CELGENE CORP /DE/
Form 10-Q
July 29, 2014
Table of Contents

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

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2014

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____________to _____________

Commission File Number 001-34912
CELGENE CORPORATION
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 22-2711928 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| 86 Morris Avenue, Summit, NJ | 07901 |
| (Address of principal executive offices) | (Zip Code) |

(908) 673-9000
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | X | Accelerated filer | |
| Non-accelerated filer (Do not check if a smaller reporting company) | | Smaller reporting company | |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

At July 22, 2014, 799,510,100 shares of Common Stock, par value $.01 per share, were outstanding, reflecting the two-for-one Common Stock split effected in June 2014.

Table of Contents

CELGENE CORPORATION

FORM 10-Q TABLE OF CONTENTS

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited).

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

| | Three-Month Periods Ended June 30, | | Six-Month Periods Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Revenue: | | | | |
| Net product sales | $1,844.6 | $1,564.1 | $3,552.1 | $2,993.4 |
| Collaborative agreements and other revenue | 2.7 | 3.1 | 4.6 | 10.2 |
| Royalty revenue | 25.4 | 31.8 | 46.0 | 60.0 |
| Total revenue | 1,872.7 | 1,599.0 | 3,602.7 | 3,063.6 |
| Expenses: | | | | |
| Cost of goods sold (excluding amortization of acquired intangible assets) | 98.9 | 80.9 | 185.0 | 161.4 |
| Research and development | 456.9 | 458.1 | 1,170.6 | 910.5 |
| Selling, general and administrative | 491.8 | 418.1 | 985.9 | 787.1 |
| Amortization of acquired intangible assets | 65.3 | 65.7 | 131.0 | 131.4 |
| Acquisition related charges, net | 0.9 | 12.5 | 9.5 | 45.7 |
| Total costs and expenses | 1,113.8 | 1,035.3 | 2,482.0 | 2,036.1 |
| Operating income | 758.9 | 563.7 | 1,120.7 | 1,027.5 |
| Other income and (expense): | | | | |
| Interest and investment income, net | 7.3 | 4.5 | 13.7 | 9.3 |
| Interest (expense) | (41.6) | (19.6) | (70.9) | (37.5) |
| Other income (expense), net | (17.8) | 9.2 | (24.4) | 6.9 |
| Income before income taxes | 706.8 | 557.8 | 1,039.1 | 1,006.2 |
| Income tax provision | 109.0 | 79.7 | 161.6 | 143.2 |
| Net income | $597.8 | $478.1 | $877.5 | $863.0 |
| Net income per common share (Note1): | | | | |
| Basic | $0.75 | $0.58 | $1.09 | $1.04 |
| Diluted | $0.72 | $0.56 | $1.05 | $1.00 |
| Weighted average shares (Note 1): | | | | |
| Basic | 799.6 | 828.2 | 805.5 | 832.0 |
| Diluted | 831.0 | 858.5 | 838.0 | 861.9 |

See accompanying Notes to Unaudited Consolidated Financial Statements

Table of Contents

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

| | Three-Month Periods Ended June 30, | | Six-Month Periods Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Net income | $597.8 | $478.1 | $877.5 | $863.0 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | 1.1 | 10.0 | 4.1 | 4.1 |
| Net unrealized gains (losses) related to cash flow hedges: | | | | |
| Unrealized holding gains (losses), net of tax expense (benefit) of ($8.9) and $0 for the three-months ended June 30, 2014, and 2013, respectively, and ($12.6) and $0.2 for the six-months ended June 30, 2014, and 2013, respectively. | (12.8) | 11.5 | (27.7) | 86.4 |
| Reclassification adjustment for (gains) losses included in net income, net of tax (expense) benefit of $0.4 and $2.8 for the three-months ended June 30, 2014 and 2013, respectively, and $0.7 and $6.2 for the six-months ended June 30, 2014 and 2013, respectively. | 2.6 | (4.0) | 4.2 | (0.2) |
| Net unrealized gains (losses) on marketable securities available for sale: | | — | | |
| Unrealized holding gains (losses), net of tax expense (benefit) of $16.1 and $19.9 for the three-months ended June 30, 2014 and 2013, respectively, and $45.1 and $19.9 for the six-months ended June 30, 2014 and 2013, respectively. | 31.9 | 34.9 | 87.2 | 33.0 |
| Reclassification adjustment for (gains) losses included in net income, net of tax (expense) benefit of $0.6 and $1.0 for the three-months ended June 30, 2014 and 2013, respectively, and $1.1 and $1.0 for the six-months ended June 30, 2014 and 2013. | 1.0 | 1.4 | 1.9 | 2.2 |
| Total other comprehensive income (loss) | 23.8 | 53.8 | 69.7 | 125.5 |
| Comprehensive income | $621.6 | $531.9 | $947.2 | $988.5 |

See accompanying Notes to Unaudited Consolidated Financial Statements

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions, except per share amounts)

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $3,219.5 | $3,234.4 |
| Marketable securities available for sale | 2,993.5 | 2,452.6 |
| Accounts receivable, net of allowances of $37.1 and $40.0 at June 30, 2014 and December 31, 2013, respectively | 1,124.4 | 1,061.4 |
| Inventory | 360.0 | 340.4 |
| Deferred income taxes | 27.0 | 25.3 |
| Other current assets | 382.6 | 436.4 |
| Total current assets | 8,107.0 | 7,550.5 |
| Property, plant and equipment, net | 605.1 | 593.4 |
| Intangible assets, net | 4,325.8 | 2,839.7 |
| Goodwill | 2,191.2 | 2,041.2 |
| Other assets | 372.8 | 353.4 |
| Total assets | $15,601.9 | $13,378.2 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Short-term borrowings | $192.3 | $544.8 |
| Accounts payable | 184.5 | 156.2 |
| Accrued expenses | 848.8 | 1,001.1 |
| Income taxes payable | 15.6 | 16.0 |
| Current portion of deferred revenue | 33.5 | 27.7 |
| Other current liabilities | 216.9 | 199.7 |
| Total current liabilities | 1,491.6 | 1,945.5 |
| Deferred revenue, net of current portion | 27.7 | 23.7 |
| Income taxes payable | 259.2 | 235.0 |
| Deferred income taxes | 659.5 | 804.9 |
| Other non-current liabilities | 1,569.3 | 582.7 |
| Long-term debt, net of discount | 6,743.3 | 4,196.5 |
| Total liabilities | 10,750.6 | 7,788.3 |
| Commitments and Contingencies (Note 15) | | |
| Stockholders' Equity: | | |
| Preferred stock, $.01 par value per share, 5.0 million shares authorized; none outstanding at June 30, 2014 and December 31, 2013, respectively | — | — |
| Common stock, $.01 par value per share, 1,150.0 million shares authorized; issued 915.1 million and 906.5 million shares at June 30, 2014 and December 31, 2013, respectively (Note 1) | 9.2 | 9.1 |
| Common stock in treasury, at cost; 115.9 million and 101.5 million shares at June 30, 2014 and December 31, 2013, respectively (Note 1) | (9,837.1) | (7,662.1) |
| Additional paid-in capital (Note 1) | 9,165.5 | 8,676.4 |
| Retained earnings | 5,350.0 | 4,472.5 |
| Accumulated other comprehensive income | 163.7 | 94.0 |

| | | |
|---|---|---|
| Total stockholders’ equity | 4,851.3 | 5,589.9 |
| Total liabilities and stockholders’ equity | $15,601.9 | $13,378.2 |

See accompanying Notes to Unaudited Consolidated Financial Statements

Table of Contents

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

| | Six-Month Periods Ended June 30, | |
|---|---|---|
| | 2014 | 2013 |
| Cash flows from operating activities: | | |
| Net income | $877.5 | $863.0 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 52.1 | 47.4 |
| Amortization | 136.4 | 135.8 |
| Deferred income taxes | (181.1) | (94.9) |
| Impairment charges | 2.0 | 18.8 |
| Change in value of contingent consideration | 9.5 | 45.7 |
| Share-based compensation expense | 207.8 | 135.4 |
| Share-based employee benefit plan expense | 17.6 | 14.0 |
| Reclassification adjustment for cash flow hedges included in net income | 4.9 | 6.0 |
| Unrealized change in value of derivative instruments | (16.5) | (21.0) |
| Other, net | (1.2) | 6.9 |
| Change in current assets and liabilities, excluding the effect of acquisitions: | | |
| Accounts receivable | (61.8) | (74.8) |
| Inventory | (19.1) | (45.2) |
| Other operating assets | 36.7 | (53.7) |
| Accounts payable and other operating liabilities | (20.1) | 97.5 |
| Income tax payable | 24.8 | 10.7 |
| Payment of contingent consideration | (5.0) | — |
| Deferred revenue | 8.3 | 12.5 |
| Net cash provided by operating activities | 1,072.8 | 1,104.1 |
| Cash flows from investing activities: | | |
| Proceeds from sales of marketable securities available for sale | 1,144.0 | 1,329.1 |
| Purchases of marketable securities available for sale | (1,556.3) | (1,773.4) |
| Payments for acquisition of business | (710.0) | — |
| Purchases of intellectual property and other assets | (2.0) | (9.4) |
| Capital expenditures | (61.4) | (61.3) |
| Purchases of investment securities | (22.5) | (10.4) |
| Other investing activities | 2.3 | (1.5) |
| Net cash used in investing activities | (1,205.9) | (526.9) |
| Cash flows from financing activities: | | |
| Payment for treasury shares | (2,182.2) | (1,877.9) |
| Proceeds from short-term borrowing | 2,235.4 | 3,211.0 |
| Principal repayments on short-term borrowing | (2,588.0) | (2,633.8) |
| Proceeds from issuance of long-term debt | 2,470.6 | — |
| Proceeds from sale of common equity put options | 5.2 | — |
| Payment of contingent consideration | (15.0) | — |
| Net proceeds from share-based compensation arrangements | 94.0 | 320.5 |
| Excess tax benefit from share-based compensation arrangements | 90.0 | 81.2 |
| Net cash provided by (used in) financing activities | 110.0 | (899.0) |
| Effect of currency rate changes on cash and cash equivalents | 8.2 | (26.3) |

| | | |
|---|---|---|
| Net decrease in cash and cash equivalents | (14.9) | (348.1) |
| Cash and cash equivalents at beginning of period | 3,234.4 | 2,090.4 |
| Cash and cash equivalents at end of period | $3,219.5 | $1,742.3 |

See accompanying Notes to Unaudited Consolidated Financial Statements

6

Table of Contents

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

| | Six-Month Periods Ended June 30, | |
|---|---|---|
| | 2014 | 2013 |
| Supplemental schedule of non-cash investing and financing activity: | | |
| Fair value of contingent consideration issued in business combinations | $1,060.0 | $— |
| Change in net unrealized (gain) loss on marketable securities available for sale | $(132.3) | $(52.9) |
| Investment in NantBioScience, Inc. preferred equity | $90.0 | $— |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | $75.9 | $45.8 |
| Income taxes paid | $193.4 | $154.8 |

See accompanying Notes to Unaudited Consolidated Financial Statements

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(In all accompanying tables, amounts of dollars expressed in millions,
except per share amounts, unless otherwise indicated)

1. Nature of Business and Basis of Presentation

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

Our primary commercial stage products include REVLIMID®, ABRAXANE®, VIDAZA®, POMALYST®/IMNOVID®, THALOMID® (inclusive of Thalidomide Celgene™), azacitidine for injection (generic version of VIDAZA®), ISTODAX® and OTEZLA®. OTEZLA® was approved by the U.S. Food and Drug Administration (FDA) in March 2014 for the treatment of adult patients with active psoriatic arthritis and we began recognizing revenue related to OTEZLA® during the second quarter of 2014.

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

The consolidated financial statements include the accounts of Celgene Corporation and its subsidiaries. Investments in limited partnerships and interests where we have an equity interest of 50% or less and do not otherwise have a controlling financial interest are accounted for by either the equity or cost method. Certain prior year amounts have been reclassified to conform to the current year's presentation.

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

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. We are subject to certain risks and uncertainties related to, among other things, product development, regulatory approval, market acceptance, scope of patent and proprietary rights, competition, outcome of legal and governmental proceedings, European credit risk, technological change and product liability.

Interim results may not be indicative of the results that may be expected for the full year. In the opinion of management, these unaudited consolidated financial statements include all normal and recurring adjustments considered necessary for a fair presentation of these interim unaudited consolidated financial statements.

2. Summary of Significant Accounting Policies

Our significant accounting policies are described in Note 1 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 (2013 Annual Report on Form 10-K).

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

3. Acquisition

Nogra Pharma Limited (Nogra): On April 23, 2014, we entered into a license agreement with Nogra, pursuant to which Nogra granted us an exclusive, royalty-bearing license in its intellectual property relating to GED-0301, an antisense oligonucleotide targeting Smad7, to develop and commercialize products containing GED-0301 for the treatment of Crohn’s disease and other indications. A phase II trial of GED-0301 in patients with active Crohn's disease has been completed and we plan to initiate a phase III trial before year-end 2014.

Under the terms of the agreement, which became effective on May 14, 2014 after receipt of certain governmental clearances and approvals, we made an upfront payment of $710.0 million and may make additional contingent developmental, regulatory and sales milestone payments as well as payments based on percentages of annual sales of licensed products. The maximum aggregate amount payable for development and regulatory milestones is approximately $815.0 million, which covers such milestones relating to Crohn’s disease and other indications. Starting from global annual net sales of $500.0 million, aggregate tiered sales milestone payments could total a maximum of $1.050 billion if global annual net sales reach $4.000 billion.

The development and application of the intellectual property covered under the license agreement will be managed by joint committees composed of members from each of Nogra and us. We have the tie-breaking vote on the joint steering committee and as such have ultimate decision-making authority for development, regulatory and commercialization decisions. The agreement also includes provisions for access to employees of Nogra, technical assistance, transfer of manufacturing agreements and transfer of Nogra know-how related to GED-0301. Based on the foregoing factors, for accounting purposes, we have concluded that the acquired assets meet the definition of a business and have accounted for the GED-0301 license as in-process research and development (IPR&D) acquired in a business combination. The acquisition method of accounting requires that (a) the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date and (b) the fair value of IPR&D be classified as an indefinite-lived asset until the successful completion or abandonment of the associated research and development efforts. Pro-forma results of operations for this acquisition have not been presented because this acquisition is not material to our consolidated results of operations.

A preliminary purchase price allocation has been made and the recorded amounts are subject to change. Finalization of valuation efforts could result in changes in the amounts recorded for the fair value of contingent consideration, goodwill, IPR&D, and associated deferred tax assets and liabilities.

The amounts recognized will be finalized as the information necessary to complete the analysis is obtained, but no later than one year from the acquisition date. Adjustments, if any, could require retrospective application if they materially impact our financial statements.

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

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

Our potential contingent consideration payments are classified as liabilities, which were measured at fair value as of the acquisition date, with $5.0 million classified as current liabilities and $1.055 billion classified as non-current liabilities. We estimated the fair value of potential contingent consideration using a probability-weighted income approach, which reflects the probability and timing of future potential payments. This fair value measurement is based on significant inputs that are not observable in the market and thus represents a level three liability within the fair value hierarchy. The resulting probability weighted cash flows were discounted using a discount rate based on a market participant assumption.

The preliminary purchase price allocation resulted in the following amounts being allocated to the assets acquired at the acquisition date based on their respective fair values:

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

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

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

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

4. Earnings Per Share (Note 1)

| | Three-Month Periods Ended June 30, | | Six-Month Periods Ended June 30, | |
|---|---|---|---|---|
| (Amounts in millions, except per share) | 2014 | 2013 | 2014 | 2013 |
| Net income | $597.8 | $478.1 | $877.5 | $863.0 |
| Weighted-average shares: | | | | |
| Basic | 799.6 | 828.2 | 805.5 | 832.0 |
| Effect of dilutive securities: | | | | |
| Options, restricted stock units and other incentives | 31.4 | 30.3 | 32.5 | 29.9 |
| Diluted | 831.0 | 858.5 | 838.0 | 861.9 |
| Net income per share: | | | | |
| Basic | $0.75 | $0.58 | $1.09 | $1.04 |
| Diluted | $0.72 | $0.56 | $1.05 | $1.00 |

The total number of potential shares of common stock excluded from the diluted earnings per share computation because their inclusion would have been anti-dilutive was 13.5 million and 7.5 million shares for the three-month periods ended June 30, 2014 and 2013, respectively. The total number of potential shares of common stock excluded was 14.2 million and 8.2 million shares for the six-month periods ended June 30, 2014 and 2013, respectively.

Share Repurchase Program: In April 2014, our Board of Directors approved an increase of $4.000 billion to our authorized share repurchase program, bringing the total amount authorized since April 2009 to an aggregate of up to $13.500 billion of our common stock.

As part of the management of our share repurchase program, we may, from time to time, sell put options on our common stock with strike prices that we believe represent an attractive price to repurchase our shares. If the trading price of our shares exceeds the strike price of the put option at the time the option expires, we will have economically reduced the cost of our share repurchase program by the amount of the premium we received from the sale of the put option. If the trading price of our stock is below the strike price of the put option at the time the option expires, we would repurchase the shares covered by the option at the strike price of the put option. During the three-month period ended June 30, 2014, we sold a put option on $200.0 million notional amount of shares of our common stock, which expired unexercised in June 2014, and recorded a gain from the premium of $4.0 million, which was recorded on the Consolidated Statements of Income in other income (expense), net. During the six-month period ended June 30, 2014, we recorded a net gain of $6.4 million from selling put options on our common stock. At June 30, 2014, we had no outstanding put options. In July 2014, we sold a put option on $100.0 million notional amount of shares of our common stock with a strike price of $87.24 maturing in September 2014 for a premium of $2.2 million.

We have repurchased 3.2 million and 13.9 million shares of common stock under the share repurchase program from all sources at a total cost of $475.2 million and $2.137 billion during the three- and six-month periods ended June 30, 2014, respectively. As of June 30, 2014, we had a remaining share repurchase authorization of $3.932 billion.

5. Accumulated Other Comprehensive Income (Loss)

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

The accumulated balances related to each component of other comprehensive income (loss), net of tax, are summarized as follows:

| | Pension Liability | Net Unrealized Gains (Losses) From Marketable Securities | Net Unrealized Gains (Losses) From Hedges | Foreign Currency Translation Adjustment | Total Accumulated Other Comprehensive Income (Loss) |
|---|---|---|---|---|---|
| Balance December 31, 2013 | $(6.9) | $137.3 | $(36.0) | $(0.4) | $94.0 |
| Other comprehensive income (loss) before reclassifications | — | 87.2 | (27.7) | 4.1 | 63.6 |
| Amounts reclassified from accumulated other comprehensive income | — | 1.9 | 4.2 | — | 6.1 |
| Net current-period other comprehensive income (loss) | — | 89.1 | (23.5) | 4.1 | 69.7 |
| Balance June 30, 2014 | $(6.9) | $226.4 | $(59.5) | $3.7 | $163.7 |
| | | | | | |
| Balance December 31, 2012 | $(10.1) | $4.2 | $(16.0) | $(27.8) | $(49.7) |

| | | | | | |
|---|---|---|---|---|---|
| Other comprehensive income (loss) before reclassifications | — | 33.0 | 86.4 | 4.1 | 123.5 |
| Amounts reclassified from accumulated other comprehensive income | — | 2.2 | (0.2) | — | 2.0 |
| Net current-period other comprehensive income (loss) | — | 35.2 | 86.2 | 4.1 | 125.5 |
| Balance June 30, 2013 | $(10.1) | $39.4 | $70.2 | $(23.7) | $75.8 |

Table of Contents

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

| Accumulated Other Comprehensive Income Components | Affected Line Item in the Consolidated Statements of Income | Gains (Losses) Reclassified Out of Accumulated Other Comprehensive Income Three-Month Periods Ended June 30, 2014 | 2013 | Six-Month Periods Ended June 30 2014 | 2013 |
|---|---|---|---|---|---|
| Gains (losses) from cash-flow hedges: | | | | | |
| Foreign exchange contracts | Net product sales | $(2.0) | $2.1 | $(3.0) | $(4.3) |
| Treasury rate lock agreements | Interest (expense) | (0.8) | (0.9) | (1.7) | (1.7) |
| Interest rate swap agreements | Interest (expense) | (0.2) | — | (0.2) | — |
| | Income tax benefit (expense) | 0.4 | 2.8 | 0.7 | 6.2 |
| Gains (losses) from available-for-sale marketable securities: | | | | | |
| Realized income (loss) on sales of marketable securities | Interest and investment income, net | (1.6) | (2.4) | (3.0) | (3.2) |
| | Income tax benefit (expense) | 0.6 | 1.0 | 1.1 | 1.0 |
| Total reclassification, net of tax | | $(3.6) | $2.6 | $(6.1) | $(2.0) |

6. Financial Instruments and Fair Value Measurement

The table below presents information about assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2014 and the valuation techniques we utilized to determine such fair value. Fair values determined based on Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Our Level 1 assets consist of marketable equity securities. Fair values determined based on Level 2 inputs utilize observable quoted prices for similar assets and liabilities in active markets and observable quoted prices for identical or similar assets in markets that are not very active. Our Level 2 assets consist primarily of U.S. Treasury securities, U.S. government-sponsored agency securities, U.S. government-sponsored agency mortgage-backed securities (MBS), non-U.S. government, agency and Supranational securities, global corporate debt securities, asset backed securities, foreign currency forward contracts, purchased foreign currency options and interest rate swap contracts. Fair values determined based on Level 3 inputs utilize unobservable inputs and include valuations of assets or liabilities for which there is little, if any, market activity. We do not have any Level 3 assets. Our Level 1 liability relates to our publicly traded contingent value rights (CVRs). See Note 18 of Notes to Consolidated Financial Statements included in our 2013 Annual Report on Form 10-K for a description of the CVRs. Our Level 2 liabilities relate to foreign currency forward contracts and interest rate swap contracts, including forward starting interest rate swap contracts. Our Level 3 liabilities consist of contingent consideration related to undeveloped product rights resulting from the acquisition of Gloucester Pharmaceuticals, Inc. (Gloucester), contingent consideration related to the undeveloped product rights and the technology platform acquired from the Avila Therapeutics, Inc. (Avila) acquisition, and contingent consideration related to undeveloped product rights, regulatory and sales milestones as well as tiered royalties on sales of licensed products resulting from the acquisition of Nogra. The maximum remaining potential payments related to the contingent consideration from the acquisitions of Gloucester and Avila are estimated to be $120.0 million and $575.0 million, respectively, and $1.865 billion plus amounts based on sales pursuant to the license agreement with Nogra.

Table of Contents
CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

| | Balance at June 30, 2014 | Quoted Price in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets: | | | | |
| Available-for-sale securities | $2,993.5 | $647.1 | $2,346.4 | $— |
| Total assets | $2,993.5 | $647.1 | $2,346.4 | $— |
| Liabilities: | | | | |
| Forward currency contracts | $(26.4) | $— | $(26.4) | $— |
| Contingent value rights | (112.5) | (112.5) | — | — |
| Interest rate swaps | (4.0) | — | (4.0) | — |
| Other acquisition related contingent consideration | (1,283.6) | — | — | (1,283.6) |
| Total liabilities | $(1,426.5) | $(112.5) | $(30.4) | $(1,283.6) |

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

There were no security transfers between Levels 1 and 2 during the six-month periods ended June 30, 2014 and 2013.
The following table represents a roll-forward of the fair value of Level 3 instruments:

| | Six-Month Periods Ended June 30, | |
|---|---|---|
| | 2014 | 2013 |
| Liabilities: | | |
| Balance at beginning of period | $(228.5) | $(198.1) |
| Amounts acquired or issued | (1,060.0) | — |
| Net change in fair value | (15.1) | (6.8) |
| Settlements | 20.0 | — |
| Transfers in and/or out of Level 3 | — | — |
| Balance at end of period | $(1,283.6) | $(204.9) |

Level 3 liabilities outstanding as of June 30, 2014 primarily consisted of contingent consideration related to the acquisitions of Avila and Nogra. The $1.055 billion net increase in the fair value of Level 3 liabilities in 2014 included $1.060 billion from the May 2014 acquisition of Nogra, offset slightly by a $20.0 million milestone payment related to our acquisition of Avila. As of June 30, 2013 this balance consisted of contingent consideration related to the acquisition of Avila.

7. Derivative Instruments and Hedging Activities

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

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

Foreign Currency Risk Management

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

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

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

We manage a portfolio of foreign currency forward contracts to protect against changes in anticipated foreign currency cash flows resulting from changes in foreign currency exchange rates, primarily associated with non-functional currency denominated revenues and expenses of foreign subsidiaries. The foreign currency forward hedging contracts outstanding at June 30, 2014 and December 31, 2013 had settlement dates within 37 months. These foreign currency forward contracts are designated as cash flow hedges and, to the extent effective, any unrealized gains or losses on them are reported in other comprehensive income (loss) (OCI) and reclassified to operations in the same periods during which the underlying hedged transactions affect earnings. Any ineffectiveness on these foreign currency forward contracts is reported on the Consolidated Statements of Income in other income (expense), net. Foreign currency forward contracts entered into to hedge forecasted revenue and expenses were as follows at June 30, 2014 and December 31, 2013:

| | Notional Amount | |
|---|---|---|
| Foreign Currency | June 30, 2014 | December 31, 2013 |
| Australian Dollar | $50.5 | $— |
| British Pound | 437.8 | 279.4 |
| Canadian Dollar | 122.0 | — |
| Euro | 3,870.6 | 3,318.2 |
| Japanese Yen | 618.8 | 559.1 |
| Total | $5,099.7 | $4,156.7 |

We consider the impact of our own and the counterparties' credit risk on the fair value of the contracts as well as the ability of each party to execute its obligations under the contract on an ongoing basis. As of June 30, 2014, credit risk did not materially change the fair value of our foreign currency forward contracts.

We also manage a portfolio of foreign currency contracts to reduce exposures to foreign currency fluctuations of certain recognized assets and liabilities denominated in foreign currencies and, from time to time, we enter into foreign currency contracts to manage exposure related to translation of foreign earnings. These foreign currency forward contracts have not been designated as hedges and, accordingly, any changes in their fair value are recognized on the Consolidated Statements of Income in other income (expense), net in the current period. The aggregate notional amount of the foreign currency forward non-designated hedging contracts outstanding at June 30, 2014 and December 31, 2013 were $796.5 million and $878.5 million, respectively.

Interest Rate Risk Management

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

Forward Starting Interest Rate Swaps: In anticipation of issuing debt in 2014, we entered into an aggregate notional value of $1.500 billion in forward starting swaps that were designated as cash flow hedges. In April 2014 we accelerated our planned debt issuance date, which resulted in hedge ineffectiveness in the forward starting swaps and a $3.6 million charge to other income (expense), net due to differences between the effective date of the swaps and the accelerated debt issuance date. In addition, all forward starting swaps were settled upon the issuance of debt in May 2014 when the net fair value of the forward starting swaps in accumulated OCI was a loss position of $25.9 million. The net loss of $25.9 million will be recognized as interest expense over the life of the associated senior notes. There were no forward starting swaps outstanding as of June 30, 2014.

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

We have entered into swap contracts that were designated as hedges of certain of our fixed rate notes and also terminated the hedging relationship by settling certain of those swap contracts during 2013 and 2014. The settlement of swap contracts resulted in the receipt of net proceeds of $12.4 million and $16.2 million during the six-month periods ended June 30, 2014 and 2013, respectively, which are accounted for as a reduction of current and future interest expense associated with these notes. See Note 11 for additional details related to reductions of current and future interest expense.

The following table summarizes the notional amounts of our outstanding swap contracts at June 30, 2014 and December 31, 2013:

| | Notional Amount | |
|---|---|---|
| | June 30, 2014 | December 31, 2013 |
| Interest rate swap contracts entered into as fair value hedges of the following fixed-rate senior notes: | | |
| 2.450% senior notes due 2015 | $300.0 | $300.0 |
| 1.900% senior notes due 2017 | 300.0 | 300.0 |
| 2.300% senior notes due 2018 | 200.0 | 200.0 |
| 3.950% senior notes due 2020 | 500.0 | 500.0 |
| 3.250% senior notes due 2022 | 800.0 | 850.0 |
| 4.000% senior notes due 2023 | — | 150.0 |
| Total | $2,100.0 | $2,300.0 |

15

Table of Contents
CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following tables summarize the fair value and presentation in the Consolidated Balance Sheets for derivative instruments as of June 30, 2014 and December 31, 2013:

| | June 30, 2014 | | | |
|---|---|---|---|---|
| | Asset Derivatives | | Liability Derivatives | |
| Instrument | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Derivatives designated as hedging instruments: | | | | |
| Foreign exchange contracts* | Other current assets | $29.4 | Other current assets | $16.7 |
| | Other current liabilities | 21.9 | Other current liabilities | 44.6 |
| | Other non-current assets | 18.7 | Other non-current assets | 12.5 |
| | Other non-current liabilities | 12.6 | Other non-current liabilities | 28.2 |
| Interest rate swap agreements | Other current assets | 17.3 | Other current assets | — |
| | Other non-current liabilities | — | Other non-current liabilities | 22.7 |
| Derivatives not designated as hedging instruments: | | | | |
| Foreign exchange contracts* | Other current assets | 3.4 | Other current assets | — |
| | Other current liabilities | 1.4 | Other current liabilities | 11.8 |
| Interest rate swap agreements | Other current assets | 0.1 | Other current assets | 0.1 |
| | Other non-current assets | 1.4 | Other non-current assets | — |
| Total | | $106.2 | | $136.6 |

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | Asset Derivatives | | Liability Derivatives | |
| Instrument | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Derivatives designated as hedging instruments: | | | | |
| Foreign exchange contracts* | Other current assets | $63.6 | Other current assets | $24.9 |
| | Other current liabilities | 41.5 | Other current liabilities | 84.7 |
| | Other non-current assets | 60.6 | Other non-current assets | 41.9 |
| | Other non-current liabilities | 4.3 | Other non-current liabilities | 25.6 |
| Interest rate swap agreements | Other current assets | 17.1 | Other current assets | — |
| | Other non-current liabilities | — | Other non-current liabilities | 68.3 |
| Derivatives not designated as hedging instruments: | | | | |
| Foreign exchange contracts* | Other current assets | 11.3 | Other current assets | 0.7 |
| | Other current liabilities | 6.0 | Other current liabilities | 18.7 |
| Interest rate swap agreements | Other current assets | 0.1 | Other current assets | — |
| | Other non-current assets | 1.5 | Other non-current assets | — |
| Total | | $206.0 | | $264.8 |

* Derivative instruments in this category are subject to master netting arrangements and are presented on a net basis in the Consolidated Balance Sheets in accordance with ASC 210-20.

Table of Contents
CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following tables summarize the effect of derivative instruments designated as cash-flow hedging instruments on the Consolidated Statements of Income for the three- and six-month periods ended June 30, 2014 and 2013:

| | Three-Month Period Ended June 30, 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Instrument | Amount of Gain/(Loss) Recognized in OCI on Derivative (1) (Effective Portion) | | Location of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | | Location of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded From Effectiveness Testing) | Amount of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded From Effectiveness Testing) | | |
| Foreign exchange contracts | $1.0 | | Net product sales | $(2.0 | ) | Other income, net | $0.7 | | (2 ) |
| Treasury rate lock agreements | $— | | Interest expense | $(0.8 | ) | | | | |
| Interest rate swap agreements | $(22.7 | ) | Interest expense | $(0.2 | ) | Other income, net | $(3.6 | ) | (3) |

(1) Net losses of $17.3 million are expected to be reclassified from Accumulated OCI into income in the next 12 months.
(2) The amount of net gains recognized in income represents $1.0 million in gains related to the ineffective portion of the hedging relationships and $0.3 million of losses related to amounts excluded from the assessment of hedge effectiveness.
(3) The amount of net loss recognized in income relates to the ineffective portion of the hedging relationships.

| | Three-Month Period Ended June 30, 2013 | | | | |
|---|---|---|---|---|---|
| Instrument | Amount of Gain/(Loss) Recognized in OCI on Derivative (Effective Portion) | Location of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | Location of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded From Effectiveness | Amount of Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded From Effectiveness |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | Testing) | Testing) | |
| Foreign exchange contracts | $11.5 | Net product sales | $2.1 | Other income, net | $0.5 | (1) |
| Treasury rate lock agreements | $— | Interest expense | $(0.9) | | | |

(1) The amount of net gains recognized in income represents $0.5 million of gains related to amounts excluded from the assessment of hedge effectiveness.

| | Six-Month Period Ended June 30, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Amount of Gain/(Loss) Recognized in OCI on Derivative (1) | Location of Gain/(Loss) Reclassified from Accumulated OCI into Income | Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income | Location of Gain/(Loss) Recognized in Income on Derivative | Amount of Gain/(Loss) Recognized in Income on Derivative | |
| Instrument | (Effective Portion) | (Effective Portion) | (Effective Portion) | (Ineffective Portion and Amount Excluded From Effectiveness Testing) | (Ineffective Portion and Amount Excluded From Effectiveness Testing) | |
| Foreign exchange contracts | $(7.9) | Net product sales | $(3.0) | Other income, net | $(2.8) | (2) |
| Treasury rate lock agreements | $— | Interest expense | $(1.7) | | | |
| Interest rate swap agreements | $(32.4) | Interest expense | $(0.2) | Other income, net | $(3.6) | (3) |

17

Table of Contents
CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(1) Net losses of $17.3 million are expected to be reclassified from Accumulated OCI into income in the next 12 months.
(2) The amount of net losses recognized in income represents $3.5 million of losses related to amounts excluded from the assessment of hedge effectiveness and $0.7 million in gains related to the ineffective portion of the hedging relationships.
(3) The amount of net loss recognized in income relates to the ineffective portion of the hedging relationships.

| | Six-Month Period Ended June 30, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Amount of Gain/(Loss) Recognized in OCI on Derivative | Location of Gain/(Loss) Reclassified from Accumulated OCI into Income | Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income | Location of Gain/(Loss) Recognized in Income on Derivative | Amount of Gain/(Loss) Recognized in Income on Derivative | |
| Instrument | (Effective Portion) | (Effective Portion) | (Effective Portion) | (Ineffective Portion and Amount Excluded From Effectiveness Testing) | (Ineffective Portion and Amount Excluded From Effectiveness Testing) | |
| Foreign exchange contracts | $86.6 | Net product sales | $(4.3) | Other income, net | $3.9 | (1) |
| Treasury rate lock agreements | $— | Interest expense | $(1.7) | | | |

(1) The amount of net gains recognized in income represents $2.0 million of gains related to amounts excluded from the assessment of hedge effectiveness and $1.9 million in gains related to the ineffective portion of the hedging relationships.

The following table summarizes the effect of derivative instruments designated as fair value hedging instruments on the Consolidated Statements of Income for the three- and six-month periods ended June 30, 2014 and 2013:

| | | Amount of Gain (Loss) Recognized in Income on Derivative | | | |
|---|---|---|---|---|---|
| | Location of Gain (Loss) Recognized in Income on | Three-Month Periods Ended June 30, | | Six-Month Periods Ended June 30, | |
| Instrument | Derivative | 2014 | 2013 | 2014 | 2013 |
| Interest rate swap agreements | Interest expense | $10.4 | $5.2 | $20.9 | $12.0 |

The following table summarizes the effect of derivative instruments not designated as hedging instruments on the Consolidated Statements of Income for the three-month periods ended June 30, 2014 and 2013:

Amount of Gain (Loss) Recognized in Income on Derivative

| Instrument | Location of Gain (Loss) Recognized in Income on Derivative | Three-Month Periods Ended June 30, 2014 | 2013 | Six-Month Periods Ended June 30, 2014 | 2013 |
|---|---|---|---|---|---|
| Foreign exchange contracts | Other income (expense), net | $(7.7) | $30.6 | $(11.1) | $69.2 |
| Put options on our common stock | Other income (expense), net | $4.0 | $— | $6.4 | $— |

The impact of gains and losses on foreign exchange contracts not designated as hedging instruments related to changes in the fair value of assets and liabilities denominated in foreign currencies are generally offset by net foreign exchange gains and losses, which are also included on the Consolidated Statements of Income in other income (expense), net for all periods presented. When we enter into foreign exchange contracts not designated as hedging instruments to mitigate the impact of exchange rate volatility in the translation of foreign earnings, gains and losses will generally be offset by fluctuations in the U.S. Dollar translated amounts of each Income Statement account in current and/or future periods.

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

Money market funds of $1.314 billion and $1.697 billion at June 30, 2014 and December 31, 2013, respectively, were recorded at cost, which approximates fair value and are included in cash and cash equivalents. The amortized cost, gross unrealized holding gains, gross unrealized holding losses and estimated fair value of available-for-sale securities by major security type and class of security at June 30, 2014 and December 31, 2013 were as follows:

| June 30, 2014 | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Estimated Fair Value |
|---|---|---|---|---|
| U.S. Treasury securities | $948.8 | $0.7 | $(0.2) | $949.3 |
| U.S. government-sponsored agency securities | 175.0 | 0.2 | (0.1) | 175.1 |
| U.S. government-sponsored agency MBS | 590.5 | 0.8 | (3.3) | 588.0 |
| Non-U.S. government, agency and Supranational securities | 19.9 | — | — | 19.9 |
| Corporate debt - global | 418.3 | 1.6 | (0.1) | 419.8 |
| Asset backed securities | 194.2 | 0.1 | — | 194.3 |
| Marketable equity securities | 297.9 | 350.6 | (1.4) | 647.1 |
| Total available-for-sale marketable securities | $2,644.6 | $354.0 | $(5.1) | $2,993.5 |

| December 31, 2013 | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Estimated Fair Value |
|---|---|---|---|---|
| U.S. Treasury securities | $795.2 | $0.3 | $(0.4) | $795.1 |
| U.S. government-sponsored agency securities | 208.9 | 0.2 | (0.2) | 208.9 |
| U.S. government-sponsored agency MBS | 450.8 | 0.1 | (6.9) | 444.0 |
| Non-U.S. government, agency and Supranational securities | 10.4 | — | — | 10.4 |
| Corporate debt - global | 379.2 | 1.1 | (0.6) | 379.7 |
| Asset backed securities | 181.6 | — | (0.2) | 181.4 |
| Marketable equity securities | 212.9 | 220.2 | — | 433.1 |
| Total available-for-sale marketable securities | $2,239.0 | $221.9 | $(8.3) | $2,452.6 |

U.S. government-sponsored agency securities include general unsecured obligations either issued directly by or guaranteed by U.S. Government Sponsored Enterprises. U.S. government-sponsored agency MBS include mortgage-backed securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. Non-U.S. government, agency and Supranational securities consist of direct obligations of highly rated governments of nations other than the United States and obligations of sponsored agencies and other entities that are guaranteed or supported by highly rated governments of nations other than the United States. Corporate debt-global includes obligations issued by investment-grade corporations, including some issues that have been guaranteed by governments and government agencies. Asset backed securities consist of triple-A rated securities with cash flows collateralized by credit card receivables and auto loans. Marketable equity securities consist of investments in equity securities that have become publicly traded. The increase in net unrealized gains in marketable equity securities during the six-month period ended June 30, 2014 primarily reflects the increase in market value for certain equity investments subsequent to December 31, 2013.

Duration periods of available-for-sale debt securities at June 30, 2014 were as follows:

| | Amortized Cost | Fair Value |
|---|---|---|
| Duration of one year or less | $391.7 | $391.5 |
| Duration of one through three years | 1,744.9 | 1,745.9 |
| Duration of three through five years | 210.1 | 209.0 |
| Total | $2,346.7 | $2,346.4 |

Table of Contents


## 9. Inventory

A summary of inventories by major category at June 30, 2014 and December 31, 2013 follows:

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Raw materials | $173.9 | $147.4 |
| Work in process | 111.0 | 99.6 |
| Finished goods | 75.1 | 93.4 |
| Total | $360.0 | $340.4 |

## 10. Intangible Assets and Goodwill

Intangible Assets: Our finite lived intangible assets primarily consist of developed product rights and technology obtained from the Pharmion Corp. (Pharmion), Gloucester, Abraxis BioScience, Inc. (Abraxis) and Avila acquisitions. Our indefinite lived intangible assets consist of acquired IPR&D product rights from the Nogra, Gloucester and Avila acquisitions. The remaining weighted-average amortization period for finite-lived intangible assets not fully amortized is approximately 11.5 years.

The following summary of intangible assets by category includes intangibles currently being amortized and intangibles not yet subject to amortization:

| June 30, 2014 | Gross Carrying Value | Accumulated Amortization | Intangible Assets, Net |
|---|---|---|---|
| Amortizable intangible assets: | | | |
| Acquired developed product rights | $3,405.9 | $(1,132.2) | $2,273.7 |
| Technology | 333.7 | (111.2) | 222.5 |
| Licenses | 66.2 | (16.0) | 50.2 |
| Other | 42.5 | (21.0) | 21.5 |
| | 3,848.3 | (1,280.4) | 2,567.9 |
| Non-amortized intangible assets: | | | |
| Acquired IPR&D product rights | 1,757.9 | — | 1,757.9 |
| Total intangible assets | $5,606.2 | $(1,280.4) | $4,325.8 |

| December 31, 2013 | Gross Carrying Value | Accumulated Amortization | Intangible Assets, Net |
|---|---|---|---|
| Amortizable intangible assets: | | | |
| Acquired developed product rights | $3,405.9 | $(1,026.4) | $2,379.5 |
| Technology | 333.7 | (87.4) | 246.3 |
| Licenses | 66.2 | (13.9) | 52.3 |
| Other | 42.5 | (18.8) | 23.7 |
| | 3,848.3 | (1,146.5) | 2,701.8 |
| Non-amortized intangible assets: | | | |
| Acquired IPR&D product rights | 137.9 | — | 137.9 |
| Total intangible assets | $3,986.2 | $(1,146.5) | $2,839.7 |

The $1.620 billion increase in the gross carrying value of intangible assets during the six-month period ended June 30, 2014 was due to the acquisition of the GED-0301 license from Nogra.

Amortization expense related to intangible assets was $66.7 million and $67.2 million for the three-month periods ended June 30, 2014 and 2013, respectively, and $133.8 million and $134.1 million for the six-month periods ended June 30, 2014 and 2013, respectively. Assuming no changes in the gross carrying amount of intangible assets, the amortization of intangible assets for years 2014 through 2018 is estimated to be in the range of approximately $255.0 million to $265.0 million annually.

Goodwill: At June 30, 2014, our goodwill related to the April 2014 licensing agreement with Nogra (see Note 3), the 2012 acquisition of Avila, the 2010 acquisitions of Abraxis and Gloucester, the 2008 acquisition of Pharmion and the 2004 acquisition of Penn T Limited.

The carrying value of goodwill increased by $150.0 million to $2.191 billion as of June 30, 2014 compared to December 31, 2013 due to the Nogra acquisition.

11. Debt

Senior Notes: Summarized below are the carrying values of our senior notes at June 30, 2014 and December 31, 2013:

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| 2.450% senior notes due 2015 | $510.2 | $513.9 |
| 1.900% senior notes due 2017 | 501.9 | 499.9 |
| 2.300% senior notes due 2018 | 401.4 | 399.0 |
| 2.250% senior notes due 2019 | 498.8 | — |
| 3.950% senior notes due 2020 | 497.6 | 484.6 |
| 3.250% senior notes due 2022 | 990.5 | 956.6 |
| 4.000% senior notes due 2023 | 703.6 | 696.3 |
| 3.625% senior notes due 2024 | 996.6 | — |
| 5.700% senior notes due 2040 | 249.6 | 249.6 |
| 5.250% senior notes due 2043 | 396.6 | 396.6 |
| 4.625% senior notes due 2044 | 996.5 | — |
| Total long-term debt | $6,743.3 | $4,196.5 |

At June 30, 2014, the fair value of our outstanding Senior Notes was $6.921 billion and represented a Level 2 measurement within the fair value measurement hierarchy.

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

From time to time, we have used treasury rate locks and forward starting interest rate swap contracts to hedge against changes in interest rates in anticipation of issuing fixed-rate notes. As of June 30, 2014, a balance of $54.5 million in losses remained in OCI related to these derivative instruments and will be recognized as interest expense over the life of the notes.

At June 30, 2014, we were party to pay-floating, receive-fixed interest rate swap contracts designated as fair value hedges of fixed-rate notes as described in Note 7. Our swap contracts outstanding at June 30, 2014 effectively convert the hedged portion of our fixed-rate notes to floating rates. From time to time we terminate the hedging relationship on certain of our swap contracts by settling the contracts or by entering into offsetting contracts. Any net proceeds received or paid in these settlements are accounted

21

for as a reduction or increase of current and future interest expense associated with the previously hedged notes. As of June 30, 2014, we had a balance of $34.3 million of unamortized gains recorded as a component of our debt as a result of past swap contract settlements, including $7.6 million related to the settlement of swap contracts during the six months ended June 30, 2014. As of December 31, 2013, we had a balance of $32.1 million of unamortized gains recorded as a component of our debt as a result of past swap contract settlements.

Commercial Paper: The carrying value of Commercial Paper as of June 30, 2014 and December 31, 2013 was $192.3 million and $544.8 million, respectively, and approximated its fair value. The effective interest rate on our outstanding Commercial Paper at June 30, 2014 was 0.3%.

Senior Unsecured Credit Facility: In September 2011, we entered into a senior unsecured revolving credit facility (Credit Facility) providing for revolving credit. The Credit Facility is currently at an aggregate maximum amount of $1.500 billion with an expiration date of April 18, 2018. Subject to certain conditions, we have the right to increase the amount of the Credit Facility (but in no event more than one time per annum), up to a maximum aggregate amount of $1.750 billion.

Amounts may be borrowed under the Credit Facility for working capital, capital expenditures and other corporate purposes. The Credit Facility serves as backup liquidity for our Commercial Paper borrowings. As of June 30, 2014 and December 31, 2013 there were no outstanding borrowings under the Credit Facility.

The Credit Facility contains affirmative and negative covenants, including certain customary financial covenants. We were in compliance with all financial covenants as of June 30, 2014.

12. Share-Based Compensation

We have a stockholder-approved stock incentive plan, the 2008 Stock Incentive Plan (amended and restated as of April 17, 2013 and as further amended on April 17, 2014) (Plan) which provides for the granting of options, restricted stock awards (RSUs), stock appreciation rights, performance awards (PSUs) and other share-based awards to our employees and officers. The Management Compensation and Development Committee of the Board of Directors (Compensation Committee) may determine the type, amount and terms, including vesting, of any awards made under the Plan.

On June 18, 2014, our stockholders approved an amendment of the Plan, which included the following key modifications: adoption of an aggregate share reserve of 114.0 million shares of Common Stock (before giving effect to the Stock Split), which includes 9.0 million new pre-split shares of Common Stock; and an extension of the term of the Plan through April 16, 2024.

The following table summarizes the components of share-based compensation expense in the Consolidated Statements of Income for the three- and six-month periods ended June 30, 2014 and 2013:

| | Three-Month Periods Ended June 30, | | Six-Month Periods Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Cost of goods sold (excluding amortization of acquired intangible assets) | $5.9 | $3.7 | $12.0 | $6.5 |
| Research and development | 45.8 | 31.8 | 92.8 | 58.8 |

| | | | | |
|---|---|---|---|---|
| Selling, general and administrative | 51.7 | 34.3 | 103.0 | 70.1 |
| Total share-based compensation expense | 103.4 | 69.8 | 207.8 | 135.4 |
| Tax benefit related to share-based compensation expense | 31.0 | 18.3 | 61.0 | 36.2 |
| Reduction in income | $72.4 | $51.5 | $146.8 | $99.2 |

Table of Contents
CELGENE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We utilize share-based compensation in the form of stock options, RSUs and PSUs. The following table summarizes the activity for stock options, RSUs and PSUs for the six-month period ended June 30, 2014 (in millions unless otherwise noted):

| | Stock Options | Restricted Stock Units | Performance-Based Restricted Stock Units (in thousands) |
|---|---|---|---|
| Outstanding at December 31, 2013 | 79.2 | 10.2 | 115 |
| Changes during the Year: | | | |
| Granted | 5.0 | 0.3 | 1 |
| Exercised / Released | (5.9) | (2.0) | (24) |
| Forfeited | (0.8) | (0.2) | (1) |
| Outstanding at June 30, 2014 | 77.5 | 8.3 | 91 |

Total compensation cost related to unvested awards not yet recognized and the weighted-average periods over which the awards are expected to be recognized at June 30, 2014 were as follows (dollars in millions):

| | Stock Options | Restricted Stock Units | Performance-Based Restricted Stock Units |
|---|---|---|---|
| Unrecognized compensation cost | $427.8 | $189.8 | $2.8 |
| Expected weighted-average period in years of compensation cost to be recognized | 2.1 | 1.3 | 1.7 |

13. Income Taxes

We regularly evaluate the likelihood of the realization of our deferred tax assets and reduce the carrying amount of those deferred tax assets by a valuation allowance to the extent we believe a portion will not be realized. We consider many factors when assessing the likelihood of future realization of our deferred tax assets, including recent cumulative earnings experience by taxing jurisdiction, expectations of future taxable income, the carryforward periods available to us for tax reporting purposes and other relevant factors. Significant judgment is required in making this assessment.

Our tax returns are under routine examination in many taxing jurisdictions. The scope of these examinations includes, but is not limited to, the review of our taxable presence in a jurisdiction, our deduction of certain items, our claims for research and development credits, our compliance with transfer pricing rules and regulations and the inclusion or exclusion of amounts from our tax returns as filed. Our U.S. federal income tax returns have been audited by the Internal Revenue Service (IRS) through the year ended December 31, 2008. Tax returns for the years ended December 31, 2009, 2010 and 2011 are currently under examination by the IRS. We are also subject to audits by various state and foreign taxing authorities, including, but not limited to, most U.S. states and major European and Asian countries where we have operations.

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

Unrecognized tax benefits, generally represented by liabilities on the consolidated balance sheet and all subject to tax examinations, arise when the estimated benefit recorded in the financial statements differs from the amounts taken or expected to be taken in a tax return because of the uncertainties described above. These unrecognized tax benefits relate primarily to issues common among multinational corporations. Virtually all of these unrecognized tax benefits, if recognized, would impact the effective income tax rate. We account for interest and potential penalties related to uncertain tax positions as part of our provision for income taxes. For the six-month period ended June 30, 2014 gross unrecognized tax benefits increased by $24.2 million, primarily from unrecognized tax benefits related to current year operations of $21.0 million and accrued interest of $4.4 million, partially offset by settlements of tax positions taken in prior years of $1.2 million. The liability for unrecognized tax benefits is expected to increase in the next 12 months relating to operations occurring in that period. Any settlements of examinations with taxing authorities or statute of limitations expirations would likely result in a decrease in our liability for unrecognized tax benefits and a corresponding increase in taxes paid or payable and/or a decrease in income tax expense. Our estimates of tax benefits and potential tax benefits may not be representative of actual outcomes and variation from such estimates could materially affect our financial statements in the period of settlement or when the statutes of limitations expire.

## 14. Collaboration Agreements

From time to time, we enter into collaborative arrangements for the research and development, license, manufacture and/or commercialization of products and/or product candidates. In addition, we also acquire product and research and development technology rights and establish research and development collaborations with third parties to enhance our strategic position within our industry by strengthening and diversifying our research and development capabilities, product pipeline and marketed product base. These arrangements may include non-refundable, upfront payments, option payments for the purchase or license of additional rights, development, regulatory and commercial performance milestone payments, cost sharing arrangements, royalty payments and profit sharing. Certain of these arrangements obligate us to make additional equity investments in the event of an initial public offering of equity by our partners. The activities under these collaboration agreements are performed with no guarantee of either technological or commercial success. We do not consider any of the following arrangements to be material. See Note 17 of Notes to Consolidated Financial Statements included in our 2013 Annual Report on Form 10-K for a description of certain other collaboration agreements entered into prior to January 1, 2014. The following is a brief description of significant developments in the relationships between Celgene and our collaboration partners during the six months ended June 30, 2014:

Agios Pharmaceuticals, Inc. (Agios): During 2010, we entered into a discovery and development collaboration and license agreement with Agios that focuses on cancer metabolism targets and the discovery, development and commercialization of associated therapeutics. We have an exclusive option through the end of phase I clinical trials to license any potential products that result from the Agios cancer metabolism research platform.

With respect to each product that we choose to license, Agios could receive up to approximately $120.0 million upon achievement of certain milestones and other payments plus royalties on sales, and Agios may also participate in the development and commercialization of certain products in the United States. Our option to license a product will terminate on April 14, 2015.

In June 2014, we exercised our option to license AG-221 from Agios on an exclusive worldwide basis, with Agios retaining the right to conduct a portion of commercialization activities for AG-221 in the United States. AG-221 is currently in a phase I study in patients that harbor an IDH2 mutation with advanced hematologic malignancies, including acute myeloid leukemia (AML).

FORMA Therapeutics Holdings, LLC (FORMA): On April 19, 2013, we entered into a collaboration agreement with FORMA under which the parties will discover, develop and commercialize drug candidates to regulate protein homeostasis targets. Protein homeostasis, which is important in oncology, neurodegenerative and other disorders, involves a tightly regulated network of pathways controlling the biogenesis, folding, transport and degradation of proteins.

The collaboration was launched with an upfront payment that enables us to evaluate selected targets and lead assets in protein homeostasis pathways during the pre-clinical phase. Based on such evaluation, we will have the right to obtain exclusive licenses with respect to the development and commercialization of multiple drug candidates outside of the United States, in exchange for research and early development payments of up to approximately $200.0 million to FORMA. Under the terms of the collaboration agreement, FORMA is incentivized to advance the full complement of drug candidates through Phase I, while Celgene will be responsible for all further global clinical development for each licensed candidate. FORMA is eligible to receive up to an additional $315.0 million in potential payments based upon development, regulatory and sales objectives for the first ex-U.S. license. FORMA is also eligible to receive potential payments for successive licenses, which escalate for productivity, increasing up to a maximum of an additional $430.0 million per program. In addition, FORMA will receive royalties on ex-U.S. sales and additional payments if multiple drug candidates reach defined cumulative sales objectives. The collaboration agreement includes provisions for Celgene to obtain rights with respect to development and commercialization of drug candidates inside the United States in exchange for additional payments.

Under the collaboration, the parties will perform initial research and development for a term of four years. If, during such research term, a drug candidate meets certain criteria, then the parties will enter into a pre-negotiated license agreement and the collaboration will continue until all license agreements have expired and all applicable royalty terms under the collaboration with respect to the particular products have expired. Each license agreement, if not terminated sooner, would expire upon the expiration of all applicable royalty terms under such agreement. Upon the expiration of each license agreement, we will have an exclusive, fully-paid, royalty-free license to use the applicable FORMA intellectual property to manufacture, market, use and sell the product developed under such agreement outside of the United States. On October 7, 2013, we entered into the first ex-US license with FORMA and paid the applicable upfront payment under such license.

On March 21, 2014, we entered into a second collaboration arrangement with FORMA, pursuant to which FORMA granted us an option to license the rights to select current and future FORMA drug candidates during a term of three and one half years. We agreed to pay an upfront payment of $225.0 million. In addition, with respect to each licensed drug candidate, we have the obligation to pay designated amounts when certain development, regulatory and sales milestone events occur, with such amounts being variable and contingent on various factors. With respect to each licensed drug candidate, we will assume responsibility for all global development activities and costs after completion of phase I clinical trials. FORMA will retain U.S. rights to all such licensed assets, including responsibility for manufacturing and commercialization.

Under this collaboration arrangement, we also have an option to enter into up to two additional collaborations with terms of two years each for additional payments totaling approximately $375.0 million. If we exercise our option to enter into both of these additional collaborations, we will receive an exclusive option to acquire FORMA, including the U.S. rights to all licensed drug candidates, and worldwide rights to other wholly owned assets within FORMA at that time.

NantBioScience, Inc. (NantBioScience): In January 2014, we entered into a collaboration agreement with NantBioScience, an entity controlled by Dr. Patrick Soon-Shiong in which Celgene contributed $75 million of cash, the rights to the future royalty stream based on net sales of certain products of Active Biomaterials, LLC, another entity controlled by Dr. Patrick Soon-Shiong, and licenses to two nab® product candidates. In return, Celgene received a 14 percent preferred equity ownership in NantBioScience, an option to license a certain number of product candidates developed by NantBioScience, including the two nab® product candidates that Celgene is licensing to NantBioScience, and the parent company of NantBioScience assumed, and agreed to pay and satisfy when due, our obligation to pay The Chan Soon-Shiong Institute for Advanced Health (CSS Institute) $50.0 million in contingent, matching contributions. The transaction became effective in March 2014. Unless Celgene terminates the collaboration earlier, in Celgene's sole discretion upon 30 days written notice, the collaboration will continue until the earliest to occur of: (a) Celgene licensing four NantBioScience product candidates; (b) NantBioScience presenting data packages for ten product candidates; and (c) the date which is ten years after the effective date. Regardless of any termination of the collaboration, the 14 percent preferred equity ownership in NantBioScience and the assumption of the $50.0 million in contingent, matching contributions by the parent company of NantBioScience remain in effect. We performed a valuation of the components of the transaction and allocated the consideration transferred as follows: $50.0 million for the collaboration agreement upfront expense; $25.0 million related to the settlement of contingent matching contributions, and; $90.0 million related to the equity ownership in NantBioScience.

In addition to the collaboration arrangements described above, we entered into new collaborative arrangements during the six months ended June 30, 2014 that include the potential for future milestone payments of up to an aggregate $52.5 million related to the attainment of specified developmental, regulatory and sales milestones over a period of several years. Our obligation to fund these efforts is contingent upon our continued involvement in the programs and/or the lack of any adverse events which could cause the discontinuance of the programs.

Table of Contents

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

A financial summary of certain of the period activity related to our collaboration agreements is presented below[1,2]:

| | | Three-Month Periods Ended June 30, | | | | |
|---|---|---|---|---|---|---|
| | | Research and Development Expense | | | | |
| | | Upfront Fees | Milestones | Amortization of Prepaid R&D and Intangibles | Selling, General and Administrative Expense | Equity Investments Made During Period |
| Acceleron[(3)] | 2014 | $— | $— | $— | $— | $37.4 |
| | 2013 | — | — | — | — | — |
| Agios | 2014 | — | — | — | — | 13.0 |
| | 2013 | — | — | — | — | — |
| Epizyme | 2014 | — | — | — | — | — |
| | 2013 | — | — | — | — | 1.0 |
| FORMA | 2014 | — | — | — | — | — |
| | 2013 | 23.8 | — | — | — | — |
| NantBioScience | 2014 | — | — | — | — | — |
| Other Collaboration | 2014 | 14.0 | 0.5 | 10.0 | — | — |
| Arrangements | 2013 | 43.0 | 18.4 | 1.1 | — | 4.0 |

Six-Month Periods Ended June 30,