royalties upon commercial sales of certain products, if any. The Company also has the right to exercise a profit share option in the United States and possibly other territories at a predetermined point during development in lieu of royalties on product sales. In addition, Axys agreed to pay the Company certain amounts for the full time equivalent personnel working on the research. During 2001 and 2000, Axys paid $1.1 million and $1.5 million, respectively, to the Company, which represents the approximate cost of the full-time equivalent personnel working on the related research. This agreement expired in October 2001 and has not been renewed.

In February 1998, the Company entered into a two-year collaborative research and license agreement with Nippon Kayaku to develop and commercialize products based on or derived from a compound supplied by Nippon Kayaku for the treatment and prevention of diseases and disorders of the CNS and PNS. Nippon Kayaku agreed to pay the Company certain amounts for the full-time equivalent personnel working on the research. Nippon Kayaku paid $2.3 million in 2000 to the Company, which represents the approximate cost of the full-time equivalent personnel working on the related research. Each party was obligated to pay the other royalties on future product sales arising from the collaboration. This agreement expired in 2000 and has not been renewed.

In February 2000, following the initial research phase of the collaboration, the Company executed an interim agreement with Nippon Kayaku under which the Company agreed to enter into a joint agreement to develop and commercialize neuroprotectant drugs for PNS and CNS disorders.

In July 2000, the Company and Nippon Kayaku mutually agreed to conclude their collaboration. Nippon Kayaku was granted a worldwide, royalty-free license to certain compounds involved in the collaboration.
**Dupont**

In December 1997, the Company entered into a three-year collaborative research and license agreement with DuPont Pharmaceuticals to develop and commercialize novel products for the treatment and prevention of human immunodeficiency virus and hepatitis C virus infection. The Company received an initial non-refundable license fee of $1.0 million, which was amortized over the term of the agreement, and the potential to receive additional payments based on the achievement of certain program milestones, as well as royalties upon commercial sales of certain products, if any. In addition, DuPont agreed to pay the Company certain amounts for the full time equivalent personnel working on the research. DuPont paid $2.0 million in 2000 to the Company, which represents the approximate cost of the full-time equivalent personnel working on the related research. The agreement expired in 2000 and has not been renewed.

**Serono**

In November 1997, the Company entered into a three-year collaborative research, development and license agreement with Serono to perform research within the field of the modulation of NF-kB. The Company will receive payments based on the achievement of certain program milestones, as well as royalties upon commercial sales of certain products, if any. In addition, Serono made quarterly payments to the Company to fund research efforts. During 2001 and 2000, Serono paid $2.8 million and $3.0 million, respectively, to the Company, which represents the approximate cost of the full-time equivalent personnel working on the related research. Serono purchased shares of Signal’s Series F Preferred Stock (which were ultimately exchanged into Celgene shares pursuant to the Signal merger) in conjunction with the license agreement. The original agreement was extended for one year and expired in November 2001. The agreement has not been renewed and the selected compounds have been transferred to Serono for further development, for which the Company will receive royalties upon commercial sales of such products, if any, as described above.

### 15. Income Taxes

At December 31, 2002 and 2001, the tax effects of temporary differences that give rise to deferred tax assets are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal and state net operating loss carryforwards</td>
<td>$143,719,598</td>
<td>$131,547,226</td>
</tr>
<tr>
<td>Capitalized research expenses</td>
<td>7,011,354</td>
<td>7,008,725</td>
</tr>
<tr>
<td>Research and experimentation tax credit carryforwards</td>
<td>7,666,315</td>
<td>7,366,596</td>
</tr>
<tr>
<td>Plant and equipment, principally due to differences in depreciation</td>
<td>1,879,831</td>
<td>1,841,857</td>
</tr>
<tr>
<td>Patents, principally due to differences in amortization</td>
<td>5,615,352</td>
<td>113,569</td>
</tr>
<tr>
<td>Accrued and other expenses</td>
<td>4,801,761</td>
<td>6,261,988</td>
</tr>
<tr>
<td>Unrealized losses on securities</td>
<td>6,686,332</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td><strong>177,400,543</strong></td>
<td><strong>154,139,961</strong></td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(177,400,543)</td>
<td>(154,139,961)</td>
</tr>
<tr>
<td><strong>Net deferred tax assets</strong></td>
<td><strong>$</strong></td>
<td><strong>$</strong></td>
</tr>
</tbody>
</table>

During 2002, 2001 and 2000, the Company recognized a tax benefit of $652,618, $1,231,964 and $1,809,677, respectively, from the sale of certain State net operating loss carryforwards. In 2002, the Company also recognized state tax expense of $554,176 as a result of recent legislation in New Jersey, which has placed a temporary suspension on the usage of state net operating losses.

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. At December 31, 2002, the Company had Federal net operating loss carryforwards of approximately $371,400,000 and combined State net operating loss carryforwards of approximately $228,824,000 that will expire in the years 2003 through 2022. State net operating loss carryforwards differ from Federal net operating loss carryforwards primarily due to the fact that the Company sold approximately $84,150,000 of its State net operating loss carryforwards through December 31, 2002, and approximately $58,426,000 has expired. The Company also has research and experimentation credit...
carryforwards of approximately $7,686,000 that expire in the years 2003 through 2022. Ultimate utilization/availability of such net operating losses and credits may be curtailed if a significant change in ownership occurs. Signal experienced an ownership change, as that term is defined in section 382 of the Internal Revenue Code, when it was merged with Celgene. As such, there is an annual limitation on the use of this Net Operating Loss in the amount of approximately $11,580,000. Anthrogenesis also experienced an ownership change when acquired at December 31, 2002. Approximately $8,500,000 of deferred tax assets acquired in the Anthrogenesis acquisition at December 31, 2002 consisted primarily of net operating losses; as such there may be an annual limitation on the Company’s ability to utilize the acquired net operating losses in the future. Upon realization of the Anthrogenesis acquired tax assets, the Company will credit the benefit to the related acquired goodwill and other intangibles.

Of the deferred tax asset related to the Federal and State net operating loss carryforwards, approximately $67,304,000 relates to a tax deduction for non qualified stock options. The Company will increase paid in capital when these benefits are realized for tax purposes. The Company realized stock option deduction benefits in 2002 for New Jersey state income tax purposes and has increased paid in capital in the amount of approximately $77,000.

On January 9, 1998, the Company concluded an agreement with Cambrex Corporation for Cambrex to acquire Celgene’s chiral intermediate business for approximately $15.0 million. The Company received $7.5 million upon the closing of the transaction, and will receive future royalties with a present value not exceeding $7.5 million, with certain minimum royalty payments in the third through sixth year following the closing of the transaction. Included in the transaction are the rights to Celgene’s enzymatic technology for the production of chirally pure intermediates for the pharmaceutical industry, including the current pipeline of third party products and the equipment and personnel associated with the business. Pursuant to the minimum royalty provision of the agreement, the Company received $1.0 million, $991,973 and $719,103 during 2002, 2001 and 2000, respectively.

(a) Leases

The Company leases its offices and research facilities under several operating lease agreements. The minimum annual rents may be subject to specified annual rental increases. The non-cancelable lease terms for the operating leases expire at various dates between 2004 and 2012 and each agreement includes renewal options ranging from one or two additional three or five-year terms. Under the terms of one of these lease arrangements, the Company has an outstanding letter of credit for $150,000 in favor of the lessor, which is fully collateralized by cash. In general, the Company is also required to reimburse the lessors for real estate taxes, insurance, utilities, maintenance and other operating costs associated with the leases. The Company entered into a new lease arrangement in December 2001 to consolidate the Company’s California research division into one building. The division completed the occupation of the new facility during the fourth quarter of 2002. The lease obligation relating to the remaining term of the old lease arrangement, which expires on December 31, 2003, aggregating approximately $1.0 million, was recognized as an expense for the year ended December 31, 2002 and the net book value with respect to related leasehold improvements and other unamortized assets aggregating $1.1 million was written off during the same period. The Company leased an additional 11,400 square feet of office space in Warren, N.J. in September, 2002.

In July 1997, the Company entered into an equipment leasing agreement; under the agreement, the Company could lease up to $1.0 million of equipment for a three year term after which the Company could purchase the equipment for a nominal value. The Company leased $675,000 of laboratory equipment under this agreement in two separate take-downs, and the second three year term expired in June of 2001. Accordingly, the Company has purchased all the equipment for a nominal value. In addition, the Company leases certain laboratory equipment and machinery and office furniture under other capital lease arrangements with three year terms and options to extend the lease term to five years. Assets held under capital leases, net of accumulated amortization of $218,231 and $1,039,214 as of December 31 2002 and 2001, respectively, are included in plant and equipment and the amortization of these assets is included with depreciation expense.
Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 2002 are:

<table>
<thead>
<tr>
<th>Year ending December 31,</th>
<th>Operating leases</th>
<th>Capital leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$4,261,914</td>
<td>$91,072</td>
</tr>
<tr>
<td>2004</td>
<td>3,301,510</td>
<td>31,726</td>
</tr>
<tr>
<td>2005</td>
<td>3,338,176</td>
<td>9,603</td>
</tr>
<tr>
<td>2006</td>
<td>3,203,857</td>
<td>—</td>
</tr>
<tr>
<td>2007</td>
<td>3,264,012</td>
<td>—</td>
</tr>
<tr>
<td>Thereafter</td>
<td>12,261,125</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total minimum lease payments</strong></td>
<td><strong>$29,630,594</strong></td>
<td><strong>132,401</strong></td>
</tr>
</tbody>
</table>

Less amount representing interest 6,231

Present value of net minimum capital lease payments 126,170

Less current installments of obligations under capital leases 86,318

Obligations under capital leases, excluding current installments $39,852

Total facilities rental expense under operating leases, excluding the write-off of the old Signal facility, amounted to $3.0 million, $2.3 million and $2.1 million in 2002, 2001 and 2000, respectively.

(b) Employment Agreements

The Company has employment agreements with certain officers and employees. Employment contracts provide for an increase in compensation reflecting annual reviews and related salary adjustment. Compensation expense related to the contracts aggregated $1.7 million in 2002. The outstanding commitment for ongoing employment contracts as of December 31, 2002 is approximately $2.1 million (excluding any change in control provisions).

(c) Contracts

Pursuant to the terms of a research and development agreement with The Rockefeller University, the Company has purchased for cash and stock options the worldwide exclusive license to manufacture and market any drugs, including THALOMID®, which may result from the research performed at Rockefeller and funded by the Company. The portion of the agreement that provides for research services to be performed by Rockefeller is renewable for one year terms upon agreement of both parties. Under terms of the current research agreement extension, the Company was committed to pay Rockefeller $504,000 annually for research. The agreement expired in 2002 and has not been renewed.

The Company has an agreement with Penn Pharmaceutical, Ltd. of Great Britain for the production of THALOMID®. Penn manufactures THALOMID® and sells it exclusively to the Company. The agreement has been extended through 2003 for facility payments totaling approximately $540,000.

In October 1997, the Company entered into a contract with Boston University to manage the surveillance registry which is intended to monitor compliance to the requirements of the Company’s S.T.E.P.S.® (System for THALOMID® Education and Prescribing Safety) program for all THALOMID® patients. The contract is renewable for one year terms upon agreement of both parties and is currently being renegotiated for 2003.

In December 1997, the Company entered into a research agreement with the University of Glasgow for clinical testing and evaluation of certain of Celgene’s patented compounds. Under terms of the agreement, the Company agreed to pay the University approximately $200,000 in two annual installments. The term of the original agreement was for two years and is renewable for one year terms. The agreement has been renewed for 2003.

In 1998, the Company paid $280,000 in cash and issued shares of common stock related to a license agreement with the University of Massachusetts and capitalized the value as purchased technology. The Company has future commitments to make additional payments based on the achievement of certain milestones, as well as royalties upon commercial sales, if any, of certain products. Such fees or milestone
payments may also involve the issuance of shares of common stock, which would be recorded at fair value at the date of issuance.

In March 2001, the Company entered into a Master Services Agreement with PPD Development, LLC, (“PPD”), a contract research organization, under which project addenda may be executed from time to time for PPD to provide services in support of clinical development projects. In 2001, the Company executed such project agreements. The Company incurred expenses of $1.1 million in 2002 and it is anticipated that it will incur expenses of approximately $1.2 million in 2003.

In May 2001, the Company entered into an agreement with Pharmacia to conduct a collaborative study of THALOMID® in combination with CAMPTOSAR® (irinotecan) and 5-fluorouracil and leucovorin for the treatment of metastatic colorectal cancer. The Company incurred expenses of approximately $1.3 million in 2002 and expects to incur expenses of approximately $2.2 million in 2003.

In November, 2001, the Company entered into a license agreement with Pharmion Corporation and Pharmion GmbH (“Pharmion”) in which the Company granted an exclusive royalty-bearing license for its intellectual property covering thalidomide and S.T.E.P.S.® in Europe and selected other countries outside North America in exchange for licensing payments and royalties. The agreement will terminate upon the tenth anniversary of the initial European regulatory approval of thalidomide, and pursuant to the agreement, the Company will receive $300,000 on a quarterly basis beginning in December 2001 until the initial European regulatory approval is received.

In November, 2001, concurrent with the Pharmion License agreement, the Company entered into an agreement with Penn Pharmaceuticals, Ltd. and its shareholders in which Penn granted an option to purchase their thalidomide Dedicated Containment Facilities, or DCF, and related thalidomide assets. The Company has three years in which to exercise the option. The purchase price will be determined in the future based on a formula defined in the agreement.

In December, 2002, the Company signed a Master Services Agreement with PharmaNet, Inc., a contract research organization, to provide services in the management of two pivotal clinical trials for THALOMID® in multiple myeloma. The Company incurred expenses of approximately $1.9 million in 2002 and anticipates expenses of approximately $8.0 million in 2003.

The Company has signed a letter of intent and anticipates signing a master services agreement in the near future with Icon Clinical Research, a contract research organization, to provide services in the management of several pivotal clinical trials for REVIMID™ in multiple myeloma and metastatic melanoma. The Company incurred expenses of $2.8 million in 2002 and anticipates expenses of approximately $7.7 million in 2003.

(d) Contingencies
The Company believes it maintains insurance coverage adequate for its current needs.

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

18. Segments

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, requires the use of the management approach in identifying and disclosing financial information about segments of an enterprise. The management of the Company has determined that pursuant to the acquisition of Anthrogenesis (see Note 3), as of December 31, 2002, the Company operates in two business segments — human pharmaceuticals and stem cell therapies. The accounting policies of the segments are the same as described in the summary of accounting policies.
Human Pharmaceuticals

The human pharmaceutical segment is engaged in the discovery, development and commercialization of pharmaceutical therapies designed to treat cancer and immunological diseases. The segment markets and sells its products in the United States and Canada. All of the Company’s customers are located in North America. In 2002, 2001 and 2000, six customers accounted for 92%, 87% and 85% of total product sales revenue, respectively. At December 31, 2002, 2001 and 2000, these same customers had outstanding accounts receivable balances that represented 92%, 88% and 80% of the total accounts receivable balance, respectively. The segment estimates an allowance for doubtful accounts based on the creditworthiness of its customers as well as general economic conditions. Consequently, an adverse change in those factors could affect the Company’s estimate of its bad debts.

Stem Cell Therapies

The stem cell segment delivers stem cell therapies that are produced from renewable human placental sources and initially directed toward major, unmet medical needs in the cancer field, with a primary focus on blood cancers such as leukemias, lymphomas and myelomas. The segment also engages in the private client banking of autologous stem cells and the development of an allogeneic bank for stem cell transplants.

A reconciliation of the segment assets to the consolidated total assets as of December 31, 2002 is provided below:

<table>
<thead>
<tr>
<th>Segment</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Pharmaceuticals</td>
<td>$ 56,793,090</td>
</tr>
<tr>
<td>Stem Cell Therapies</td>
<td>9,311,995</td>
</tr>
<tr>
<td>Unallocated Corporate Assets(1)</td>
<td>261,181,643</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$327,286,728</strong></td>
</tr>
</tbody>
</table>

(1) Unallocated corporate assets consist of cash and cash equivalents and marketable securities available for sale.
## 19. Quarterly Results of Operations (Unaudited)

(In thousands, except for share and per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>12/31/02</th>
<th>9/30/02</th>
<th>6/30/02</th>
<th>3/31/02</th>
<th>12/31/01</th>
<th>9/30/01</th>
<th>6/30/01</th>
<th>3/31/01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>$ 37,173</td>
<td>$34,258</td>
<td>$33,621</td>
<td>$30,694</td>
<td>$41,735</td>
<td>$26,178</td>
<td>$23,931</td>
<td>$22,399</td>
</tr>
<tr>
<td>Gross profit</td>
<td>28,909</td>
<td>26,467</td>
<td>26,249</td>
<td>23,974</td>
<td>22,006</td>
<td>18,463</td>
<td>15,841</td>
<td>14,313</td>
</tr>
<tr>
<td>Litigation settlement and related agreements</td>
<td>32,212</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Acquired in-process research and development</td>
<td>55,700</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Tax benefit</td>
<td>98</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,232</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net income(loss)</td>
<td>$(96,425)</td>
<td>$(1,037)</td>
<td>$(1,715)</td>
<td>$(823)</td>
<td>$6,736</td>
<td>$(6,342)</td>
<td>$(2,419)</td>
<td>$113</td>
</tr>
</tbody>
</table>

Per share of common stock—basic and diluted:

<table>
<thead>
<tr>
<th></th>
<th>12/31/02</th>
<th>9/30/02</th>
<th>6/30/02</th>
<th>3/31/02</th>
<th>12/31/01</th>
<th>9/30/01</th>
<th>6/30/01</th>
<th>3/31/01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income(loss)-basic</td>
<td>$(1.22)</td>
<td>$(0.01)</td>
<td>$(0.02)</td>
<td>$(0.01)</td>
<td>$0.09</td>
<td>$(0.08)</td>
<td>$(0.03)</td>
<td>$0.00</td>
</tr>
<tr>
<td>Weighted average number of shares of common stock outstanding-basic</td>
<td>78,715,000</td>
<td>78,583,000</td>
<td>76,377,000</td>
<td>75,625,000</td>
<td>75,511,000</td>
<td>75,356,000</td>
<td>75,113,000</td>
<td>74,439,000</td>
</tr>
<tr>
<td>Net income(loss)-diluted</td>
<td>$(1.22)</td>
<td>$(0.01)</td>
<td>$(0.02)</td>
<td>$(0.01)</td>
<td>$0.08</td>
<td>$(0.08)</td>
<td>$(0.03)</td>
<td>$0.00</td>
</tr>
<tr>
<td>Weighted average number of shares of common stock outstanding-diluted</td>
<td>78,715,000</td>
<td>78,583,000</td>
<td>76,377,000</td>
<td>75,625,000</td>
<td>81,674,000</td>
<td>75,356,000</td>
<td>75,113,000</td>
<td>80,608,000</td>
</tr>
</tbody>
</table>

(1) Gross profit is calculated as Product sales less Cost of goods sold.
**Executive Officers and Board of Directors**

**John W. Jackson** - has been our Chairman of the Board and Chief Executive Officer since January 1996. From February 1991 to January 1996, Mr. Jackson was President of Gemini Medical, a consulting firm that he founded and which specialized in services and investment advice to start-up medical device and biotechnology companies. Previously, Mr. Jackson had been President of the worldwide Medical Device Division of American Cyanamid, a major pharmaceutical company, from February 1986 to January 1991, and served in various international positions, including Vice President - International for American Cyanamid from 1978 to 1986. Mr. Jackson served in several human health marketing positions at Merck & Company, a major pharmaceutical company, from 1971 to 1978. Mr. Jackson received a B.A. degree from Yale University and an M.B.A. from INSEAD, France.

**Robert J. Hugin** – has been Senior Vice President and Chief Financial Officer since June 1999 and was elected by the Board of Directors to serve as one of our directors in December 2001. Previously, Mr. Hugin had been a Managing Director at J.P. Morgan & Co. Inc., which he joined in 1985. Mr. Hugin received an A.B. degree from Princeton University and an M.B.A. from the University of Virginia. Mr. Hugin is a director of The Medicines Company.

**Jack L. Bowman** - one of our directors since April 1998, serves as Executive Chairman of the Board of Directors of NeoRx having served as Company Group Chairman of Johnson & Johnson from 1987 to 1994. From 1983 to 1987, Mr. Bowman served as Executive Vice President of American Cyanamid. Mr. Bowman is also a director of Cell Therapeutics, Inc., Cellegy Pharmaceuticals, Targeted Genetics and Reliant Pharmaceuticals LLC.

**Frank T. Cary** - has been Chairman of the Executive Committee of the Board of Directors of the Company since July 1990 and one of our directors since 1987. From 1973 to 1981, Mr. Cary was Chairman of the Board and Chief Executive Officer of International Business Machines Corporation. Mr. Cary is also a director of Cygnus Therapeutic Systems Inc., ICOS Corporation, Lincare Inc., Lexmark International Inc. and Vion Pharmaceuticals.

**Michael D. Casey** - has served as one of our directors since August 2002. Mr. Casey has over 30 years of experience in the pharmaceutical industry and spent most of his career at Johnson & Johnson where he served as Vice President of Sales and Marketing of Ortho Pharmaceutical Corporation and President of McNeil Pharmaceuticals. Mr. Casey was most recently President, Chief Executive Officer and Chairman of Matrix Pharmaceutical, Inc. Prior to joining Matrix, he spent time as President of two divisions of Schein Pharmaceutical, Inc. and President of Genetic Therapy, Inc. Mr. Casey is a director of Allos Therapeutics, Inc., Bone Care Int., Cholestech Corporation and SICOR Inc.

**Arthur Hull Hayes, Jr., M.D.** - one of our directors since 1995, has been President and Chief Operating Officer of MediScience Associates, a consulting organization that works with pharmaceutical firms, biomedical companies and foreign governments, since July 1991, and clinical professor of medicine and pharmacology at the Pennsylvania State University College of Medicine. From 1986 to 1990, Dr. Hayes was President and Chief Executive Officer of E.M. Pharmaceuticals, a unit of E. Merck AG, and from 1981 to 1983 was Commissioner of the U. S. Food and Drug Administration. Dr. Hayes also is a director of Myriad Genetics, Inc., NaPro BioTherapeutics, Inc. and eResearch Technology, Inc.

**Gillia Kaplan, Ph.D.** - one of our directors since 1998, is head of the Laboratory of Mycobacterial Immunity and Pathogenesis at The Public Health Research Institute at the International Center for Public Health in Newark, New Jersey, where she was appointed full Member in 2002. Dr. Kaplan has also been appointed Professor of Medicine and adjunct Professor of Microbiology and Molecular Genetics at UMDNJ. Previously, Dr. Kaplan was an immunologist in the Laboratory at Cellular Physiology and Immunology at The Rockefeller University in New York where she was an Associate Professor.

**Richard C.E. Morgan** - one of our directors since 1987, is the Chairman and Chief Executive Officer of VennWorks LLC and a Managing Partner of Amphion Capital Management LLC. Mr. Morgan serves on the Board of Directors of Access Inc. and Orbis International, Inc. and several other private companies.

**Walter L. Robb, Ph.D.** - one of our directors since 1992, has been a private consultant and President of Vantage Management Inc., a consulting and investor services company, since January 1993. Dr. Robb was Senior Vice President for Corporate Research and Development of General Electric Company, and a member of its Corporate Executive Council from 1986 to December 1992. Dr. Robb is also Chairman of the Board of Directors of Capital District Sports, a director of Cree, Inc., Mechanical Technology Inc., Molecular OptoElectronics, Nextec, Cyclics, X-Ray Optical Systems and Evident Technology.
Celgene’s common stock is traded on the NASDAQ National Market System. NASDAQ Symbol: CELG. Celgene options are listed on the Chicago Board Options Exchange, CBOE symbol: LQH.

As of April 29, 2003 there were 612 holders of record of the Company’s common stock. The following table sets forth the intra-day high and low sales price of the common stock for the periods indicated, as reported by the NASDAQ National Market System.

<table>
<thead>
<tr>
<th>Period</th>
<th>High</th>
<th>Low</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter</td>
<td>$31.40</td>
<td>22.50</td>
<td>$33.50</td>
<td>$16.94</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>24.56</td>
<td>14.50</td>
<td>36.48</td>
<td>14.40</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>21.05</td>
<td>11.50</td>
<td>29.50</td>
<td>20.50</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>25.00</td>
<td>15.48</td>
<td>38.88</td>
<td>23.45</td>
</tr>
</tbody>
</table>

The price quotations set forth above represent prices to dealers and do not include retail markups, markdowns or commissions. Celgene has not paid, and does not anticipate paying in the near future, dividends on its common stock. Stockholders, analysts and other representatives of the financial community wishing more information about Celgene should direct their inquiries to:

Investor Relations
Celgene Corporation
7 Powder Horn Drive
Warren, New Jersey 07059

Annual Meeting
The annual meeting of stockholders of Celgene Corporation will be held on June 10, 2003, at Proskauer Rose LLP, 1585 Broadway, New York, New York at 1:00 P.M.

Form 10-K
Copies of the Form 10-K for the year ended December 31, 2002 may be obtained by stockholders without charge upon written inquiry to the Corporate Secretary at the corporate headquarters.

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