CELGENE CORP /DE/
Form 10-Q
August 03, 2011

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

(Mark one)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2011

OR

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

For the transition period from _____________ to _____________

Commission File Number 001-34912

CELGENE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**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 þ No o

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

Yes þ No o

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 þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

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

Yes o No þ

At July 26, 2011, 458,805,956 shares of Common Stock, par value $.01 per share, were outstanding.

CELGENE CORPORATION
FORM 10-Q TABLE OF CONTENTS

Table of Contents

PART I FINANCIAL INFORMATION
Item 1. Financial Statements.

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

	Three-Month Periods Ended June 30, 2011	Three-Month Periods Ended June 30, 2010	Six-Month Periods Ended June 30, 2011	Six-Month Periods Ended June 30, 2010
Revenue:				
Net product sales	$ 1,154,328	$ 823,097	$ 2,237,937	$ 1,582,508
Collaborative agreements and other revenue	3,399	2,544	12,702	4,924
Royalty revenue	25,428	27,051	57,797	56,514
Total revenue	1,183,155	852,692	2,308,436	1,643,946
Expenses:				
Cost of goods sold (excluding amortization of acquired intangible assets)	126,443	67,993	253,711	129,908
Research and development	371,520	342,761	806,998	547,418
Selling, general and administrative	305,643	219,262	607,904	427,241
Amortization of acquired intangible assets	70,087	47,068	139,137	88,661
Acquisition related (gains) charges and restructuring, net	(9,477)	7,836	(106,221)	12,698
Total costs and expenses	864,216	684,920	1,701,529	1,205,926
Operating income	318,939	167,772	606,907	438,020
Other income and expense:				
Interest and investment income, net	5,945	10,125	10,467	24,209
Equity in (gains) losses of affiliated companies	(1,251)	103	(695)	(638)
Interest expense	9,418	426	21,168	907
Other income, net	1,694	(5,089)	8,318	(1,323)
Income before income taxes	318,411	172,279	605,219	460,637
Income tax provision	39,203	16,927	70,925	70,843
Net income	279,208	155,352	534,294	389,794
Less: Net loss attributable to non-controlling interest	190		694	
Net income attributable to Celgene	$ 279,398	$ 155,352	$ 534,988	$ 389,794

Net income per share attributable to Celgene:								
Basic	$	0.60	$	0.34	$	1.15	$	0.85
Diluted	$	0.59	$	0.33	$	1.14	$	0.83
Weighted average shares:								
Basic		462,625		460,309		464,300		460,112
Diluted		469,962		467,425		470,958		467,557

See accompanying Notes to Consolidated Financial Statements

2

Table of Contents

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

	June 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 1,648,044	$ 1,351,128
Marketable securities available for sale	1,141,067	1,250,173
Accounts receivable, net of allowances of $20,492 and $13,104 at June 30, 2011 and December 31, 2010, respectively	862,996	706,429
Inventory	196,384	260,130
Deferred income taxes	151,724	151,779
Other current assets	271,507	275,005
Assets held for sale	52,402	348,555
Total current assets	4,324,124	4,343,199
Property, plant and equipment, net	472,695	509,919
Investment in affiliated companies	28,511	23,073
Intangible assets, net	2,995,366	3,248,498
Goodwill	1,896,225	1,896,344
Other assets	334,690	156,129
Total assets	$ 10,051,611	$ 10,177,162
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 99,744	$ 94,465
Accrued expenses	578,447	592,336
Income taxes payable	1,384	11,423
Current portion of deferred revenue	12,071	16,362
Other current liabilities	387,026	309,214
Liabilities of disposal group	6,174	46,582
Total current liabilities	1,084,846	1,070,382
Deferred revenue, net of current portion	12,239	12,785
Income taxes payable	604,556	551,896
Deferred income taxes	799,775	882,870
Other non-current liabilities	295,862	416,173
Long-term debt, net of discount	1,259,646	1,247,584

Total liabilities	4,056,924	4,181,690
Commitments and Contingencies		
Equity		
Preferred stock, $.01 par value per share, 5,000,000 shares authorized; none outstanding at June 30, 2011 and December 31, 2010		
Common stock, $.01 par value per share, 575,000,000 shares authorized; issued 484,115,095 and 482,164,353 shares at June 30, 2011 and December 31, 2010, respectively	4,841	4,822
Common stock in treasury, at cost; 24,105,109 and 11,776,036 shares at June 30, 2011 and December 31, 2010, respectively	(1,223,762)	(545,588)
Additional paid-in capital	6,533,352	6,350,240
Retained earnings	783,254	248,266
Accumulated other comprehensive loss	(102,998)	(73,767)
Total stockholders equity	5,994,687	5,983,973
Non-controlling interest		11,499
Total equity	5,994,687	5,995,472
Total liabilities and equity	$ 10,051,611	$ 10,177,162

See accompanying Notes to Consolidated Financial Statements

Table of Contents

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

	Six-Month Periods Ended June 30, 2011	Six-Month Periods Ended June 30, 2010
Cash flows from operating activities:		
Net income	$ 534,294	$ 389,794
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of long-term assets	35,019	25,470
Amortization	140,249	89,224
Allocation of pre-paid royalties	15,744	24,467
Provision (benefit) for accounts receivable allowances	1,405	(1,718)
Deferred income taxes	(85,282)	(34,933)
Impairment of acquired in-process research and development	118,000	
Change in value of contingent consideration	(111,169)	10,754
Share-based compensation expense	112,097	86,571
Equity in (gains) losses of affiliated companies	(695)	(638)
Share-based employee benefit plan expense	8,071	6,904
Unrealized change in value of foreign currency forward contracts	8,874	17,640
Realized (gain) loss on marketable securities available for sale	1,455	(6,018)
Other, net	2,016	2,820
Change in current assets and liabilities, excluding the effect of acquisitions:		
Accounts receivable	(126,187)	(73,020)
Inventory	65,428	927
Other operating assets	12,952	37,378
Assets held for sale, net	1,290	
Accounts payable and other operating liabilities	(35,551)	15,539
Income tax payable	43,526	(258)
Deferred revenue	(5,137)	4,148
Net cash provided by operating activities	736,399	595,051
Cash flows from investing activities:		
Proceeds from sales of marketable securities available for sale	1,095,497	2,037,313
Purchases of marketable securities available for sale	(963,293)	(2,420,620)
Payments for acquisition of business, net of cash acquired		(337,608)
Proceeds from the sale of non-core assets, net	93,185	
Capital expenditures	(53,048)	(40,238)
Investment in affiliated companies	(2,329)	(1,466)
Purchases of investment securities	(533)	(13,562)
Net cash provided by (used in) investing activities	169,479	(776,181)

Cash flows from financing activities:		
Payment for treasury shares	(689,126)	(105,436)
Net proceeds from exercise of common stock options and warrants	54,357	44,996
Excess tax benefit from share-based compensation arrangements	10,462	15,938
Net cash provided by (used in) financing activities	(624,307)	(44,502)
Effect of currency rate changes on cash and cash equivalents	15,345	(20,932)
Net increase (decrease) in cash and cash equivalents	296,916	(246,564)
Cash and cash equivalents at beginning of period	1,351,128	1,102,172
Cash and cash equivalents at end of period	$ 1,648,044	$ 855,608

See accompanying Notes to Consolidated Financial Statements

Table of Contents

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

	Six-Month Periods Ended June 30, 2011		Six-Month Periods Ended June 30, 2010	
Supplemental schedule of non-cash investing and financing activity:				
Contingent consideration issued in acquisition of Gloucester	$		$	230,201
Change in net unrealized (gain) loss on marketable securities available for sale	$	(4,804)	$	(15,172)
Matured shares tendered in connection with stock option exercises	$		$	(163)
Supplemental disclosure of cash flow information:				
Interest paid	$	2,016	$	1,638
Income taxes paid	$	66,689	$	83,342

See accompanying Notes to Consolidated Financial Statements

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

1. Nature of Business and Basis of Presentation

Celgene Corporation and its subsidiaries (collectively 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 diseases. The Company is dedicated to innovative research and development which is designed to bring new therapies to market and is involved in research in several scientific areas that may deliver proprietary next-generation therapies, targeting areas such as intracellular signaling pathways in cancer and immune cells, immunomodulation in cancer and autoimmunity and placental cell, including stem and progenitor cell, research.

The Company s primary commercial stage products include REVLIMID®, VIDAZA®, THALOMID® (inclusive of Thalidomide Celgene® and Thalidomide Pharmion®), ABRAXANE® and ISTODAX®. Additional sources of revenue include a licensing agreement with Novartis Pharma AG, or Novartis, which entitles the Company to royalties on FOCALIN XR® and the entire RITALIN® family of drugs, the sale of services through our Cellular Therapeutics subsidiary and other licensing agreements.

The consolidated financial statements include the accounts of Celgene Corporation and its subsidiaries. Certain entities obtained in the acquisition of Abraxis BioScience, Inc., or Abraxis, in October 2010 were determined to be non-core to the Company and a large portion were divested in April 2011 (see Note 3). Investments in limited partnerships and interests where the Company has an equity interest of 50% or less and does not otherwise have a controlling financial interest are accounted for by either the equity or cost method. The Company records net income or loss attributable to non-controlling interest in its Consolidated Statements of Income equal to the percentage of ownership interest retained in the respective operations by the non-controlling parties.

The preparation of these unaudited consolidated financial statements requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. The Company is subject to certain risks and uncertainties related to product development, regulatory approval, market acceptance, scope of patent and proprietary rights, competition, 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

The Company s significant accounting policies are described in Note 1 of the Notes to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010, or the 2010 Annual Report on Form 10-K.

New Accounting Pronouncements: In June 2011, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2011-05, Comprehensive Income (Topic 220), or ASU 2011-05. ASU 2011-05 was issued to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. The amendments eliminate the option to present components of other comprehensive income as part of the statement of changes in stockholders equity and requires that all non-owner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 will be effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2011. The Company is currently evaluating the impact that the adoption of these amendments will have on its consolidated financial statements.

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

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820), or ASU 2011-04. ASU 2011-04 was issued to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. generally accepted accounting principles, or GAAP, and International Financial Reporting Standards, or IFRS. The amendments explain how to measure fair value, but do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. ASU 2011-04 will be effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2011. The Company is currently evaluating the impact that the adoption of these amendments will have on its consolidated financial statements.

3. Acquisitions and Divestitures

Abraxis BioScience, Inc.

On October 15, 2010, or the Acquisition Date, the Company acquired all of the outstanding common stock of Abraxis in exchange for consideration valued at the Acquisition Date at approximately $3.205 billion, consisting of cash, stock and contingent value rights, or CVRs. The transaction, referred to as the Merger, resulted in Abraxis becoming a wholly owned subsidiary of the Company.

As discussed further under Contingent Value Rights below, a holder of a CVR is entitled to receive a *pro rata* portion of cash payments that the Company is obligated to pay to all holders of CVRs, which is determined by achievement of certain net sales and U.S. regulatory approval milestones. Potential cash payments to CVR holders range from no payment, if no regulatory milestones or net sales thresholds are met, to a maximum of $650 million in milestone payments plus payments based on annual net sales levels if all milestones are met at the earliest target dates and annual net sales exceed threshold amounts.

The Merger has been accounted for using the acquisition method of accounting which requires that most assets acquired and liabilities assumed be recognized at their fair values as of the Acquisition Date and requires the fair value of acquired in-process research and development, or IPR&D, to be classified as indefinite-lived assets until the successful completion or abandonment of the associated research and development efforts. A preliminary purchase price allocation has been made and amounts for certain income tax attributes are subject to change pending the filing of Abraxis pre-acquisition tax returns.

No adjustments were made during the six-month period ended June 30, 2011 to the amounts initially recorded for the assets acquired and liabilities assumed as of the Acquisition Date. The amounts recognized will be finalized as the information necessary to complete the analyses is obtained, but no later than one year from the Acquisition Date. Material adjustments, if any, could require retrospective application if they impact amortization amounts.

Table of Contents

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

Sale of Non-core Assets

The purchase of Abraxis included a number of assets that are not associated with the nab® technology or ABRAXANE®. These assets, or non-core assets, consist of a number of subsidiaries, tangible assets, equity investments, joint venture partnerships and assets that support research and sales of products not directly related to the nab® technology or ABRAXANE®. At the time of acquisition, the Company committed to a plan to divest certain non-core assets and they were classified on the Consolidated Balance Sheets as of December 31, 2010 as assets held for sale and the associated liabilities were classified as liabilities of disposal group. In April 2011, the Company sold these non-core assets to various entities that are owned or controlled by Dr. Patrick Soon-Shiong, the former majority shareholder and executive chairman of Abraxis.

The Company received cash consideration of $110.0 million, 10% equity ownership in Active Biomaterials, LLC, which is an entity that was formed with certain of the non-core assets with revenue-producing potential, and a future royalty stream based on net sales of certain products of Active Biomaterials, LLC. The royalties, which commence in 2014 at the earliest and are not to exceed an annual amount of $128.0 million, will be calculated based on a range of between 10% and 12.5% of net sales of certain future products. Dr. Patrick Soon-Shiong holds an option to purchase the 10% equity ownership in Active Biomaterials, LLC from the Company for a price of $15.0 million at any time prior to April 2013. The Company recorded the equity ownership at its fair market value of $14.0 million based on the present value of the amount likely to be received upon exercise of the purchase option. The Company recorded the future royalty stream as an asset and assigned a value of $170.0 million based on its fair market value calculated as the present value of estimated future net cash flows. The sale of the non-core assets resulted in a gain of $2.9 million which was included in the Consolidated Statements of Income, in other income, net. The Company s policy is to present gains and losses from sales of businesses as other income or expense.

The remaining balances in the assets held for sale and liabilities of disposal group line items on the Consolidated Balance Sheets at June 30, 2011 relate to two facilities that were acquired in the purchase of Abraxis which as of June 30, 2011 the Company now intends to sell as it rationalizes certain manufacturing facilities. No material gain or loss is expected to result from the sale of these facilities.

Contingent Value Rights

In connection with the Merger on October 15, 2010, CVRs were issued under a Contingent Value Rights Agreement, or CVR Agreement, entered into between Celgene and American Stock Transfer & Trust Company, LLC, as trustee. The CVRs are registered for trading on the NASDAQ Global Select Market under the symbol CELGZ. The fair value of the CVRs and the liability of the Company related to payments under the CVR Agreement are subject to fluctuation based on trading prices for the publicly traded CVRs. Subsequent to the acquisition date, the Company has measured the contingent consideration represented by the CVRs at fair value with changes in fair value recognized in operating earnings.

Each holder of a CVR is entitled to receive a *pro rata* portion, based on the number of CVRs then outstanding, of each of the following contingent cash payments:

Milestone Payment #1. $250 million upon U.S. Food and Drug Administration, or FDA, approval of ABRAXANE® for use in the treatment of non-small cell lung cancer, or NSCLC, if such approval permits the Company to market ABRAXANE® with FDA approval that includes a progression-free survival, or PFS, claim, but only if this milestone is achieved no later than the fifth anniversary of the Merger.

Milestone Payment #2. $400 million (if achieved no later than April 1, 2013) or $300 million (if achieved after April 1, 2013 and before the fifth anniversary of the Merger) upon FDA approval of ABRAXANE® for use in the treatment of pancreatic cancer, if such approval permits the Company to market ABRAXANE® with FDA approval that includes an overall survival claim.

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

Net Sales Payments. For each full one-year period ending December 31 during the term of the CVR Agreement, which we refer to as a net sales measuring period (with the first net sales measuring period beginning January 1, 2011 and ending December 31, 2011):

- 2.5% of the net sales of ABRAXANE® and the Abraxis pipeline products that exceed $1 billion but are less than or equal to $2 billion for such period, plus
- an additional amount equal to 5% of the net sales of ABRAXANE® and the Abraxis pipeline products that exceed $2 billion but are less than or equal to $3 billion for such period, plus
- an additional amount equal to 10% of the net sales of ABRAXANE® and the Abraxis pipeline products that exceed $3 billion for such period.

No payments will be due under the CVR Agreement with respect to net sales of ABRAXANE® and the Abraxis pipeline products after December 31, 2025, which we refer to as the net sales payment termination date, unless net sales for the net sales measuring period ending on December 31, 2025 are equal to or greater than $1 billion, in which case the net sales payment termination date will be extended until the last day of the net sales measuring period subsequent to December 31, 2025 during which net sales of ABRAXANE® and the Abraxis pipeline products are less than $1 billion or, if earlier, December 31, 2030.

The final results for the ongoing ABRAXANE® Phase III study in NSCLC, or the NSCLC study, were presented at a major scientific congress in June 2010. These results showed that the primary endpoint of the study, response rate, was met and was statistically significant. An interim analysis for the secondary endpoint of PFS was announced in January 2011 and, although not statistically significant, did not show a negative trend against the comparator. On June 4, 2011, the Company announced that the final analysis for both PFS and Overall Survival, or OS, was completed during the second quarter of 2011 and the PFS remained consistent with the interim analysis. In addition, the final OS, similar to the final PFS analysis, did not show a negative trend against the comparator. The Special Protocol Assessment, or SPA, as agreed with the FDA, states that the NSCLC study must reach the primary endpoint of response rate, which has been met, as well as showing that the secondary endpoint of OS is not negative, *i.e.* no detrimental effect on OS for the ABRAXANE® group of the NSCLC study. Accordingly, because the final PFS results were not statistically significant, this reduced the probability that a payment will be made for Milestone Payment #1 under the CVR Agreement that the Company entered into with the former shareholders of Abraxis. Milestone Payment #1 relates to FDA approval of ABRAXANE® for the treatment of NSCLC that permits the Company to market ABRAXANE® with FDA approval that includes a PFS claim, which the Company believes is now unlikely to be achieved based on the foregoing data. The market value of the publicly traded CVRs, which represents the fair value of the Company s liability for all potential payments under the CVR Agreement, decreased from $212.0 million at December 31, 2010 to $88.7 million at June 30, 2011. The reduction in the fair value of the Company s liability was recognized as a gain of $123.3 million in acquisition-related (gains) charges and restructuring, net on the Consolidated Statements of Income for the six-month period ended June 30, 2011, consisting of gains of $105.6 million for the three-month period ended March 31, 2011 and $17.7 million for the three-month period ended June 30, 2011.

The Company has evaluated the value assigned to the IPR&D from Abraxis and determined that, based on a lower level of probable sales than that estimated at the time of the Merger for sales of ABRAXANE® for NSCLC with FDA approval that includes a PFS claim, the fair value of the IPR&D acquired from Abraxis has fallen below the $1.290 billion recorded at the time of acquisition. An impairment charge included in research and development on the accompanying Consolidated Statements of Income in the amount of $118.0 million was recorded in the three-month period ended March 31 2011 to reduce the value of the IPR&D asset acquired from Abraxis to its revised current fair value of $1.172 billion at June 30, 2011.

Table of Contents

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

Gloucester Pharmaceuticals, Inc.

On January 15, 2010, the Company acquired all of the outstanding common stock and stock options of Gloucester Pharmaceuticals, Inc., or Gloucester. The assets acquired and liabilities assumed of Gloucester were recorded as of the acquisition date, at their respective fair values, and consolidated with those of the Company. Gloucester s results of operations are included in the Company s consolidated financial statements from the date of acquisition.

The Company paid $338.9 million in cash before milestone payments and may make additional future payments of up to $300.0 million in contingent regulatory milestone payments. As part of the consideration for the Gloucester acquisition, the Company is contractually obligated to pay certain consideration resulting from the outcome of future events. The Company updates its assumptions each reporting period based on new developments and records such amounts at fair value until such consideration is satisfied.

In June 2011, the FDA granted accelerated approval of the Supplemental New Drug Application for ISTODAX® for the treatment of peripheral T-cell lymphoma, or PTCL, in patients who have received at least one prior therapy. This FDA approval was the triggering event for the payment of one of the two contingent regulatory milestone payments associated with the Gloucester acquisition. The Company made a payment of $180.0 million to the former shareholders of Gloucester in July 2011 in satisfaction of this milestone payment requirement. The single remaining contingent milestone payment is for a $120.0 million cash payment upon the marketing approval for the European Union PTCL.

Subsequent to the acquisition date, the Company has measured the contingent consideration arrangement at fair value for each period with changes in fair value recognized in operating earnings. Changes in fair values reflect new information about the IPR&D assets and the passage of time. In the absence of new information, changes in fair value reflect only the passage of time as development work towards the achievement of the milestones progresses, and will be accrued based on an accretion schedule. At June 30, 2011, the balance of the contingent consideration was $265.1 million, of which $180.0 million, representing the milestone payment made in July 2011, is included in other current liabilities and $85.1 million included in other non-current liabilities.

4. Restructuring

The Company has incurred costs from restructuring activities related to the October 15, 2010 acquisition of Abraxis. Restructuring costs include employee termination costs, contract termination fees and facility closing costs. Employee termination costs are generally recorded when the actions are probable and estimable and include accrued severance benefits and health insurance continuation, many of which may be paid out during periods after termination of employment.

The following tables summarize the restructuring expenses and changes in the restructuring liability related to the Abraxis acquisition during the three- and six-month periods ended June 30, 2011:

	Three-Month Periods Ended June 30,		Six-Month Periods Ended June 30,	
	2011	2010	2011	2010
Employee termination benefits	$ 1,926	$	$ 2,226	$
Contract termination fees			1,304	
Facility closing costs	607		1,745	
Total restructuring expense	$ 2,533	$	$ 5,275	$

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

	Balance December 31, 2010	Expense Recognized	Payments	Balance June 30, 2011	Cumulative Payments
Employee termination benefits	$ 14,881	$ 2,226	$ 9,468	$ 7,639	$ 10,734
Contract termination fees		1,304	1,304		1,304
Facility closing costs		1,745	501	1,244	511
Total restructuring costs	$ 14,881	$ 5,275	$ 11,273	$ 8,883	$ 12,549

The Company does not expect to incur additional restructuring expense related to the acquisition of Abraxis. Future cash payments related to the restructuring activity are estimated to amount to $4.3 million in 2011, $4.2 million in 2012 and $0.4 million in 2013.

5. Earnings Per Share

	Three-Month Periods Ended June 30, 2011	Three-Month Periods Ended June 30, 2010	Six-Month Periods Ended June 30, 2011	Six-Month Periods Ended June 30, 2010
Net income attributable to Celgene	$ 279,398	$ 155,352	$ 534,988	$ 389,794
Weighted-average shares (in thousands):				
Basic	462,625	460,309	464,300	460,112
Effect of dilutive securities:				
Options, restricted stock units, warrants and other incentives	7,337	7,116	6,658	7,445
Diluted	469,962	467,425	470,958	467,557
Net income per share:				
Basic	$ 0.60	$ 0.34	$ 1.15	$ 0.85
Diluted	$ 0.59	$ 0.33	$ 1.14	$ 0.83

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 21,840,944 and 21,757,310 shares for the three-month periods ended June 30, 2011 and 2010, respectively. The total number of potential common shares excluded for the six-month periods ended June 30, 2011 and 2010 was 25,951,468 and 21,140,616, respectively.

The Company s Board of Directors has approved a common share repurchase program up to an aggregate of $2.0 billion of the Company s common stock through December 2012. As of June 30, 2011, an aggregate of 20,126,697 shares of common stock were repurchased under the program, including 4,054,689 shares of common stock repurchased during the three-month period ended June 30, 2011.

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

6. Comprehensive Income

A summary of comprehensive income, net of tax, is summarized as follows:

	Three-Month Periods Ended June 30,		Six-Month Periods Ended June 30,	
	2011	2010	2011	2010
Net income	$ 279,208	$ 155,352	$ 534,294	$ 389,794
Other comprehensive income:				
Marketable securities:				
Net unrealized gains on marketable securities available for sale, net of tax	2,774	7,887	4,804	12,999
Reclassification adjustment for (gains) and losses included in net income	(66)	(897)	1,289	(5,872)
Total other comprehensive gains related to marketable securities available for sale, net of tax	2,708	6,990	6,093	7,127
Net unrealized gains (losses) related to cash flow hedges, net of tax	(23,622)	63,162	(54,145)	120,164
Currency translation adjustments	4,985	(17,309)	18,821	21,060
Total other comprehensive income (loss) items	(15,929)	52,843	(29,231)	148,351
Comprehensive income	263,279	208,195	505,063	538,145
Comprehensive loss attributable to non-controlling interest	190		694	
Comprehensive income attributable to Celgene	$ 263,469	$ 208,195	$ 505,757	$ 538,145

7. 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, 2011 and the valuation techniques the Company 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. The Company s Level 1 assets consist of marketable equity securities. Fair values determined based on Level 2 inputs utilize observable quoted prices for similar assets and liabilities in active markets and observable quoted prices for identical or similar assets in markets that are not very active. The Company s Level 2 assets consist primarily of U.S. Treasury securities, U.S. government-sponsored agency securities, U.S. government-sponsored agency mortgage-backed securities, non-U.S. government, agency and Supranational securities, global corporate debt securities and interest rate swaps. Fair values determined based on Level 3 inputs utilize unobservable inputs and include valuations of assets or liabilities for which there is little, if any, market activity. The Company s Level 3 assets consist of warrants for the purchase of equity securities in non-publicly traded companies. The Company s Level 1 liability relates to the Company s publicly traded CVRs. The Level 2 liability relates to forward currency contracts and the Level 3 liability consists of contingent consideration related to undeveloped product rights resulting from the Gloucester acquisition.

Table of Contents

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

	Balance at June 30, 2011	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 4,954	$	$ 4,954	$
Available-for-sale securities	1,141,067	685	1,140,382	
Interest rate swaps	14,336		14,336	
Warrants	2,082			2,082
Total assets	$ 1,162,439	$ 685	$ 1,159,672	$ 2,082
Liabilities:				
Forward currency contracts	$ (77,144)	$	$ (77,144)	$
Acquisition related contingent consideration	(353,767)	(268,711)		(85,056)
Total liabilities	$ (430,911)	$ (268,711)	$ (77,144)	$ (85,056)

	Balance at December 31, 2010	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 5,000	$	$ 5,000	$
Available-for-sale securities	1,250,173	4,268	1,242,402	3,503
Warrants	1,757			1,757
Warrants classified as held for sale	1,904			1,904
Securities classified as held for sale	19,863	3,655		16,208
Total assets	$ 1,278,697	$ 7,923	$ 1,247,402	$ 23,372
Liabilities:				
Forward currency contracts	$ (18,436)	$	$ (18,436)	$
Acquisition related contingent consideration	(464,937)	(212,042)		(252,895)
Total liabilities	$ (483,373)	$ (212,042)	$ (18,436)	$ (252,895)

There were no security transfers between Levels 1 and 2 in the six-month period ended June 30, 2011. The following tables represent a roll-forward of the fair value of Level 3 instruments (significant unobservable inputs):

	Six-Month Periods Ended June 30,	
	2011	2010
Assets:		
Balance at beginning of period	$ 23,372	$ 1,598
Amounts acquired or issued		
Net gains (losses) (realized and unrealized)	1,187	(22)
Settlements	(22,477)	
Transfers in and/or out of Level 3		
Balance at end of period	$ 2,082	$ 1,576

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

Settlements of $22.5 million during the six-month period ended June 30, 2011 consist of Level 3 instruments that were considered non-core assets acquired in the acquisition of Abraxis and were included in the sale of the non-core assets in April 2011.

	Six-Month Periods Ended June 30, 2011	Six-Month Periods Ended June 30, 2010
Liabilities:		
Balance at beginning of period	$ (252,895)	$
Amounts acquired or issued		(230,201)
Net accretion	(12,161)	(10,754)
Settlements		
Transfers in and/or out of Level 3	180,000	
Balance at end of period	$ (85,056)	$ (240,955)

Transfers out of Level 3 during the six-month period ended June 30, 2011 consisted of $180.0 million related to a milestone that was part of the contingent consideration in the Gloucester acquisition. At June 30, 2011 the milestone was achieved and was valued based on the contractually defined amount of the milestone, which was paid in July.

8. Derivative Instruments and Hedging Activities

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

The Company enters into foreign currency forward contracts to protect against changes in anticipated foreign currency cash flows resulting from changes in foreign currency exchange rates, primarily associated with non-functional currency denominated revenues and expenses of foreign subsidiaries. The foreign currency forward hedging contracts outstanding at June 30, 2011 and December 31, 2010 had settlement dates within 36 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), or OCI, and reclassified to operations in the same periods during which the underlying hedged transactions affect operations. Any ineffectiveness on these foreign currency forward contracts is reported on the Consolidated Statements of Income in other income, net. Foreign currency forward contracts entered into to hedge forecasted revenue and expenses were as follows at June 30, 2011 and December 31, 2010:

Foreign Currency	Notional Amount June 30, 2011	Notional Amount December 31, 2010
Australian Dollar	$ 40,085	$ 51,809
British Pound	29,987	58,440
Canadian Dollar	160,897	133,128
Euro	1,018,285	675,438
Japanese Yen	558,717	632,962
Swiss Franc	74,269	77,669
Others		2,835
Total	$ 1,882,240	$ 1,632,281

The Company considers the impact of its own and the counterparties credit risk on the fair value of the contracts as well as the ability of each party to execute its obligations under the contract on an ongoing basis. As of June 30, 2011, credit risk did not materially change the fair value of the Company s foreign currency forward contracts.

Table of Contents

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

The Company also enters into foreign currency forward contracts to reduce exposures to foreign currency fluctuations of certain recognized assets and liabilities denominated in foreign currencies. These foreign currency forward contracts have not been designated as hedges and, accordingly, any changes in their fair value are recognized on the Consolidated Statements of Income in other income, net in the current period. The aggregate notional amount of the foreign currency forward non-designated hedging contracts outstanding at June 30, 2011 and December 31, 2010 were $728.3 million and $848.6 million, respectively.

The Company hedges the fair value of certain debt obligations through the use of interest rate swap contracts. At June 30, 2011, the Company was a party to three pay-floating, receive-fixed interest rate swap contracts designated as fair value hedges of fixed-rate notes in which the notional amounts match the amount of the hedged fixed-rate notes. The Company has entered into three swaps maturing in 2015, two with notional amounts of $125.0 million each and one with a notional amount of $250.0 million, which effectively convert the Company s $500.0 million, 2.45% fixed-rate notes due in 2015 to a floating rate. 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 match those of the debt being hedged, it is assumed to be a highly effective hedge and all changes in fair value of the swaps will be recorded on the Consolidated Balance Sheets with no net impact recorded in the Consolidated Statements of Income. Additionally, any net interest payments made or received are recognized as interest expense.

Table of Contents

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

The following table summarizes the fair value and presentation in the consolidated balance sheets for derivative instruments as of June 30, 2011 and December 31, 2010:

	June 30, 2011			
	Asset Derivatives		Liability Derivatives	
Instrument	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts designated as hedging instruments*	Other current assets	$ 4,995	Other current assets	$
	Other current liabilities	5,261	Other current liabilities	47,453
	Other non-current assets	1,251	Other non-current assets	
	Other non-current liabilities	46	Other non-current liabilities	29,581
Interest rate swap contracts designated as hedging instruments	Other current assets	11,001	Other current assets	
	Other non-current assets	3,335	Other non-current assets	
Foreign currency forward contracts not designated as hedging instruments*	Other current assets	2,208	Other current assets	350
	Other current liabilities	2,836	Other current liabilities	16,582
	Other non-current assets	1,176	Other non-current assets	
	Other non-current liabilities	580	Other non-current liabilities	1,531
Total		$ 32,689		$ 95,497

	December 31, 2010			
	Asset Derivatives		Liability Derivatives	
Instrument	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts designated as hedging instruments*	Other current assets	$ 23,536	Other current assets	$ 1,177
	Other current liabilities	16,656	Other current liabilities	21,645
	Other non-current liabilities		Other non-current liabilities	33,824
Foreign currency forward contracts not designated as	Other current assets	8,127	Other current assets	1,976

hedging instruments*				
	Other current liabilities	2,444	Other current liabilities	10,577
Total		$ 50,763		$ 69,199

* 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.

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

The following tables summarize the effect of derivative instruments designated as hedging instruments on the Consolidated Statements of Income for the three- and six-month periods ended June 30, 2011 and 2010, respectively:

For the Three-Month Period Ended June 30, 2011

Instrument	Amount of Gain/(Loss) Recognized in OCI on Derivative *(Effective Portion)*	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income *(Effective Portion)*	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income *(Effective Portion)*	Location of Gain/(Loss) Recognized in Income on Derivative *(Ineffective Portion and Amount Excluded From Effectiveness Testing)*	Amount of Gain/(Loss) Recognized in Income on Derivative *(Ineffective Portion and Amount Excluded From Effectiveness Testing)*
Foreign currency forward contracts	$ (31,221)(1)	Net product sales	$ (7,600)	Other income, net	$ (2,925)(2)
Interest rate swaps	(3)	Interest expense	$ 2,752		

(1) Losses of $38,265 are expected to be reclassified from Accumulated OCI into operations in the next 12 months.

(2) The amount of net loss recognized in income represents $2,611 in losses related to the ineffective portion of the hedging relationships and $314 of losses related to amounts excluded from the assessment of hedge effectiveness.

(3) The interest rate swaps are designated as fair value hedges of the variability of the fair value of fixed-rate debt due to changes in the long-term benchmark interest rates. The hedged debt is marked to market, offsetting the effect of marking the interest rate swaps to market. As of June 30, 2011, the fair value of the interest rate swaps was a $14,336 unrealized gain, $11,001 current assets and $3,335 non-current assets, on the consolidated balance sheet.

For the Three-Month Period Ended June 30, 2010

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 currency forward contracts	$ 84,081	Net product sales	$ 20,919	Other income, net	$ (1,534)(1)

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

Table of Contents

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

For the Six-Month Period Ended June 30, 2011

Instrument	Amount of Gain/(Loss) Recognized in OCI on Derivative *(Effective Portion)*	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income *(Effective Portion)*	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income *(Effective Portion)*	Location of Gain/(Loss) Recognized in Income on Derivative *(Ineffective Portion and Amount Excluded From Effectiveness Testing)*	Amount of Gain/(Loss) Recognized in Income on Derivative *(Ineffective Portion and Amount Excluded From Effectiveness Testing)*
Foreign currency forward contracts	$ (57,176)(1)	Net product sales	$ (3,031)	Other income, net	$ 235(2)
Interest rate swaps	(3)	Interest expense	$ 3,736		

(1) Losses of $38,265 are expected to be reclassified from Accumulated OCI into operations in the next 12 months.

(2) The amount of net gains recognized in income represents $2,691 in losses related to the ineffective portion of the hedging relationships and $2,926 of gains related to amounts excluded from the assessment of hedge effectiveness.

(3) The interest rate swaps are designated as fair value hedges of the variability of the fair value of fixed-rate debt due to changes in the long-term benchmark interest rates. The hedged debt is marked to market, offsetting the effect of marking the interest rate swaps to market. As of June 30, 2011, the fair value of the interest rate swaps was a $14,336 unrealized gain, $11,001 current assets and $3,335 non-current assets, on the consolidated balance sheet.

For the Six-Month Period Ended June 30, 2010

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 Excluded*	Amount of Gain/(Loss) Recognized in Income on Derivative *(Amount Excluded*

Instrument	*(Effective Portion)*	*(Effective Portion)*	*(Effective Portion)*	*From Effectiveness Testing)*	*From Effectiveness Testing)*
Foreign currency forward contracts	$ 141,294	Net product sales	$ 21,132	Other income, net	$ (2,956)(1)
		Research and development	$ (3)		

(1) The amount of net losses recognized in income represents $809 in losses related to the ineffective portion of the hedging relationships and $2,147 of losses related to amounts excluded from the assessment of hedge effectiveness.

Table of Contents

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

The following table summarizes the effect of derivative instruments not designated as hedging instruments on the Consolidated Statements of Income for the three- and six-month periods ended June 30, 2011 and 2010:

Instrument	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain/(Loss) Recognized in Income on Derivative: Three-Month Periods Ended June 30, 2011	2010	Six-Month Periods Ended June 30, 2011	2010
Foreign currency forward contracts	Other income, net	$ 5,969	$ 26,971	$ 34,920	$ 45,483

The impact of gains and losses on derivatives not designated as hedging instruments are generally offset by net foreign exchange gains and losses, which are also included on the Consolidated Statements of Income in other income, net for all periods presented.

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

Money market funds of $0.810 billion and $1.050 billion at June 30, 2011 and December 31, 2010, 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, 2011 and December 31, 2010 were as follows:

June 20, 2011	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
U.S. Treasury securities	$ 373,229	$ 1,710	$ (36)	$ 374,903
U.S. government-sponsored agency securities	244,978	1,526	(2)	246,502
U.S. government-sponsored agency MBS	340,926	1,944	(1,716)	341,154
Non-U.S. government, agency and Supranational securities	14,647	211	(5)	14,853
Corporate debt global	161,332	1,718	(80)	162,970
Marketable equity securities	407	278		685
Total available-for-sale marketable securities	$ 1,135,519	$ 7,387	$ (1,839)	$ 1,141,067

December 31, 2010	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
U.S. Treasury securities	$ 431,913	$ 921	$ (378)	$ 432,456
U.S. government-sponsored agency securities	359,060	1,055	(267)	359,848
U.S. government-sponsored agency MBS	250,618	1,230	(1,332)	250,516
Non-U.S. government, agency and Supranational securities	35,382	182	(18)	35,546
Corporate debt global	167,876	1,002	(1,340)	167,538
Marketable equity securities	4,050	368	(149)	4,269

Total available-for-sale marketable securities	$ 1,248,899	$ 4,758	$ (3,484)	$ 1,250,173

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

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 mortgage-backed securities, or MBS, includes 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 then 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. Net unrealized gains in the marketable debt securities primarily reflect the impact of decreased interest rates at June 30, 2011 and December 31, 2010.

Duration periods of available-for-sale debt securities were as follows at June 30, 2011:

	Amortized Cost	Fair Value
Duration of one year or less	$ 214,741	$ 214,475
Duration of one through three years	887,180	892,558
Duration of three through five years	28,869	28,954
Duration of more than five years	4,322	4,395
Total	$ 1,135,112	$ 1,140,382

10. Inventory

A summary of inventories by major category at June 30, 2011 and December 31, 2010 follows:

	June 30, 2011	December 31, 2010
Raw materials	$ 48,054	$ 37,458
Work in process	101,126	95,822
Finished goods	47,204	126,850
Total	$ 196,384	$ 260,130

Finished goods inventory balances include the unamortized acquisition accounting step-up to fair value resulting from the acquisition of Abraxis in the amounts of $6.9 million at June 30, 2011 and $90.3 million at December 31, 2010.

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

11. Investment in Affiliated Companies

As of June 30, 2011, the Company maintained three equity method investments, including two limited partnership investment funds. Additional equity method investment contributions, net of investment returns totaled $2.4 million during the six-month period ended June 30, 2011. A summary of the Company s equity investments in affiliated companies follows:

Investment in Affiliated Companies	June 30, 2011	December 31, 2010
Investment in affiliated companies [1]	$ 27,346	$ 21,419
Excess of investment over share of equity [2]	1,165	1,654
Investment in affiliated companies	$ 28,511	$ 23,073

Equity in Losses of Affiliated Companies	Three-Month Periods Ended June 30, 2011	Three-Month Periods Ended June 30, 2010	Six-Month Periods Ended June 30, 2011	Six-Month Periods Ended June 30, 2010
Affiliated companies (gains) losses [1] [3]	$ (1,251)	$ 103	$ (695)	$ (638)

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

(2) Consists of goodwill.

(3) Affiliated companies (gains) for the three- and six-month periods of 2011 include certain losses related to non-core former Abraxis equity method investments which were divested during the second quarter of 2011.

12. Intangible Assets and Goodwill

Intangible Assets: The Company s intangible assets consist of developed product rights from the Pharmion, Gloucester and Abraxis acquisitions, IPR&D product rights from the Gloucester and Abraxis acquisitions, contract-based licenses, technology and other. The amortization periods related to non-IPR&D intangible assets range from one to 17 years. The following summary of intangible assets by category includes intangibles currently being amortized and intangibles not yet subject to amortization:

June 30, 2011	Gross Carrying Value	Accumulated Amortization	Intangible Assets, Net	Weighted Average Life (Years)
Amortizable intangible assets:				
Acquired developed product rights	$ 2,186,000	$ (519,547)	$ 1,666,453	11.9
Licenses	64,250	(4,190)	60,060	16.8
Technology and other	43,178	(8,325)	34,853	9.4
	2,293,428	(532,062)	1,761,366	11.9
Nonamortized intangible assets:				

Acquired IPR&D product rights	1,234,000		1,234,000
Total intangible assets	$ 3,527,428	$ (532,062)	$ 2,995,366

Table of Contents

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

December 31, 2010	Gross Carrying Value	Accumulated Amortization	Intangible Assets, Net	Weighted Average Life (Years)
Amortizable intangible assets:				
Acquired developed product rights	$ 1,897,000	$ (384,891)	$ 1,512,109	12.3
Licenses	64,250	(2,271)	61,979	16.8
Technology and other	40,601	(5,191)	35,410	8.8
	2,001,851	(392,353)	1,609,498	12.4
Nonamortized intangible assets:				
Acquired IPR&D product rights	1,639,000		1,639,000	
Total intangible assets	$ 3,640,851	$ (392,353)	$ 3,248,498	

In June 2011, ISTODAX® was approved by the FDA for the treatment of PTCL in patients who have received at least one prior therapy. Accordingly, the related $287.0 million intangible asset obtained from the Gloucester acquisition was reclassified from an acquired IPR&D intangible to an acquired developed product rights intangible and amortization commenced with an 8.8 year expected useful life. The $113.4 million decrease in gross carrying value of intangible assets at June 30, 2011 compared to December 31, 2010 was primarily due to a $118.0 million impairment charge related to a change in the probability of obtaining PFS labeling for the treatment of NSCLC with ABRAXANE® in the United States, which was partly offset by the addition of two intangible assets with a combined value of approximately $4.6 million.

Amortization expense was $70.3 million and $47.3 million for the three-month periods ended June 30, 2011 and 2010, respectively. Amortization expense in 2011 included $22.3 million from the amortization of intangible assets obtained in the October 2010 Abraxis acquisition. Amortization expense for the six-month periods ended June 30, 2011 and 2010 was $139.7 million and $89.2 million, respectively. Amortization expense for the six-month period ended June 30, 2011 included $44.8 million from the amortization of intangible assets obtained in the Abraxis acquisition. Assuming no changes in the gross carrying amount of intangible assets, the amortization of intangible assets for the next five years is estimated to be approximately $289.2 million for 2011, $139.9 million for 2012, $138.2 million for 2013, $134.1 million for 2014 and $129.9 million for 2015.

Goodwill: At June 30, 2011, the Company s goodwill related to the October 2010 acquisition of Abraxis, the January 2010 acquisition of Gloucester, the March 2008 acquisition of Pharmion and the October 2004 acquisition of Penn T Limited.

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

Balance at December 31, 2010	$ 1,896,344
Tax benefit on the exercise of Pharmion converted stock options	(119)
Balance at June 30, 2011	$ 1,896,225

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

13. Long-Term Debt

Summarized below are the carrying values of the Company s senior notes at June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
2.450% senior notes due 2015	$ 511,309	$ 499,301
3.950% senior notes due 2020	498,800	498,749
5.700% senior notes due 2040	249,537	249,534
Total long-term debt	$ 1,259,646	$ 1,247,584

On October 7, 2010, the Company issued a total of $1.25 billion principal amount of senior notes consisting of $500.0 million aggregate principal amount of 2.45% Senior Notes due 2015 (the 2015 notes), $500.0 million aggregate principal amount of 3.95% Senior Notes due 2020 (the 2020 notes) and $250.0 million aggregate principal amount of 5.7% Senior Notes due 2040 (the 2040 notes and, together with the 2015 notes and the 2020 notes, referred to herein as the notes). The notes were issued at 99.854%, 99.745% and 99.813% of par, respectively, and the discount is being amortized as additional interest expense over the period from issuance through maturity. Offering costs of approximately $10.5 million have been recorded as debt issuance costs on the Company s 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 notes is payable semi-annually in arrears on April 15 and October 15 each year beginning April 15, 2011 and the principal on each note is due in full at their respective maturity dates. The notes may be redeemed at the option of the Company, in whole or in part, at any time at a redemption price defined in a make-whole clause equaling accrued and unpaid interest plus the greater of 100% of the principal amount of the notes to be redeemed or the sum of the present values of the remaining scheduled payments of interest and principal. If a change of control of the Company occurs accompanied by a downgrade of the debt to below investment grade, the Company will be required to offer to repurchase the notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest. The Company is subject to covenants which limit the ability of the Company to pledge properties as security under borrowing arrangements and limit the ability of the Company to perform sale and leaseback transactions involving the property of the Company. At June 30, 2011, the fair value of the Company s Senior Notes outstanding was $1.229 billion.

The Company entered into interest rate swap contracts in February and March 2011 to convert a portion of its interest rate exposure from fixed rate to floating rate to more closely align interest expense with interest income received on its cash equivalent and investment balances. The floating rate is benchmarked to LIBOR. The swap is designated as a fair value hedge on the fixed-rate debt issue maturing October 2015. Since the specific terms and notional amount of the swap match those of the debt being hedged, it is assumed to be a highly effective hedge and all changes in fair value of the swaps will be recorded on the Consolidated Balance Sheets with no net impact recorded in the Consolidated Statements of Income. As of June 30, 2011, the total notional amount of debt hedged with an interest rate swap was $500.0 million.

Table of Contents

CELGENE CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Share-Based Compensation

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, 2011 and 2010:

	Three-Month Periods Ended June 30,		Six-Month Periods Ended June 30,	
	2011	2010	2011	2010
Cost of good sold	$ 2,419	$ 1,602	$ 4,427	$ 3,121
Research and development	22,880	20,023	55,472	39,153
Selling, general and administrative	25,613	22,185	48,706	42,116
Total share-based compensation expense	50,912	43,810	108,605	84,390
Tax benefit related to share-based compensation expense	12,417	9,960	27,869	19,167
Reduction in income	$ 38,495	$ 33,850	$ 80,736	$ 65,223

Share-based compensation cost included in inventory was $2.9 million and $2.4 million at June 30, 2011 and December 31, 2010, respectively.

Stock Options: The weighted-average grant date fair value of the stock options granted during the three-month periods ended June 30, 2011 and 2010 was $16.81 per share and $19.27 per share, respectively. The weighted-average grant date fair value of the stock options issued during the six-month periods ended June 30, 2011 and 2010 was $16.43 per share and $19.28 per share, respectively. There have been no significant changes to the assumptions used to estimate the fair value of options granted during the six-month period ended June 30, 2011 compared to those granted for the year ended December 31, 2010 disclosed in Note 15 to the Consolidated Financial Statements included in the Company s 2010 Annual Report on Form 10-K.

The following table summarizes all stock option activity for the six-month period ended June 30, 2011:

	Options	Weighted Average Exercise Price Per Option	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In Thousands)
Outstanding at December 31, 2010	41,137,686	$ 48.56	6.7	$ 501,663
Changes during the Year:				
Granted	5,164,811	56.30		
Exercised	(1,950,575)	32.67		
Forfeited	(751,962)	56.07		
Expired	(216,637)	64.72		
Outstanding at June 30, 2011	43,383,323	$ 49.99	6.7	$ 500,939

Vested at June 30, 2011 or expected to vest in the future	42,518,400	$	49.86	6.6	$	497,071
Vested at June 30, 2011	22,147,932	$	44.07	4.9	$	392,397

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

The total fair value of shares vested during the six-month periods ended June 30, 2011 and 2010 was $73.3 million and $63.3 million, respectively. The total intrinsic value of stock options exercised during the six-month periods ended June 30, 2011 and 2010 was $49.4 million and $59.0 million, respectively. The Company primarily utilizes newly issued shares to satisfy the exercise of stock options.

As of June 30, 2011, there was $289.1 million of total unrecognized compensation cost related to stock options granted under the plans. That cost will be recognized over an expected remaining weighted-average period of 2.3 years.

Restricted Stock Units: At the option of employee participants, equity awards may be divided between stock options and restricted stock units, or RSUs. The employee has three choices: (1) 100% stock options; (2) a mix of stock options and RSUs based on a two-thirds and one-third mix, using a three-to-one ratio of stock options to RSUs in calculating the number of RSUs to be granted; or (3) a mix of stock options and RSUs based on a one-half mix, using a three-to-one ratio of stock options to RSUs in calculating the number of RSUs to be granted. The fair value of RSUs is determined based on the closing price of the Company s common stock on the grant dates. Information regarding the Company s RSUs for the six-month period ended June 30, 2011 is as follows:

Nonvested RSUs	Share Equivalent	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2010	1,510,384	$ 54.84
Changes during the period:		
Granted	1,282,600	58.44
Vested	(9,072)	49.97
Forfeited	(34,819)	52.72
Non-vested at March 31, 2011	2,749,093	$ 56.56

As of June 30, 2011, there was $107.2 million of total unrecognized compensation cost related to non-vested awards of RSUs. That cost is expected to be recognized over a weighted-average period of 2.2 years. The Company recognizes compensation cost on a straight-line basis over the requisite service period for the entire award, as adjusted for expected forfeitures. The Company primarily utilizes newly issued shares to satisfy the vesting of RSUs.

15. Income Taxes

The Company regularly evaluates the likelihood of the realization of its deferred tax assets and reduces the carrying amount of those deferred tax assets by a valuation allowance to the extent it believes a portion will not be realized. The Company considers many factors when assessing the likelihood of future realization of its deferred tax assets, including recent cumulative earnings experience by taxing jurisdiction, expectations of future taxable income, the carryforward periods available to it for tax reporting purposes and other relevant factors. Significant judgment is required in making this assessment.

The Company s U.S. federal income tax returns have been audited by the U.S. Internal Revenue Service, or the IRS, through the year ended December 31, 2005. Tax returns for the years ended December 31, 2006, 2007 and 2008 are currently under examination by the IRS and scheduled to be completed within the next 12 months. The Company is also subject to audits by various state and foreign taxing authorities, including, but not limited to, most U.S. states and major European and Asian countries where the Company has operations.

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

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

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. The Company accounts for interest and potential penalties related to uncertain tax positions as part of its provision for income taxes. Increases to the amount of unrecognized tax benefits from January 1, 2011 of approximately $52.7 million relate primarily to current year operations. The Company s 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 claim 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. Certain of these examinations are scheduled to conclude within the next 12 months. It is reasonably possible that the amount of the liability for unrecognized tax benefits could change by a significant amount during the next 12-month period. Finalizing examinations with the relevant taxing authorities can include formal administrative and legal proceedings and, as a result, it is difficult to estimate the timing and range of possible change related to our unrecognized tax benefits. An estimate of the range of the possible change cannot be made until issues are further developed or examinations close.

16. Collaboration Agreements

Novartis Pharma AG: The Company entered into an agreement with Novartis in which the Company granted to Novartis an exclusive worldwide license (excluding Canada) to develop and market FOCALIN® (d-methylphenidate, or d -MPH) and FOCALIN XR®, the long-acting drug formulation for attention deficit disorder, or ADD, and attention deficit hyperactivity disorder, or ADHD. The Company also granted Novartis rights to all of its related intellectual property and patents, including formulations of the currently marketed RITALIN LA®. Under the agreement, the Company is entitled to receive up to $100.0 million in upfront and regulatory achievement milestone payments. To date, the Company has received upfront and regulatory achievement milestone payments totaling $55.0 million. The Company also sells FOCALIN® to Novartis and also receives royalties of between 30% and 35% on sales of all of Novartis FOCALIN XR® and RITALIN® family of ADHD-related products.

The agreement will continue until the later of (i) the tenth anniversary of the first commercial launch on a country-by-country basis or (ii) when the last applicable patent expires with respect to that country. At the expiration date, the Company shall grant Novartis a perpetual, non-exclusive, royalty-free license to make, have made, use, import and sell d-MPH and Ritalin® under its technology.

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

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

i. Novartis at their sole discretion, effective 12 months after written notice to the Company, or

ii. by:
   a. either party if the other party materially breaches any of its material obligations under the agreement,
   b. the Company if Novartis fails to pay amounts due under the agreement two or more times in a 12-month period,
   c. either party, on a product-by-product and country-by-country basis, in the event of withdrawal of the d-MPH product or Ritalin® product from the market because of regulatory mandate,
   d. either party if the other party files for bankruptcy.

If the agreement is terminated by the Company then all licenses granted to Novartis under the agreement will terminate and Novartis will also grant the Company a non-exclusive license to certain of their intellectual property related to the compounds and products.

If the agreement is terminated by Novartis then all licenses granted to Novartis under the agreement will terminate.

If the agreement is terminated by Novartis because of a material breach by the Company, then Novartis can make a claim for damages against the Company and the Company shall grant Novartis a perpetual, non-exclusive, royalty-free license to make, have made, use, import and sell d-MPH and Ritalin® under the Company s technology.

When generic versions of long-acting methylphenidate hydrochloride and dexmethylphenidate hydrochloride enter the market, the Company expects Novartis sales of Ritalin LA® and Focalin XR® products to decrease and therefore its royalties under this agreement to also decrease.

Array BioPharma Inc.: The Company has a research collaboration agreement with Array BioPharma Inc., or Array, focused on the discovery, development and commercialization of novel therapeutics in cancer and inflammation. As part of this agreement, the Company made an upfront payment in September 2007 to Array of $40.0 million, which was recorded as research and development expense, in return for an option to receive exclusive worldwide rights for compounds developed against two of the four research targets defined in the agreement, except for Array s limited U.S. co-promotional rights. In June 2009, the Company made an additional upfront payment of $4.5 million to expand the research targets defined in the agreement, which was recorded as research and development expense. Array will be responsible for all discovery and clinical development through Phase I or Phase IIa and be entitled to receive, for each compound, potential milestone payments of approximately $200.0 million if certain discovery, development and regulatory milestones are achieved, and $300.0 million if certain commercial milestones are achieved as well as royalties on net sales. In 2010, the Company made a $10.0 million discovery milestone payment as required by the collaboration agreement upon the filing and clearance of an investigational new drug application with the FDA.

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

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

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

(i) the Company at its sole discretion, or

(ii) either party if the other party:

a. materially breaches any of its material obligations under the agreement, or

b. files for bankruptcy.

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

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

Acceleron will retain responsibility for initial activities, including research and development, through the end of Phase IIa clinical trials, as well as manufacturing the clinical supplies for these studies. In turn, the Company will conduct the Phase IIb and Phase III clinical studies and will oversee the manufacture of Phase III and commercial supplies. Acceleron will pay a share of the development expenses and is eligible to receive development, regulatory approval and sales-based milestones of up to $510.0 million for the ACE-011 program and up to an additional $437.0 million for each of the three discovery stage programs. The companies will co-promote the products in North America. Acceleron will receive tiered royalties on worldwide net sales, upon the commercialization of a development compound. During the three-month period ended June 30, 2011, the Company made a $7.0 million development milestone payment to Acceleron for the initiation of enrollment into a phase II study for chemotherapy-induced anemia.

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

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

(i) the Company at its sole discretion, or

(ii) either party if the other party:

a. materially breaches any of its material obligations under the agreement, or

b. files for bankruptcy.

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

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

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

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

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

(i) the Company at its sole discretion,

(ii) either party if the other party:

a. materially breaches any of its material obligations under the agreement, or

b. files for bankruptcy,

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

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

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

GlobeImmune, Inc.: In September 2007, the Company made a $3.0 million equity investment in GlobeImmune, Inc., or GlobeImmune. In April 2009 and May 2009, the Company made additional $0.1 million and $10.0 million equity investments, respectively, in GlobeImmune. In addition, the Company has a collaboration and option agreement with GlobeImmune focused on the discovery, development and commercialization of novel therapeutics in cancer. As part of this agreement, the Company made an upfront payment in May 2009 of $30.0 million, which was recorded as research and development expense, to GlobeImmune in return for the option to license compounds and products based on the GI-4000, GI-6200, GI-3000 and GI-10000 oncology drug candidate programs as well as oncology compounds and products resulting from future programs controlled by GlobeImmune. In June 2011, the collaboration and option agreement was amended, for no additional upfront consideration, to remove collaboration compound GI-10000 and replace it with collaboration compound GI-6300. GlobeImmune will be responsible for all discovery and clinical development until the Company exercises its option with respect to a drug candidate program and GlobeImmune will be entitled to receive potential milestone payments of approximately $230.0 million for the GI-4000 program,

$145.0 million for each of the GI-6200 and GI-3000 programs and $161.0 million for each of the GI-6300 program and each additional future program if certain development, regulatory and sales-based milestones are achieved. GlobeImmune will also receive tiered royalties on worldwide net sales.

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

The Company s options with respect to the GI-4000, GI-6200, GI-3000 and GI-6300 oncology drug candidate programs will terminate if the Company does not exercise its respective options after delivery of certain reports from GlobeImmune on the completed clinical trials with respect to each drug candidate program, as set forth in the initial development plan specified in the agreement. If the Company does not exercise its options with respect to any drug candidate program or future program, the Company s option with respect to the oncology products resulting from future programs controlled by GlobeImmune will terminate three years after the last of the options with respect to the GI-4000, GI-6200, GI-3000 and GI-6300 oncology drug candidate programs terminates. Upon exercise of a Company option, the agreement will continue until the Company has satisfied all royalty payment obligations to GlobeImmune. Upon the expiration of the agreement, on a product-by-product, country-by-country basis, GlobeImmune will grant the Company an exclusive, fully paid-up, royalty-free, perpetual license to use certain intellectual property of GlobeImmune to market and sell the compounds and products developed under the agreement. The agreement may expire on a product-by-product and country-by-country basis as the Company satisfies its royalty payment obligation with respect to each product in each country.

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

(i) the Company at its sole discretion, or

(ii) either party if the other party:

  a. materially breaches any of its material obligations under the agreement, or

  b. files for bankruptcy.

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

Agios Pharmaceuticals, Inc.: On April 14, 2010, the Company entered into a discovery and development collaboration and license agreement with Agios Pharmaceuticals, Inc., or Agios, which focuses on cancer metabolism targets and the discovery, development and commercialization of associated therapeutics. As part of the agreement, the Company paid Agios a $121.2 million non-refundable, upfront payment, which was expensed by the Company as research and development in the second quarter of 2010. The Company also made an $8.8 million equity investment in Agios Series B Convertible Preferred Stock, representing approximately a 10.94% ownership interest in Agios and is included in other non-current assets in the Company s Consolidated Balance Sheets. The Company receives an initial period of exclusivity during which it has the option to develop any drugs resulting from the Agios cancer metabolism research platform and may extend this exclusivity period by providing Agios additional funding. The Company has an exclusive option to license any resulting clinical candidates developed during this period and will lead and fund global development and commercialization of certain licensed programs. With respect to each product in a program that the Company chooses to license, Agios could receive up to $120.0 million upon achievement of certain milestones plus royalties on sales, and Agios may also participate in the development and commercialization of certain products in the United States. Agios may also receive a one-time milestone payment of $25.0 million upon dosing of the final human subject in a Phase II study, such payment to be made only once with respect to only one program.

Table of Contents

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

Unless the agreement is earlier terminated or the option term is extended, the Company s option will terminate on April 14, 2013. However, if certain development targets are not met, the Company may unilaterally extend the option term: (a) for up to an additional one year without payment; (b) subject to certain criteria and upon payment of certain predetermined amounts to Agios, for up to two additional years thereafter.

Following expiration of the option, the agreement will continue in place with respect to programs to which the Company has exercised its option or otherwise is granted rights to develop. The agreement may expire on a product-by-product and country-by-country basis as the Company satisfies its payment obligation with respect to each product in each country. Upon the expiration of the agreement with respect to a product in a country, all licenses granted by one party to the other party for such product in such country shall become fully paid-up, perpetual, sub licensable, irrevocable and royalty-free.

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

(i) the Company at its sole discretion after, or

(ii) either party if the other party:

  a. materially breaches the agreement and fails to cure such breach within the specified period, or

  b. files for bankruptcy.

The party terminating under (i) or (ii)(a) above has the right to terminate on a program-by-program basis, leaving the agreement in effect with respect to remaining programs. If the agreement or any program is terminated by the Company for convenience or by Agios for a material breach or bankruptcy by the Company, then, among other things, depending on the type of program and territorial rights: (a) certain licenses granted by the Company to Agios shall stay in place, subject to Agios payment of certain royalties to the Company: and (b) Celgene will grant Agios a non-exclusive, perpetual, royalty-free license to certain technology developed in the conduct of the collaboration and used in the program (which license is exclusive with respect to certain limited collaboration technology). If the agreement or any program is terminated by the Company for a material breach or bankruptcy by Agios, then, among other things, all licenses granted by Celgene to Agios will terminate and: (i) Celgene s license from Agios will continue in perpetuity and all payment obligations will be reduced or will terminate; (ii) Celgene s license for certain programs will become exclusive worldwide: and (iii) with regard to any program where the Company has exercised buy-in rights, Agios shall continue to pay certain royalties to Celgene.

The Company has determined that Agios is a variable interest entity; however, the Company is not the primary beneficiary of Agios. Although the Company would have the right to receive the benefits from the collaboration and license agreement and it is probable that this agreement incorporates the activities that most significantly impact the economic performance of Agios for up to six years, the Company does not have the power to direct the activities under the collaboration and license agreement as Agios has the decision-making authority for the Joint Steering Committee and Joint Research Committee until the Company exercises its option to license a product. The Company s interest in Agios is limited to its 10.94% equity ownership and it does not have any obligations or rights to the future losses or returns of Agios beyond this ownership. The collaboration agreement, including the upfront payment and series B convertible preferred stock investment, does not entitle the Company to participate in future returns beyond the 10.94% ownership and it does not obligate the Company to absorb future losses beyond the $8.8 million investment in Agios Series B Convertible Preferred Stock. In addition, there are no other agreements other than the collaboration agreement that entitle the Company to receive returns beyond the 10.94% ownership or obligate the Company to absorb additional losses.

The Institute for Advanced Health: In April 2011, the Company entered into an agreement with The Institute for Advanced Health, or the Institute, that included an upfront contribution, future contingent matching contributions and an additional milestone-based contingent payment. The Institute is a non-profit organization dedicated to research and technology development in personalized molecular medicine of which Dr. Patrick Soon-Shiong is the Chairman and Chief Executive Officer. Under the terms of the agreement, the Company made an initial contribution with a value of

$41.0 million. The agreement provides for additional contributions of up to $50.0 million to be made by the Company based on the level of other third-party contributions received by the Institute. A final additional $25.0 million milestone-based payment is contingent upon the Institute achieving specified results related to the collection of DNA data and genomic sequences and the initiation of research and development alliances to be achieved before December 31, 2015. Contributions made under this agreement will be recognized on the Company s Statements of Income as research and development expense.

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

As part of the contribution agreement, the Company will receive a right of first offer and a right of last look with respect to all oncology products developed, funded, acquired or licensed by the Institute, the right to designate one of its employees to the Institute s Scientific Advisory Board and will be the exclusive oncology therapeutics sponsor of the Institute. These rights will continue for as long as the Company continues to make payments under a preexisting agreement.

17. Commitments and Contingencies

Collaboration Arrangements: The Company has entered into certain research and development collaboration agreements, as identified in Note 16, with third parties that include the funding of certain development, manufacturing and commercialization efforts with the potential for future milestone and royalty payments upon the achievement of pre-established developmental, regulatory and/or commercial targets. The Company s obligation to fund these efforts is contingent upon continued involvement in the programs and/or the lack of any adverse events which could cause the discontinuance of the programs. Due to the nature of these arrangements, the future potential payments are inherently uncertain, and accordingly no amounts have been recorded in the Company s accompanying Consolidated Balance Sheets at June 30, 2011 and December 31, 2010.

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.

In the fourth quarter of 2009, the Company received a Civil Investigative Demand, or CID, from the U.S. Federal Trade Commission, or the FTC. The FTC requested documents and other information relating to requests by generic companies to purchase the Company s patented REVLIMID® and THALOMID® brand drugs in order to evaluate whether there is reason to believe that the Company has engaged in unfair methods of competition. In the first quarter of 2010, the State of Connecticut referenced the same issues as those referenced in the 2009 CID and issued a subpoena. In the fourth quarter of 2010, the Company received a second CID from the FTC relating to this matter. The Company continues to respond to requests for information.

In the first quarter of 2011, the Company received a letter from the United States Attorney for the Central District of California informing the Company that it was under investigation relating to its promotion of the drugs THALOMID® and REVLIMID® regarding off-label marketing and improper payments to physicians. The Company is cooperating with the Unites States Attorney in connection with this investigation.

On January 20, 2011, the Supreme Court of Canada ruled that the jurisdiction of the Patented Medicine Prices Review Board, or the PMPRB, extends to sales of drugs to Canadian patients even if the locus of sale is within the United States. As a result of this ruling, the Company s U.S. sales of THALOMID® brand drug to Canadian patients under the special access program are subject to PMPRB jurisdiction on and after January 12, 1995. In accordance with the ruling of the Supreme Court of Canada, we have provided to-date data regarding these special access program sales to the PMPRB. In light of the approval of THALOMID® brand drug for multiple myeloma by Health Canada on August 4, 2010, this drug is currently sold through the Company s Canadian entity and is no longer sold to Canadian patients in the United States. The PMPRB s proposed pricing arrangement has not been determined. Depending on the calculation, the Company may be requested to return certain revenues associated with these sales and to pay fines. Should this occur, the Company would have to consider various legal options to address whether the pricing determination was reasonable.

Table of Contents

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

18. Legal Proceedings

The Company and certain of its subsidiaries are involved in various patent, commercial and other claims; government investigations; and other legal proceedings that arise from time to time in the ordinary course of business. These legal proceedings and other matters are complex in nature and have outcomes that are difficult to predict and could have a material adverse effect on the Company.

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

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

REVLIMID®: The Company has publicly announced that it has received a notice letter dated August 30, 2010, sent from Natco Pharma Limited of India (Natco) notifying it of a Paragraph IV certification alleging that patents listed for REVLIMID® in the Orange Book are invalid, and/or not infringed (the Notice Letter). The Notice Letter was sent pursuant to Natco having filed an abbreviated new drug application, or ANDA, seeking permission from the FDA to market a generic version of 25mg, 15mg, 10mg and 5mg capsules of REVLIMID®. Under the federal Hatch-Waxman Act of 1984, any generic manufacturer may file an ANDA with a certification (a Paragraph IV certification) challenging the validity or infringement of a patent listed in the FDA s *Approved Drug Products With Therapeutic Equivalence Evaluations* (the Orange Book) four years after the pioneer company obtains approval of its New Drug Application, or an NDA. On October 8, 2010, we filed an infringement action in the United States District Court of New Jersey against Natco in response to the Notice Letter with respect to United States Patent Nos. 5,635,517 (the 517 patent), 6,045,501 (the 501 patent), 6,281,230 (the 230 patent), 6,315,720 (the 720 patent), 6,555,554 patent), 6,561,976 (the 976 patent), 6,561,977 (the 977 patent), 6,755,784 (the 784 patent), 7,119,106 (the 10 and 7,465,800 (the 800 patent). If Natco is successful in challenging the Company s patents listed in the Orange Book, and the FDA were to approve the ANDA with a comprehensive education and risk management program for a generic version of lenalidomide, sales of REVLIMID® could be significantly reduced in the United States by the entrance of a generic lenalidomide product, potentially reducing the Company s revenue.

Natco responded to the Company s infringement action on November 18, 2010, with its Answer, Affirmative Defenses and Counterclaims. Natco has alleged (through affirmative defenses and counterclaims) that the patents are invalid, unenforceable and/or not infringed by Natco s proposed generic productions. After filing the infringement action, the Company learned the identity of Natco s U.S. partner, Arrow International Limited, and filed an amended complaint on January 7, 2011, adding Arrow as a defendant.

We believe that Natco s counterclaims are likely to be unsustainable and intend to vigorously defend our patent rights. We believe that it is unlikely that Natco will prevail on each and every patent and patent claim subject to the lawsuit and that all of the patents would be deemed to be invalidated, unenforceable and/or non-infringed. In addition we believe that it is unlikely that the FDA will approve an appropriate, non-infringing comprehensive education and risk management program for a generic version of lenalidomide. Accordingly, we believe that the ultimate outcome will not have a material adverse effect on our financial condition or results of operations.

Table of Contents

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

This report contains forward-looking statements that reflect the current views of our management with respect to future events, results of operations, economic performance and/or financial condition. Any statements contained in this report that are not statements of historical fact may be deemed forward-looking statements. Forward-looking statements generally are identified by the words expects, anticipates, believes, intends, estimates, aims, p could, will, will continue, seeks, should, predict, potential, outlook, guidance, target, forecast the negative of such terms and similar expressions. Forward-looking statements are based on current plans, estimates, assumptions and projections, which are subject to change and may be affected by risks and uncertainties, most of which are difficult to predict and are generally beyond our control. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statement in light of new information or future events, although we intend to continue to meet our ongoing disclosure obligations under the U.S. securities laws and other applicable laws. We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in, or implied by, the forward-looking statements, and therefore you should not place too much reliance on them. These factors include, among others, those described in the sections Forward-Looking Statements and Risk Factors contained in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission, or the SEC, and in this report and our other public reports filed with the SEC. If these or other risks and uncertainties materialize, or if the assumptions underlying any of the forward-looking statements prove incorrect, our actual performance and future actions may be materially different from those expressed in, or implied by, such forward-looking statements. We can offer no assurance that our estimates or expectations will prove accurate or that we will be able to achieve our strategic and operational goals.

Executive Summary

Celgene Corporation and its subsidiaries (collectively we , our or us) 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 which is designed to bring new therapies to market and are involved in research in several scientific areas that may deliver proprietary next-generation therapies, targeting areas such as intracellular signaling pathways in cancer and immune cells, immunomodulation in cancer and autoimmunity and placental cell, including stem and progenitor cell, research.

Our primary commercial stage products include REVLIMID®, VIDAZA®, THALOMID® (inclusive of Thalidomide Celgene® and Thalidomide Pharmion®), ABRAXANE® and ISTODAX®.

REVLIMID® is an oral immunomodulatory drug primarily marketed in the United States and select international markets, in combination with dexamethasone, for treatment of patients with multiple myeloma who have received at least one prior therapy and for the treatment of transfusion-dependent anemia due to low- or intermediate-1-risk myelodysplastic syndromes, or MDS, associated with a deletion 5q cytogenetic abnormality with or without additional cytogenetic abnormalities.

VIDAZA®, which is licensed from Pfizer, is a pyrimidine nucleoside analog that has been shown to reverse the effects of DNA hypermethylation and promote subsequent gene re-expression. VIDAZA® is a Category 1 recommended treatment for patients with intermediate-2 and high-risk MDS according to the National Comprehensive Cancer Network, or NCCN, and is marketed in the United States for the treatment of all subtypes of MDS. The U.S. regulatory exclusivity for VIDAZA® expired on May 19, 2011. Accordingly, we anticipate a generic version of VIDAZA® to be introduced sometime during the latter half of 2011. If a generic version of VIDAZA® is successfully launched, we may quickly lose a significant portion of our sales for this product in the United States. In Europe, VIDAZA® is marketed for the treatment of intermediate-2 and high risk MDS as well as acute myeloid leukemia, or AML, with 30% blasts and has been granted orphan drug designation for the treatment of MDS and AML.

THALOMID® is marketed for patients with newly diagnosed multiple myeloma and for the acute treatment of the cutaneous manifestations of moderate to severe erythema nodosum leprosum, or ENL, an inflammatory complication of leprosy and as maintenance therapy for prevention and suppression of the cutaneous manifestation of ENL recurrence.

ABRAXANE®, which was obtained in the 2010 acquisition of Abraxis BioScience Inc., or Abraxis, is a nanoparticle, albumin-bound paclitaxel that was approved by the U.S. Food and Drug Administration, or FDA, in January 2005 for the treatment of metastatic breast cancer. ABRAXANE® is based on a tumor-targeting platform known as nab® technology.

ISTODAX®, which was obtained in the 2010 acquisition of Gloucester Pharmaceuticals, Inc., or Gloucester, was approved in November 2009 by the FDA for the treatment of cutaneous T-cell lymphoma, or CTCL, in patients who have received at least one prior systemic therapy and in June 2011 for the treatment of peripheral T-cell lymphoma, or PTCL, in patients who have received at least one prior therapy. ISTODAX® has received orphan drug designation for the treatment of non-Hodgkin s T-cell lymphomas, which includes CTCL and PTCL. The European Agency for the Evaluation of Medicinal Products, or EMA, has granted orphan status designation for ISTODAX® for the treatment of both CTCL and PTCL.

Additional sources of revenue include a licensing agreement with Novartis, which entitles us to royalties on FOCALIN XR® and the entire RITALIN® family of drugs, the sale of services through our Cellular Therapeutics subsidiary and other miscellaneous licensing agreements.

We continue to invest substantially in research and development, and the drug candidates in our pipeline are at various stages of preclinical and clinical development. These candidates include our IMiDs® compounds, which are a class of compounds proprietary to us and having certain immunomodulatory and other biologically important properties, our leading oral anti-inflammatory agents, our cell products and our nanoparticle, albumin-bound compounds. We believe that continued acceptance of our primary commercial stage products, participation in research and development collaboration arrangements, depth of our product pipeline, regulatory approvals of both new products and expanded use of existing products will provide the catalysts for future growth.

The following table summarizes total revenue and earnings for the three- and six-month periods ended June 30, 2011 and 2010:

	Three-Month Periods Ended June 30,			
(In thousands $, except earnings per share)	2011	2010	Increase	Percent Change
Total revenue	$ 1,183,155	$ 852,692	$ 330,463	38.8%
Net income attributable to Celgene	$ 279,398	$ 155,352	$ 124,046	79.8%
Diluted earnings per share attributable to Celgene	$ 0.59	$ 0.33	$ 0.26	78.8%

(In thousands $, except earnings per share)	Six-Month Periods Ended June 30, 2011	2010	Increase	Percent Change
Total revenue	$ 2,308,436	$ 1,643,946	$ 664,490	40.4%
Net income attributable to Celgene	$ 534,988	$ 389,794	$ 145,194	37.2%
Diluted earnings per share attributable to Celgene	$ 1.14	$ 0.83	$ 0.31	37.3%

The increase in revenue for the three- and six-month periods ended June 30, 2011 compared to the three- and six-month periods ended June 30, 2010 was primarily due to the continued growth of REVLIMID® and VIDAZA® in both U.S. and international markets, in addition to sales of ABRAXANE® subsequent to the acquisition of Abraxis in October 2010. Net income and diluted earnings per share for the three- and six-month periods ended June 30, 2011 reflect the higher level of revenue, partly offset by additional costs incurred resulting from the acquisition of Abraxis in October 2010, in addition to increased spending for new product launches and research and development activities.

Sale of Non-core Assets: The purchase of Abraxis included a number of assets that are not associated with the nab® technology or ABRAXANE®. These assets, or non-core assets, consist of a number of subsidiaries, tangible assets, equity investments, joint venture partnerships and assets that support research and sales of products not related to the nab® technology. At the time of acquisition, we were committed to a plan to divest the non-core assets and they were classified on the Consolidated Balance Sheets as of December 31, 2010 as assets held for sale and the associated liabilities were classified as liabilities of disposal group. In April 2011, we sold the non-core assets to various entities that are owned or controlled by Dr. Patrick Soon-Shiong, the former majority shareholder and executive chairman of Abraxis. In June 2011, management made the decision that certain additional facilities from Abraxis are intended to be sold as we rationalize certain manufacturing facilities.

We received cash consideration of $110.0 million, 10% equity ownership in an entity that was formed with certain of the non-core assets with revenue-producing potential, or Active Biomaterials, LLC, and a future royalty stream based on net sales of certain products of Active Biomaterials, LLC,. The royalties, which commence in 2014 at the earliest and are not to exceed an annual amount of $128.0 million, will be calculated based on a range of between 10% and 12.5% of net sales of certain future products. Dr. Patrick Soon-Shiong holds an option to purchase the 10% equity ownership in Active Biomaterials, LLC, from us for a price of $15.0 million at any time prior to April 2013. The equity ownership was recorded at its fair market value of $14.0 million based on the present value of the amount likely to be received upon exercise of the purchase option. We recorded the future royalty stream as an asset and assigned a value of $170.0 million based on its fair market value calculated as the present value of estimated future net cash flows. The sale of the non-core assets resulted in a gain of $2.9 million which was included in the Consolidated Statements of Income in other income, net. Our policy is to present gains and losses from sales of businesses as other income or expense.

Gloucester Acquisition Milestone Achievement: In June 2011, the FDA granted accelerated approval of the Supplemental New Drug Application for ISTODAX® for the treatment of peripheral T-cell lymphoma, or PTCL, in patients who have received at least one prior therapy. This FDA approval was the triggering event for the payment of one of the two contingent regulatory milestone payments associated with the Gloucester acquisition. We made a payment of $180.0 million to the former shareholders of Gloucester in July 2011 in satisfaction of this milestone payment requirement. The single remaining contingent milestone payment is for a $120.0 million cash payment upon the marketing approval for the European Union PTCL.

We measure this contingent consideration arrangement at fair value for each period with changes in fair value recognized in operating earnings. Changes in fair values reflect new information about the IPR&D assets and the passage of time. In the absence of new information, changes in fair value reflect only the passage of time as development work towards the achievement of the milestones progresses, and will be accrued based on an accretion schedule. At June 30, 2011, the balance of the contingent consideration was $265.1 million, of which $180.0 million, representing the milestone payment made in July 2011, is included in other current liabilities and $85.1 million included in other non-current liabilities.

Results of Operations:

Three-Month Periods Ended June 30, 2011 and 2010

Total Revenue: Total revenue and related percentages for the three-month periods ended June 30, 2011 and 2010 were as follows:

	Three-Month Periods Ended June 30,		Increase	Percent
(In thousands $)	2011	2010	(Decrease)	Change
Net product sales:				
REVLIMID ®	$ 795,445	$ 587,143	$ 208,302	35.5%
VIDAZA ®	161,697	131,793	29,904	22.7%
THALOMID ®	88,167	97,821	(9,654)	-9.9%
ABRAXANE ®	94,608		94,608	N/A
ISTODAX ®	6,971	3,579	3,392	94.8%
Other	7,440	2,761	4,679	169.5%
Total net product sales	$ 1,154,328	$ 823,097	$ 331,231	40.2%
Collaborative agreements and other revenue	3,399	2,544	855	33.6%
Royalty revenue	25,428	27,051	(1,623)	-6.0%
Total revenue	$ 1,183,155	$ 852,692	$ 330,463	38.8%

Total revenue increased by $330.5 million, or 38.8%, to $1.183 billion for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010, reflecting increases of $187.7 million, or 36.4%, in the United States, and $142.8 million, or 42.4%, in international markets.

Net Product Sales:

Total net product sales for the three-month period ended June 30, 2011 increased by $331.2 million, or 40.2%, to $1.154 billion compared to the three-month period ended June 30, 2010. The increase was comprised of net volume increases of $332.7 million, partially offset by price decreases of $9.0 million and the favorable impact from foreign exchange of $7.5 million. The decrease in prices was primarily due to increased Medicaid rebates resulting from the U.S. Health Care Reform Act and an increase in rebates to U.S. and international governments resulting from their attempts to reduce health care costs.

REVLIMID® net sales increased by $208.3 million, or 35.5%, to $795.4 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010, primarily due to increased unit sales in both U.S. and international markets. Increased market penetration and the increase in treatment duration of patients using REVLIMID® in multiple myeloma contributed to U.S. growth. The growth in international markets reflects the expansion of our commercial activities in addition to product reimbursement approvals and the launch of REVLIMID® in Japan in the latter part of 2010.

VIDAZA® net sales increased by $29.9 million, or 22.7%, to $161.7 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010, primarily due to increased sales in international markets resulting from the increase in treatment duration of patients using VIDAZA®.

Table of Contents

THALOMID® net sales decreased by $9.7 million, or 9.9%, to $88.2 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010, primarily due to lower unit volumes in the United States.

ABRAXANE® was obtained in the acquisition of Abraxis in October 2010 and was approved by the FDA in January 2005 for the treatment of metastatic breast cancer.

ISTODAX® was obtained in the acquisition of Gloucester in January 2010 and was approved by the FDA for the treatment of CTCL in November 2009 and PTCL in June 2011 in patients who have received at least one prior therapy. ISTODAX® was launched for the treatment of CTCL in March of 2010.

The other net product sales category for the three-month period ended June 30, 2011 primarily includes sales of FOCALIN®, in addition to non-core products obtained from the acquisitions of Abraxis, which were divested in April 2011, and Pharmion, which are to be divested. The other net product sales category for the three-month period ended June 30, 2010 primarily includes sales of FOCALIN® and Pharmion products to be divested.

Collaborative Agreements and Other Revenue: Revenues from collaborative agreements and other sources increased by $0.9 million to $3.4 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010. The increase was primarily due to the inclusion of certain manufacturing and management fees in the current year quarter.

Royalty Revenue: Royalty revenue decreased by $1.6 million to $25.4 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010 primarily due to a net decrease in royalties earned from Novartis and the March 2011 termination of residual payments earned by us based upon GSK s ALKERAN® revenues subsequent to the conclusion of the ALKERAN® license with GSK.

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

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

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

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

Government rebate accruals are based on estimated payments due to governmental agencies for purchases made by third parties under various governmental programs. U.S. Medicaid rebate accruals are generally based on historical payment data and estimates of future Medicaid beneficiary utilization applied to the Medicaid unit rebate formula established by the Center for Medicaid and Medicare Services. The Medicaid rebate percentage was increased and extended to Medicaid Managed Care Organizations in March 2010. The accrual of the rebates associated with Medicaid Managed Care Organizations is calculated based on estimated historical patient data related to Medicaid Managed Care Organizations. Net revenues for the period ended June 30, 2011 were negatively impacted by a component of the U.S. Health Care Reform Act, which became effective January 1, 2011 and required manufacturers of pharmaceutical products to be responsible for 50% of the patient s cost of branded prescription drugs related to the Medicare Part D Coverage Gap. In order to estimate the cost to us of this coverage gap responsibility, we analyze data for eligible Medicare Part D patients against data for eligible Medicare Part D patients treated with our products. This expense is recognized throughout the year as incurred. In addition, certain international markets have government-sponsored programs that require rebates to be paid based on program specific rules and, accordingly, the rebate accruals are determined primarily on estimated eligible sales. The U.S. Health Care Reform Act of 2010 mandated an annual fee payable by branded prescription drug manufacturers and importers on branded prescription drugs. The fee, which is not material, is included in selling, general and administrative on the Consolidated Statements of Income.

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

Chargeback accruals are based on the differentials between product acquisition prices paid by wholesalers and lower government contract pricing paid by eligible customers covered under federally qualified programs. Distributor service fee accruals are based on contractual fees to be paid to the wholesale distributor for services provided.

TRICARE is a health care program of the U.S. Department of Defense Military Health System that provides civilian health benefits for military personnel, military retirees and their dependents. TRICARE rebate accruals are based on estimated Department of Defense eligible sales multiplied by the TRICARE rebate formula.

See Critical Accounting Estimates and Significant Accounting Policies in Note 1 of the Notes to the Consolidated Financial Statements included in our 2010 Annual Report on Form 10-K for further discussion of gross to net sales accruals.

Table of Contents

Gross to net sales accruals and the balance in the related allowance accounts for the three-month periods ended June 30, 2011 and 2010 were as follows:

(In thousands $) 2011	Returns and Allowances	Discounts	Government Rebates	Chargebacks and Distributor Service Fees	Total
Balance at March 31, 2011	$ 4,459	$ 10,798	$ 115,283	$ 44,071	$ 174,611
Allowances for sales during prior periods			(4,277)		(4,277)
Allowances for sales during 2011	2,062	18,082	52,682	43,640	116,466
Credits/deductions issued for prior year sales	(1,270)	(1,960)	(1,282)	(6,820)	(11,332)
Credits/deductions issued for sales during 2011	(1,243)	(12,278)	(42,218)	(32,057)	(87,796)
Balance at June 30, 2011	$ 4,008	$ 14,642	$ 120,188	$ 48,834	$ 187,672

(In thousands $) 2010	Returns and Allowances	Discounts	Government Rebates	Chargebacks and Distributor Service Fees	Total
Balance at March 31, 2010	$ 10,014	$ 4,107	$ 22,042	$ 32,442	$ 68,605
Allowances for sales during 2010	(210)	12,097	25,780	25,620	63,287
Credits/deductions issued for prior year sales	(1,409)		(455)	(593)	(2,457)
Credits/deductions issued for sales during 2010	(1,912)	(11,769)	(8,534)	(24,943)	(47,158)
Balance at June 30, 2010	$ 6,483	$ 4,435	$ 38,833	$ 32,526	$ 82,277

A comparison of provisions for allowances for sales within each of the four categories noted above for the three-month periods ended June 30, 2011 and 2010 follows:

Returns and allowances increased by $2.3 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010, primarily due to the non-recurrence of a $1.8 million favorable impact from an adjustment of anticipated returns in international markets for the three-month period ended June 30, 2010.

Discounts increased by $6.0 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010, primarily due to revenue increases in the United States and international markets, both of which offer different discount programs, and expansion into new international markets.

Government rebates increased by $22.6 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010, primarily due to approximately $25.0 million in reimbursement rate increases in certain international markets. In addition, we recorded a benefit of $4.3 million for the three-month period ended June 30, 2011 related to a refinement of an estimate for prior period government rebates.

Chargebacks and distributor service fees increased by $18.0 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010. Chargebacks increased by $8.9 million primarily due to $5.6 million in chargebacks related to ABRAXANE® and increased U.S. sales of both REVLIMID® and VIDAZA®.

Distributor service fees increased by approximately $6.0 million primarily due to the inclusion of $5.3 million in fees associated with ABRAXANE®. TRICARE rebates increased by $2.6 million primarily due to increased utilization for REVLIMID®.

Operating Costs and Expenses: Operating costs, expenses and related percentages for the three-month periods ended June 30, 2011 and 2010 were as follows:

	Three-Month Periods Ended June 30,			
(In thousands $)	2011	2010	Increase	Percent Change
Cost of goods sold (excluding amortization of acquired intangible assets)	$ 126,443	$ 67,993	$ 58,450	86.0%
Percent of net product sales	11.0%	8.3%		
Research and development	$ 371,520	$ 342,761	$ 28,759	8.4%
Percent of total revenue	31.4%	40.2%		
Selling, general and administrative	$ 305,643	$ 219,262	$ 86,381	39.4%
Percent of total revenue	25.8%	25.7%		
Amortization of acquired intangible assets	$ 70,087	$ 47,068	$ 23,019	48.9%
Acquisition related (gains) charges	$ (9,477)	$ 7,836	$ (17,313)	N/A

Cost of goods sold (excluding amortization of acquired intangible assets): Cost of goods sold (excluding amortization of acquired intangible assets) increased by $58.5 million to $126.4 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010. The increase was primarily due to the inclusion of a $41.7 million inventory step-up amortization adjustment related to sales of ABRAXANE® subsequent to the acquisition of Abraxis, in addition to increased sales activity. As a percent of net product sales, cost of goods sold (excluding amortization of acquired intangible assets) increased to 11.0% in the three-month period ended June 30, 2011 compared to 8.3% for the three-month period ended June 30, 2010 primarily due to the inventory step-up amortization for ABRAXANE®. Excluding the step-up adjustment, the cost of goods sold ratio for 2011 was 7.3%.

Research and Development: Research and development expenses increased by $28.8 million to $371.5 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010, partly due to an increase in research and development project spending in support of multiple programs across a broad range of diseases and the inclusion of $36.4 million of expenses related to the Abraxis business acquired in October 2010. The three-month periods ended June 30, 2011 and 2010 included upfront payments and contributions for research and development collaboration arrangements of $41.0 million to The Institute for Advanced Health and $121.2 million to Agios Pharmaceuticals, Inc., or Agios, respectively.

The following table provides a breakdown of research and development expenses:

	Three-Month Periods Ended June 30,		
(In thousands $)	2011	2010	Increase
Human pharmaceutical clinical programs	$ 184,233	$ 101,435	$ 82,798
Other pharmaceutical programs (1)	147,341	212,577	(65,236)
Drug discovery and development	36,289	23,637	12,652
Placental stem cell	3,657	5,112	(1,455)
Total	$ 371,520	$ 342,761	$ 28,759

(1) Other pharmaceutical programs includes upfront payments for research and development collaboration arrangements of $41.0 million in 2011 and $121.2 million in 2010.

Research and development expenditures support multiple ongoing clinical proprietary development programs for REVLIMIDâ and other IMiDsâ compounds; VIDAZAâ; ABRAXANEâ in melanoma, non-small cell lung and pancreatic cancers; ISTODAXâ for treatment of CTCL and PTCL; ABI compounds, which are targeted nanoparticle, albumin-bound compounds for treatment of solid tumor cancers; amrubicin, our lead compound for small cell lung cancer; apremilast (CC-10004), our lead anti-inflammatory compound that inhibits multiple proinflammatory mediators and which is currently being evaluated in Phase III clinical trials for the treatment of psoriasis and psoriatic arthritis; pomalidomide, which is currently being evaluated in Phase I, II and III clinical trials; CC-11050, for which Phase II clinical trials are planned; our kinase inhibitor programs; as well as our cell therapy programs.

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

Selling, General and Administrative: Selling, general and administrative expenses increased by $86.4 million to $305.6 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010, partly due to higher marketing and sales related expenses due to ongoing product launch activities, including REVLIMIDâ in Japan, VIDAZAâ in Europe and ISTODAXâ in the United States. In addition, the three-month period ended June 30, 2011 included $26.1 million in expenses related to the Abraxis business acquired in October 2010.

Amortization of Acquired Intangible Assets: Amortization of acquired intangible assets is summarized below for the three-month periods ended June 30, 2011 and 2010:

	Three-Month Periods Ended June 30,		Increase
(In thousands $)	2011	2010	(Decrease)
Abraxis acquisition	$ 22,232	$	$ 22,232
Gloucester acquisition	7,917	7,077	840
Pharmion acquisition	39,938	39,991	(53)
Total amortization	$ 70,087	$ 47,068	$ 23,019

Amortization of acquired intangible assets increased by $23.0 million to $70.1 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010 primarily due to the October 2010 acquisition of Abraxis.

Acquisition Related (Gains) Charges and Restructuring, net: Acquisition related (gains) charges and restructuring, net was a net gain of $9.5 million for the three-month period ended June 30, 2011 and a net charge of $7.8 million for the three-month period ended June 30, 2010. The net gain of $17.3 million for the three-month period ended June 30, 2011 was primarily the result of a $17.7 million reduction in the fair value of our liability related to publicly traded contingent value rights, or CVRs, that were issued as part of the acquisition of Abraxis, partially offset by the accretion of contingent consideration expense related to the acquisition of Gloucester.

Interest and Investment Income, Net: Interest and investment income, net decreased by $4.2 million to $5.9 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010. The decrease was primarily due to a $5.1 million reduction in interest income due to lower overall yields and the liquidation of securities to fund the Abraxis acquisition and a $0.8 million net reduction in gains on sales of marketable securities, partly offset by a $1.6 million net decrease in the amortization of premiums and discounts related to the purchase of marketable securities.

Equity in Losses of Affiliated Companies: Under the equity method of accounting, we recorded a gain of $1.3 million for the three-month period ended June 30, 2011 and a loss of $0.1 million for the three-month period ended June 30, 2010. The gain for the three-month period ended June 30, 2011 included losses from non-core former Abraxis equity method investments which were divested in April 2011.

Interest Expense: Interest expense increased by $9.0 million to $9.4 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010, reflecting the interest on $1.25 billion in senior notes issued in October 2010 which is net of a $2.8 million benefit from interest rate swaps.

Other income, net: Other income, net increased by $6.8 million to a net gain of $1.7 million for the three-month period ended June 30, 2011 compared to a net expense of $5.1 million for the three-month period ended June 30, 2010 primarily due to a $2.9 million gain on the sale of non-core assets and $3.6 million in economic development grant proceeds received from the State of New Jersey.

Income Tax Provision: The income tax provision increased by $22.3 million to $39.2 million for the three-month period ended June 30, 2011 compared to the three-month period ended June 30, 2010. The full year 2011 underlying effective tax rate of 10.3% reflects the impact from our low tax Swiss manufacturing operations, the favorable impact of a shift in projected earnings between the U.S. and lower tax foreign jurisdictions, and tax deductions related to our acquisitions. The underlying effective tax rate also reflects benefits related to a non-taxable gain from a decrease in the fair value of our liability under the CVR Agreement related to the acquisition of Abraxis and a benefit from an IPR&D asset impairment charge. Tax expense of $8.3 million related to a change in state tax law was recorded in the three-month period ended June 30, 2011 as a discrete item. The income tax provision for the three-month period ended June 30, 2010 included a full year underlying effective tax rate of 18.1% and a discrete tax benefit of $12.5 million related to the settlement of a tax examination.

Table of Contents

Six-Month Periods Ended June 30, 2011 and 2010

Total Revenue: Total revenue and related percentages for the six-month periods ended June 30, 2011 and 2010 were as follows:

	Six-Month Periods Ended June 30,		Increase	Percent
(In thousands $)	2011	2010	(Decrease)	Change
Net product sales:				
REVLIMID ®	$ 1,533,315	$ 1,117,609	$ 415,706	37.2%
VIDAZA ®	324,980	252,139	72,841	28.9%
THALOMID ®	173,589	201,838	(28,249)	-14.0%
ABRAXANE ®	168,657		168,657	N/A
ISTODAX ®	12,705	4,139	8,566	207.0%
Other	24,691	6,783	17,908	264.0%
Total net product sales	$ 2,237,937	$ 1,582,508	$ 655,429	41.4%
Collaborative agreements and other revenue	12,702	4,924	7,778	158.0%
Royalty revenue	57,797	56,514	1,283	2.3%
Total revenue	$ 2,308,436	$ 1,643,946	$ 664,490	40.4%

Total revenue increased by $664.5 million, or 40.4%, to $2.308 billion for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010, reflecting increases of $377.9 million, or 38.1%, in the United States, and $286.6 million, or 43.9%, in international markets.

Net Product Sales:

Total net product sales for the six-month period ended June 30, 2011 increased by $655.4 million, or 41.4%, to $2.238 billion compared to the six-month period ended June 30, 2010. The increase was comprised of net volume increases of $690.2 million, price decreases of $45.3 million and the favorable impact from foreign exchange of $10.5 million. The decrease in prices was primarily due to increased Medicaid rebates resulting from the U.S. Health Care Reform Act and an increase in rebates to U.S. and international governments resulting from their attempts to reduce health care costs.

REVLIMID® net sales increased by $415.7 million, or 37.2%, to $1.533 billion for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010, primarily due to increased unit sales in both U.S. and international markets. Increased market penetration and the increase in treatment duration of patients using REVLIMID® in multiple myeloma contributed to U.S. growth. The growth in international markets reflects the expansion of our commercial activities in addition to product reimbursement approvals and the launch of REVLIMID® in Japan in the latter part of 2010.

VIDAZA®net sales increased by $72.8 million, or 28.9%, to $325.0 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010, primarily due to increased sales in international markets resulting from the increase in treatment duration of patients using VIDAZA®.

THALOMID® net sales decreased by $28.2 million, or 14.0%, to $173.6 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010, primarily due to lower unit volumes in the United States.

ABRAXANE® was obtained in the acquisition of Abraxis in October 2010 and was approved by the FDA in January 2005 for the treatment of metastatic breast cancer.

ISTODAX® was obtained in the acquisition of Gloucester in January 2010 and was approved by the FDA for the treatment of CTCL in November 2009 and PTCL in June 2011 in patients who have received at least one prior therapy. ISTODAX® was launched for the treatment of CTCL in March of 2010.

The other net product sales category for the six-month period ended June 30, 2011 primarily includes sales of non-core products obtained from the acquisitions of Abraxis, which were divested in April 2011, and Pharmion, which are yet to be divested. The other net product sales category for the six-month period ended June 30, 2010 primarily included sales of FOCALIN® and Pharmion products yet to be divested.

Collaborative Agreements and Other Revenue: Revenue from collaborative agreements and other sources increased by $7.8 million to $12.7 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010. The increase was primarily due to receipt of a $6.3 million milestone payment in 2011 related to the approval of VIDAZA® in Japan and the inclusion of certain manufacturing and management fees in the current year.

Royalty Revenue: Royalty revenue increased by $1.3 million to $57.8 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010 primarily due to an increase in royalties earned from Novartis, which was partly offset by a decrease in residual payments earned by us based upon GSK s ALKERAN® revenues subsequent to the conclusion of the ALKERAN® license with GSK which ended in March 2011.

Gross to Net Sales Accruals: Gross to net sales accruals and the balance in the related allowance accounts for the six-month periods ended June 30, 2011 and 2010 were as follows:

(In thousands $) 2011	Returns and Allowances	Discounts	Government Rebates	Chargebacks and Distributor Service Fees	Total
Balance at December 31, 2010	$ 4,779	$ 8,272	$ 84,964	$ 47,367	$ 145,382
Allowances for sales during prior periods			(4,277)	2,084	(2,193)
Allowances for sales during 2011	3,589	35,182	116,720	82,489	237,980
Credits/deductions issued for prior year sales	(2,651)	(6,763)	(31,462)	(32,025)	(72,901)
Credits/deductions issued for sales during 2011	(1,709)	(22,049)	(45,757)	(51,081)	(120,596)
Balance at June 30, 2011	$ 4,008	$ 14,642	$ 120,188	$ 48,834	$ 187,672

(In thousands $) 2010	Returns and Allowances	Discounts	Government Rebates	Chargebacks and Distributor Service Fees	Total
Balance at December 31, 2009	$ 7,360	$ 3,598	$ 18,111	$ 29,241	$ 58,310
Allowances for sales during 2010	5,826	22,975	42,940	52,890	124,631
Credits/deductions issued for prior year sales	(3,987)	(938)	(8,348)	(11,699)	(24,972)
Credits/deductions issued for sales during 2010	(2,716)	(21,200)	(13,870)	(37,906)	(75,692)
Balance at June 30, 2010	$ 6,483	$ 4,435	$ 38,833	$ 32,526	$ 82,277

A comparison of allowances for sales within each of the four categories noted above for the six-month periods ended June 30, 2011 and 2010 follows:

Returns and allowances decreased by $2.2 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010, primarily due to reduced U.S. provisions resulting from decreased revenue from products with higher return rates, partially offset by the non-recurrence of a $1.8 million favorable impact from an adjustment of anticipated returns in international markets for the three-month period ended June 30, 2010.

Discounts increased by $12.2 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010, primarily due to revenue increases in the U. S. and international markets, both of which offer different discount programs, and expansion into new international markets.

Government rebates increased by $69.5 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010, primarily due to approximately $45.2 million in reimbursement rate increases in certain international markets, approvals in new markets and approximately $23.0 million in costs associated with the Medicare Part D coverage gap rebate resulting from the Health Care Reform Act. In addition, we recorded a benefit of $4.3 million for the six-month period ended June 30, 2011 related to a refinement of an estimate for the prior period government rebates.

Chargebacks and distributor service fees increased by $31.7 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010. Chargebacks increased by $18.0 million primarily due to $10.0 million in chargebacks related to ABRAXANE® and an increase in chargebacks of $5.2 million related to VIDAZA® ($3.1 million as a result of increased sales and a $2.1 million charge related to disputed claims from 2010). Additionally, distributor service fees increased by approximately $9.2 million primarily due to the inclusion of ABRAXANE® in the six-month period ended June 30, 2011. TRICARE rebates increased by $3.8 million primarily due to increased utilization for REVLIMID®.

Operating Costs and Expenses: Operating costs, expenses and related percentages for the six-month periods ended June 30, 2011 and 2010 were as follows:

	Six-Month Periods Ended June 30,			
(In thousands $)	2011	2010	Increase	Percent Change
Cost of goods sold (excluding amortization of acquired intangible assets)	$ 253,711	$ 129,908	$ 123,803	95.3%
Percent of net product sales	11.3%	8.2%		
Research and development	$ 806,998	$ 547,418	$ 259,580	47.4%
Percent of total revenue	35.0%	33.3%		
Selling, general and administrative	$ 607,904	$ 427,241	$ 180,663	42.3%
Percent of total revenue	26.3%	26.0%		
Amortization of acquired intangible assets	$ 139,137	$ 88,661	$ 50,476	56.9%
Acquisition related (gains) charges	$ (106,221)	$ 12,698	$ (118,919)	N/A

Cost of goods sold (excluding amortization of acquired intangible assets): Cost of goods sold (excluding amortization of acquired intangible assets) increased by $123.8 million to $253.7 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010. The increase was primarily due to the inclusion of an $83.3 million inventory step-up amortization adjustment related to sales of ABRAXANE® subsequent to the acquisition of Abraxis, in addition to increased sales activity. As a percent of net product sales, cost of goods sold (excluding amortization of acquired intangible assets) increased to 11.3% in the six-month period ended June 30, 2011 compared to 8.2% for the six-month period ended June 30, 2010 primarily due to the inventory step-up amortization for ABRAXANE®. Excluding the step-up adjustment, the cost of goods sold ratio for 2011 was 7.6%.

Research and Development: Research and development expenses increased by $259.6 million to $807.0 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010, partly due to a $118.0 million impairment charge related to the in-process research and development, or IPR&D, acquired intangible asset as a result of a change in the probability of obtaining progression-free survival labeling for the treatment of non-small cell lung cancer for ABRAXANE® in the United States and an increase in research and development project spending in support of multiple programs across a broad range of diseases. In addition, the six-month period ended June 30, 2011 included $85.6 million of research and development expenses related to the Abraxis business acquired in October 2010. The six-month periods ended June 30, 2011 and 2010 included upfront payments and contributions for research and development collaboration arrangements of $41.0 million to the Institute for Advanced Health and $121.2 million to Agios, respectively.

The following table provides a breakdown of research and development expenses:

	Six-Month Periods Ended June 30,		
(In thousands $)	2011	2010	Increase
Human pharmaceutical clinical programs	$ 356,968	$ 201,853	$ 155,115
Other pharmaceutical programs (1) (2)	364,276	285,634	78,642
Drug discovery and development	76,756	49,879	26,877
Placental stem cell	8,998	10,052	(1,054)
Total	$ 806,998	$ 547,418	$ 259,580

(1) Other pharmaceutical programs includes upfront payments for research and development collaboration arrangements of $41.0 million in 2011 and $121.2 million in 2010.

(2) Other pharmaceutical programs for 2011 includes a $118.0 million impairment charge to the in-process research and development intangible asset related to the Abraxis acquisition.

Research and development expenditures support multiple ongoing clinical proprietary development programs for REVLIMIDâ and other IMiDsâ compounds; VIDAZAâ; ABRAXANEâ in melanoma, non-small cell lung and pancreatic cancers; ISTODAXâ for treatment of CTCL and PTCL; ABI compounds, which are targeted nanoparticle, albumin-bound compounds for treatment of solid tumor cancers; amrubicin, our lead compound for small cell lung cancer; apremilast (CC-10004), our lead anti-inflammatory compound that inhibits multiple proinflammatory mediators and which is currently being evaluated in Phase III clinical trials for the treatment of psoriasis and psoriatic arthritis; pomalidomide, which is currently being evaluated in Phase I, II and III clinical trials; CC-11050, for which Phase II clinical trials are planned; our kinase inhibitor programs; as well as our cell therapy programs.

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

Table of Contents

The following table presents significant developments in our population of Phase III clinical trials that occurred during the six-month period ended June 30, 2011 and developments that are expected to occur in the future if the future occurrence is material and reasonably certain:

New Phase III trials

Product	Disease Indication
Pomalidomide	Multiple Myeloma

Phase III trial suspension or termination

No Phase III trials were suspended or terminated during the six-month period ended June 30, 2011.

Regulatory approval requests in major markets

Product	Disease Indication	Major Market	Regulatory Agency	Date of Submission
ISTODAXâ	PTCL	E.U.	EMA	March 2011
REVLIMIDâ	NDMM[2]	U.S.	FDA	Second half of 2011[1]
ABRAXANEâ	NSCLC[3]	U.S.	FDA	Fourth quarter of 2011[1]
REVLIMIDâ	Del 5q MDS	E.U.	EMA	First quarter of 2012[1]

Regulatory agency approvals or rejections

Product	Disease Indication	Major Market	Regulatory Agency	Approval / Rejection
ISTODAXâ	PTCL	U.S.	FDA	Approval
VIDAZAâ	MDS	Japan	PDMA[4]	Approval

1 Current estimated submission timeframes

2 Newly Diagnosed Multiple Myeloma

3 Non Small Cell Lung Cancer

4 Pharmaceuticals and Medical Devices Agency

Selling, General and Administrative: Selling, general and administrative expenses increased by $180.7 million to $607.9 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010, partly due to a $22.6 million increase in donations to non-profit foundations and higher marketing and sales-related expenses due to ongoing product launch activities, including REVLIMIDâ in Japan, VIDAZAâ in Europe and ISTODAXâ in the United States. In addition, the six-month period ended June 30, 2011 included $58.7 million in expenses related to the Abraxis business acquired in October 2010.

Amortization of Acquired Intangible Assets: Amortization of acquired intangible assets is summarized below for the six-month periods ended June 30, 2011 and 2010:

(In thousands $)	Six-Month Periods Ended June 30, 2011	2010	Increase (Decrease)
Abraxis acquisition	$ 44,795	$	$ 44,795
Gloucester acquisition	14,467	8,733	5,734
Pharmion acquisition	79,875	79,928	(53)

Total amortization	$ 139,137	$ 88,661	$ 50,476

Table of Contents

Amortization of acquired intangible assets increased by $50.5 million to $139.1 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010 primarily due to the October 2010 acquisition of Abraxis and a full six months amortization related to the January 2010 acquisition of Gloucester being included in the 2011 six-month period.

Acquisition Related (Gains) Charges and Restructuring, net: Acquisition related (gains) charges and restructuring, net was a net gain of $106.2 million for the six-month period ended June 30, 2011 and a net charge of $12.7 million for the six-month period ended June 30, 2010. The increase in the net gain of $118.9 million in 2011 was primarily due to a $123.3 million favorable adjustment to the fair value of our liability related to publicly traded CVRs that were issued as part of the acquisition of Abraxis, partially offset by $5.3 million of acquisition related restructuring expenses.

Interest and Investment Income, Net: Interest and investment income, net decreased by $13.7 million to $10.5 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010. The decrease was primarily due to a $9.3 million reduction in interest income due to lower overall yields and the liquidation of securities to fund the Abraxis acquisition and a $7.2 million net reduction in gains on sales of marketable securities, partly offset by a $2.5 million net decrease in the amortization of premiums and discounts related to the purchase of marketable securities.

Equity in (Gains) Losses of Affiliated Companies: Under the equity method of accounting, we recorded a gain of $0.7 million for the six-month period ended June 30, 2011 and a gain of $0.6 million for the six-month period ended June 30, 2010. The gain for the six-month period ended June 30, 2011 included losses from non-core former Abraxis equity method investments which were divested in April 2011

Interest Expense: Interest expense increased by $20.3 million to $21.2 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010, primarily reflecting the $20.6 million interest on $1.25 billion in senior notes issued in October 2010 which is net of a $3.7 million benefit from interest rate swaps.

Other income, net: Other income, net increased by $9.6 million to a net gain of $8.3 million for the six-month period ended June 30, 2011 compared to a net expense of $1.3 million for the six-month period ended June 30, 2010 primarily due to a $2.9 million gain on the sale of non-core assets and $3.6 million in economic development grant proceeds received from the State of New Jersey and an increase in net gains on foreign currency forward contracts that had not been designated as hedges entered into in order to offset net foreign exchange gains and losses.

Income Tax Provision: The income tax provision increased by $0.1 million to $70.9 million for the six-month period ended June 30, 2011 compared to the six-month period ended June 30, 2010. The full year 2011 underlying effective tax rate of 10.3% reflects the impact from our low tax Swiss manufacturing operations, the favorable impact of a shift in projected earnings between the United States and lower tax foreign jurisdictions, and tax deductions related to our acquisitions. The decrease in the underlying effective tax rate also reflects benefits from an increase in acquisition-related charges, including an IPR&D asset impairment charge of $118.0 million, and a non-taxable gain from a decrease in the fair value of our liability under the CVR Agreement related to the acquisition of Abraxis of $123.3 million. Tax expense of $8.3 million related to a change in state tax law was recorded as a discrete item in the three-month period ended June 30, 2011. The income tax provision for the six-month period ended June 30, 2010 included a full year underlying effective tax rate of 18.1% and a discrete tax benefit of $12.5 million related to the settlement of a tax examination.

Liquidity and Capital Resources

Cash flows from operating, investing and financing activities for the six-month periods ended June 30, 2011 and 2010 were as follows:

	Six-Month Periods Ended June 30,		
(In thousands $)	2011	2010	Change
Net cash provided by operating activities	$ 736,399	$ 595,051	$ 141,348
Net cash provided by (used in) investing activities	$ 169,479	$ (776,181)	$ 945,660
Net cash provided by (used in) financing activities	$ (624,307)	$ (44,502)	$ (579,805)

Operating Activities: Net cash provided by operating activities for the six-month period ended June 30, 2011 increased by $141.3 million to $736.4 million as compared to the six-month period ended June 30, 2010. The increase in net cash provided by operating activities was primarily attributable to the continued expansion of our operations and related increase in net earnings.

Investing Activities: Net cash provided by investing activities for the six-month period ended June 30, 2011 increased by $945.7 million to $169.5 million as compared to a net cash use of $776.2 million for the six-month period ended June 30, 2010. The increase in net cash provided by investing activities was principally related to proceeds from the net sales of marketable securities and $93.2 million of net proceeds from the sale of non-core assets in April 2011 as well as the net cash used in the 2010 period for the acquisition of Gloucester of $337.6 million. Net sales of marketable securities available for sale amounted to $132.2 million during the six-month period ended June 30, 2011 compared to net purchases of $383.3 million in the six-month period ended June 30, 2010.

Financing Activities: Net cash used in financing activities for the six-month period ended June 30, 2011 was $624.3 million compared to $44.5 million for the six-month period ended June 30, 2010. The $579.8 million increase in net cash used in financing activities in 2011 was primarily attributable to $689.1 million of cash used for the repurchase of our common stock during the six-month period ended June 30, 2011 compared to $105.4 million of cash used during the six-month period ended June 30, 2010.

Cash, Cash Equivalents, Marketable Securities Available for Sale and Working Capital: Cash, cash equivalents, marketable securities available for sale and working capital as of June 30, 2011 and December 31, 2010 were as follows:

(In thousands $)	June 30, 2011	December 31, 2010	(Decrease)
Cash, cash equivalents and marketable securities available for sale	$ 2,789,111	$ 2,601,301	$ 187,810
Working capital (1)	$ 3,053,397	$ 2,835,427	$ 217,970

(1) Includes cash, cash equivalents and marketable securities available for sale, accounts receivable, net of allowances, inventory and other current assets, less accounts payable, accrued expenses, income taxes payable and other current liabilities.

Cash, Cash Equivalents and Marketable Securities Available for Sale: We invest our excess cash primarily in money market funds, U.S. Treasury securities, U.S. government-sponsored agency securities, U.S. government-sponsored agency mortgage-backed securities, non-U.S. government, agency and Supranational securities and global corporate debt securities. All liquid investments with maturities of three months or less from the date of purchase are classified as cash equivalents and all investments with maturities of greater than three months from the date of purchase are classified as marketable securities available for sale. We determine the appropriate classification of our investments in marketable debt and equity securities at the time of purchase. The $187.8 million increase in cash, cash equivalents and marketable securities available for sale at June 30, 2011 compared to December 31, 2010 was primarily due to cash generated from operations, partly offset by the $689.1 million cash paid out under our share repurchase program announced in April 2009.

Accounts Receivable, Net: Accounts receivable, net increased by $156.6 million to $863.0 million as of June 30, 2011 compared to December 31, 2010, primarily due to increased U.S. and international sales of REVLIMID®, VIDAZA® and ABRAXANE®. Days of sales outstanding at June 30, 2011 increased to 68 days compared to 59 days at December 31, 2010. The increase in days of sales outstanding was primarily due to increased international sales in countries where payment terms are typically greater than 60 days, thereby extending collection periods beyond those in the United States. We expect this trend to continue as our international sales continue to expand.

We continue to monitor economic conditions, including the volatility associated with international economies, the sovereign debt crisis in certain European countries and associated impacts on the financial markets and our business. Our total net receivables in Spain, Italy and Portugal amounted to $349.9 million at June 30, 2011 compared to $231.6 million at December 31, 2010. We have not experienced significant losses or write-offs with respect to the collection of our accounts receivable in these countries.

Inventory: Inventory balances decreased by $63.7 million to $196.4 million at June 30, 2011 compared to December 31, 2010, primarily due to an $83.3 million reduction in ABRAXANE® inventory related to the inventory step-up adjustment to fair value resulting from the acquisition of Abraxis, which flowed through cost of goods sold during the six-month period ended June 30, 2011, partly offset by an increase in REVLIMID® inventories.

Other Current Assets: Other current assets decreased by $3.5 million to $271.5 million as of June 30, 2011 compared to December 31, 2010 primarily due to decreases in prepaid taxes, a decrease in the fair value of foreign currency forward contracts and a decrease in prepaid royalties related to VIDAZA® sales. These decreases were partly offset by increases in other prepaid accounts.

Accounts Payable, Accrued Expenses and Other Current Liabilities: Accounts payable, accrued expenses and other current liabilities increased by $69.2 million to $1.065 billion as of June 30, 2011 compared to December 31, 2010. The increase was primarily due to increases in governmental rebates and Medicaid reimbursements, changes in the fair value of foreign currency forward derivative contracts, clinical trial accruals and an increase in taxes other than income. These increases were partly offset by payments for the settlement of certain legal proceedings and a decrease in other compensation accruals.

Income Taxes Payable (Current and Non-Current): Income taxes payable increased by $42.6 million to $605.9 million as of June 30, 2011 compared to December 31, 2010, primarily from the current provision for income taxes of $156.2 million, mostly offset by tax payments of $66.7 million, a reduction of prepaid income taxes of $32.1 million and a tax benefit of stock options of $12.0 million.

We expect continued growth in our expenditures, particularly those related to research and development, clinical trials, commercialization of new products, international expansion and capital investments. However, we anticipate that existing cash and cash equivalent balances and marketable securities available for sale, combined with cash generated from future net product sales, will provide sufficient capital resources to fund our normal operations for the foreseeable future.

Table of Contents

Financial Condition

At June 30, 2011, our marketable securities available for sale consisted of U.S. Treasury securities, U.S. government-sponsored agency securities, U.S. government-sponsored agency mortgage-backed securities, non-U.S. government, agency and Supranational securities, global corporate debt securities and a marketable equity security. 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 mortgage-backed securities, or MBS, includes 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, 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.

Marketable securities available for sale are carried at fair value, held for an unspecified period of time and are intended for use in meeting our ongoing liquidity needs. Unrealized gains and losses on available-for-sale securities, which are deemed to be temporary, are reported as a separate component of stockholders equity, net of tax. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization, along with realized gains and losses and other than temporary impairment charges, is included in interest and investment income, net.

As of June 30, 2011, our financial assets and liabilities were recorded at fair value. We have classified our financial assets and liabilities as Level 1, 2 or 3 within the fair value hierarchy as set forth in Accounting Series Codification number 820, Fair Value Measurement. 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, non-U.S. government, agency and Supranational securities, global corporate debt securities and forward currency contracts. Fair values determined based on Level 3 inputs utilize unobservable inputs and include valuations of assets or liabilities for which there is little, if any, market activity. Our Level 3 asset securities consist of warrants for the purchase of equity securities in non-publicly traded companies. Our Level 1 liability relates to our publicly traded CVRs. Our Level 2 liability relates to forward currency contracts and our Level 3 liability consists of contingent consideration related to undeveloped product rights resulting from the Gloucester acquisition.

A majority of our financial assets and liabilities have been classified as Level 2. These assets and liabilities were initially valued at the transaction price and subsequently valued based on inputs utilizing observable quoted prices for similar assets and liabilities in active markets and observable quoted prices from identical or similar assets in markets that are not very active.

For more information, see Note 7 to the Notes to the Consolidated Financial Statements included elsewhere in this report.

Table of Contents

Contractual Obligations

For a discussion of our contractual obligations, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, in our 2010 Annual Report on Form 10-K. There have not been any material changes to such contractual obligations or potential milestone payments since December 31, 2010 aside from those disclosed in Note 17 to the Notes to the Consolidated Financial Statements included elsewhere in this report.

Critical Accounting Estimates and Significant Accounting Policies

A critical accounting policy is one that is both important to the portrayal of our financial condition and results of operation and requires management s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our significant accounting policies are more fully described in Note 1 of the Notes to the Consolidated Financial Statements included in our 2010 Annual Report on Form 10-K and note 2 to Notes to Unaudited Consolidated Financial Statements included elsewhere in this report. Our critical accounting estimates are disclosed in the Management s Discussion and Analysis of Financial Condition and Results of Operations section of our 2010 Annual Report on Form 10-K. There have not been any material changes to such significant accounting policies and critical accounting estimates since December 31, 2010.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

We have established guidelines relative to the diversification and maturities of investments to maintain safety and liquidity. These guidelines are reviewed periodically and may be modified depending on market conditions. Although investments may be subject to credit risk, our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or type of investment. At June 30, 2011, our market risk sensitive instruments consisted of marketable securities available for sale, our long-term debt, our note payable and certain foreign currency forward contracts.

Marketable Securities Available for Sale: At June 30, 2011, our marketable securities available for sale consisted of U.S. Treasury securities, U.S. government-sponsored agency securities, U.S. government-sponsored agency mortgage-backed securities, non-U.S. government, agency and Supranational securities, global corporate debt securities and marketable equity securities. U.S. government-sponsored agency securities include general unsecured obligations either issued directly by or guaranteed by U.S. Government Sponsored Enterprises. U.S. government-sponsored agency MBS include mortgage backed securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. Non-U.S. government, agency and Supranational securities consist of direct obligations of highly rated governments of nations other than the United States, 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.

Marketable securities available for sale are carried at fair value, held for an unspecified period of time and are intended for use in meeting our ongoing liquidity needs. Unrealized gains and losses on available-for-sale securities, which are deemed to be temporary, are reported as a separate component of stockholders equity, net of tax. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization, along with realized gains and losses and other than temporary impairment charges, is included in interest and investment income, net.

As of June 30, 2011, the principal amounts, fair values and related weighted-average interest rates of our investments in debt securities classified as marketable securities available for sale were as follows:

	Duration				
(In thousands $)	Less than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
Principal amount	$ 209,323	$ 872,433	$ 27,867	$ 4,167	$ 1,113,790
Fair value	$ 214,475	$ 892,558	$ 28,954	$ 4,395	$ 1,140,382
Average interest rate	1.0%	0.9%	2.0%	2.3%	0.9%

Table of Contents

Long-Term Debt: O