CELGENE CORP /DE/
Form 10-Q
August 14, 2003

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

(Mark one)

[x] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

OR

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

For the transition period from _____to _____

Commission File Number 0-16132

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)
7 Powder Horn Drive, Warren, NJ	07059
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 732-271-1001.

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

Yes x No
--- ---

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes x No
--- ---

At July 31, 2003, 81,017,812 shares of Common Stock par value $.01 per share, were outstanding.

CELGENE CORPORATION

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CELGENE CORPORATION
CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2003	DEC
	(UNAUDITED)	
ASSETS		
CURRENT ASSETS:		

CASH AND CASH EQUIVALENTS	$ 512,877,470	$
MARKETABLE SECURITIES AVAILABLE FOR SALE	137,233,993	
ACCOUNTS RECEIVABLE, NET OF ALLOWANCE OF $1,119,055 AND $1,019,760 AT JUNE 30, 2003 AND DECEMBER 31, 2002, RESPECTIVELY	29,731,352	
INVENTORY	8,920,993	
OTHER CURRENT ASSETS	12,977,400	
TOTAL CURRENT ASSETS	701,741,208	
PLANT AND EQUIPMENT, NET	21,316,388	
GOODWILL	2,934,184	
INTANGIBLE ASSETS	2,852,333	
OTHER ASSETS	29,841,824	
TOTAL ASSETS	$ 758,685,937	$
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	$ 23,465,276	$
ACCRUED EXPENSES	32,744,595	
CURRENT PORTION OF CAPITAL LEASES AND NOTE OBLIGATION	27,049	
CURRENT PORTION OF DEFERRED REVENUE	570,065	
OTHER CURRENT LIABILITIES	1,389,574	
TOTAL CURRENT LIABILITIES	58,196,559	
LONG TERM CONVERTIBLE NOTE	400,000,000	
DEFERRED REVENUE, NET OF CURRENT PORTION	929,390	
CAPITALIZED LEASES AND NOTE OBLIGATION, NET OF CURRENT PORTION	25,618	
OTHER NON-CURRENT LIABILITIES	6,618,823	
TOTAL LIABILITIES	465,770,390	
STOCKHOLDERS' EQUITY:		
PREFERRED STOCK, $.01 PAR VALUE PER SHARE, 5,000,000 AUTHORIZED; NONE OUTSTANDING AT JUNE 30, 2003 AND DECEMBER 31, 2002	--	
COMMON STOCK, $.01 PAR VALUE PER SHARE 120,000,000 SHARES AUTHORIZED; ISSUED AND OUTSTANDING 80,958,825 AND 80,176,713 SHARES AT JUNE 30, 2003 AND DECEMBER 31, 2002, RESPECTIVELY	809,588	
ADDITIONAL PAID-IN CAPITAL	601,091,629	
ACCUMULATED DEFICIT	(318,520,722)	(
NOTES RECEIVABLE FROM STOCKHOLDERS	--	
ACCUMULATED OTHER COMPREHENSIVE INCOME	9,535,052	
TOTAL STOCKHOLDERS' EQUITY	292,915,547	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 758,685,937	$

See accompanying notes to unaudited consolidated financial statements.

CELGENE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTH PERIOD ENDED JUNE 30,	
	2003	2002
REVENUE:		
PRODUCT SALES	$ 62,497,290	$ 30,358,683
COLLABORATIVE AGREEMENTS AND OTHER REVENUE	2,308,349	2,556,251
ROYALTY REVENUE	2,480,535	705,697
TOTAL REVENUE	67,286,174	33,620,631
EXPENSES:		
COST OF GOODS SOLD	11,629,439	4,110,074
RESEARCH AND DEVELOPMENT	30,517,145	19,222,205
SELLING, GENERAL AND ADMINISTRATIVE	25,905,256	18,396,573
TOTAL EXPENSES	68,051,840	41,728,852
OPERATING LOSS	(765,666)	(8,108,221)
OTHER INCOME AND EXPENSE:		
INTEREST AND OTHER INCOME	4,463,391	6,399,011
INTEREST EXPENSE	593,960	5,292
INCOME (LOSS) BEFORE TAXES	3,103,765	(1,714,502)
INCOME TAXES	209,693	--
NET INCOME (LOSS)	$ 2,894,072	$ (1,714,502)
NET INCOME (LOSS) PER COMMON SHARE:		
BASIC	$ 0.04	$ (0.02)
DILUTED	$ 0.03	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK UTILIZED TO CALCULATE NET INCOME (LOSS) PER COMMON SHARE:		
BASIC	80,839,000	76,377,000
DILUTED	85,134,000	76,377,000

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS.

CELGENE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	SIX MONTH PERIOD ENDED JUNE 30,	
	2003	2002
REVENUE:		
PRODUCT SALES	$ 108,301,248	$ 57,997,192
COLLABORATIVE AGREEMENTS AND OTHER REVENUE	3,387,283	4,886,082
ROYALTY REVENUE	4,686,307	1,431,503
TOTAL REVENUE	116,374,838	64,314,777
EXPENSES:		
COST OF GOODS SOLD	16,291,051	7,774,214
RESEARCH AND DEVELOPMENT	55,237,657	36,746,314
SELLING, GENERAL AND ADMINISTRATIVE	49,278,436	34,694,427
TOTAL EXPENSES	120,807,144	79,214,955
OPERATING LOSS	(4,432,306)	(14,900,178)
OTHER INCOME AND EXPENSE:		
INTEREST AND OTHER INCOME	9,217,982	12,377,604
INTEREST EXPENSE	594,448	15,168
INCOME (LOSS) BEFORE TAXES	4,191,228	(2,537,742)
INCOME TAXES	344,693	--
NET INCOME (LOSS)	$ 3,846,535	$ (2,537,742)
NET INCOME (LOSS) PER COMMON SHARE:		
BASIC	$ 0.05	$ (0.03)
DILUTED	$ 0.05	$ (0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK UTILIZED TO CALCULATE NET INCOME (LOSS) PER COMMON SHARE:		
BASIC	80,613,000	76,003,000
DILUTED	84,435,000	76,003,000

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS.

CELGENE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	SIX MONTH PERIOD ENDED JUNE 30, 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME (LOSS)	$ 3,846,535	$ (2,537,742)
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
DEPRECIATION AND AMORTIZATION OF LONG-TERM ASSETS	4,183,923	3,421,207
RECOVERY FOR ACCOUNTS RECEIVABLE ALLOWANCES	(151,158)	(56,371)
REALIZED GAIN ON MARKETABLE SECURITIES AVAILABLE FOR SALE	(4,244,572)	(2,778,460)
NON-CASH STOCK-BASED COMPENSATION	342,406	926,524
AMORTIZATION OF PREMIUM/DISCOUNT ON MARKETABLE SECURITIES AVAILABLE FOR SALE, NET	427,532	236,427
AMORTIZATION OF DEBT ISSUANCE COSTS	200,000	--
SHARES ISSUED FOR EMPLOYEE BENEFIT PLANS	2,775,383	965,760
CHANGE IN CURRENT ASSETS & LIABILITIES:		
INCREASE IN ACCOUNTS RECEIVABLE	(11,921,129)	(3,502,611)
INCREASE IN INVENTORY	(4,115,223)	(3,305,460)
INCREASE IN OTHER OPERATING ASSETS	(1,321,716)	(3,328,666)
INCREASE IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES	15,254,877	3,242,309
INCREASE (DECREASE) IN DEFERRED REVENUE	240	(2,199,443)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	5,277,098	(8,916,526)
CASH FLOWS FROM INVESTING ACTIVITIES:		
CAPITAL EXPENDITURES	(5,244,586)	(4,856,343)
INVESTMENT IN CONVERTIBLE NOTES	(12,000,000)	--
INCREASE IN NOTES RECEIVABLE	--	(500,000)
PROCEEDS FROM SALES AND MATURITIES OF MARKETABLE SECURITIES AVAILABLE FOR SALE	54,596,408	43,223,272
PURCHASES OF MARKETABLE SECURITIES AVAILABLE FOR SALE	(9,800,000)	(39,965,724)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	27,551,822	(2,098,795)
CASH FLOWS FROM FINANCING ACTIVITIES:		
PROCEEDS FROM EXERCISE OF COMMON STOCK OPTIONS AND WARRANTS	6,704,466	3,032,874
PROCEEDS FROM CONVERTIBLE NOTE	400,000,000	--
DEBT ISSUE COST	(12,099,501)	--
PROCEEDS FROM NOTES RECEIVABLE FROM STOCKHOLDERS	42,000	--
REPURCHASE OF EMPLOYEE STOCK OPTIONS	--	(1,547)
REPAYMENT OF CAPITAL LEASE AND NOTE OBLIGATION	(73,503)	(450,349)

NET CASH PROVIDED BY FINANCING ACTIVITIES	394,573,462	2,580,978
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	427,402,382	(8,434,343)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	85,475,088	47,141,291
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 512,877,470	$ 38,706,948

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS.

CELGENE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(UNAUDITED)

	SIX MONTH PERIOD ENDED JUNE 30, 2003	2002
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITY:		
CHANGE IN NET UNREALIZED GAIN(LOSS) ON MARKETABLE SECURITIES AVAILABLE FOR SALE	$ 2,506,808	$(7,100,555)
DEFERRED COMPENSATION RELATING TO STOCK OPTIONS	$ --	$ 51,958
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
INTEREST PAID	$ 11,448	$ 15,168

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS.

CELGENE CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003

1. Organization and Basis of Presentation

The unaudited consolidated financial statements have been prepared from the books and records of Celgene Corporation and subsidiaries ("Celgene" or the "Company") in accordance with accounting principles generally accepted in the United States of America for interim financial information pursuant to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete annual financial statements.

The Company is an integrated biopharmaceutical company engaged in the discovery, development and commercialization of novel therapies designed to treat cancer and immunological diseases through regulation of cellular, genomic and proteomic targets. On December 31, 2002, Celgene completed the acquisition of Anthrogenesis Corp., for an aggregate purchase price of $60.0 million. Anthrogenesis is an early-stage biotherapeutics company delivering stem cell therapies produced from renewable human placental sources/materials. The Company acquired Anthrogenesis to realize the substantial therapeutic and commercial potential of placental stem cells through its commercial and developmental infrastructure. The acquisition was accounted for using the purchase method of accounting for business combinations.

In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Interim results may not be indicative of the results that may be expected for the year. Certain adjustments and reclassifications were made to conform to the current year presentation.

The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's latest annual report on Form 10K.

2. Earnings per Share

Basic earnings per share is computed by dividing the net income available to common stockholders by the weighted average number of shares of Common Stock issued and outstanding during the periods. For purposes of calculating diluted earnings per share for the three months and six months ended June 30, 2003, the denominator includes both the weighted average number of shares of Common Stock outstanding and the number of dilutive Common Stock equivalents. The number of dilutive Common Stock equivalents includes the effect of stock options and warrants calculated using the treasury stock method and the number of shares issuable upon the vesting of certain restricted stock awards. Due to the net loss recorded for the three months and six months ended June 30, 2002, the exercise or conversion of all dilutive potential common shares is not included for purposes of the diluted loss per share calculation. As of June 30, 2003 and 2002, the Company had 16,080,000 and 9,557,000 dilutive potential common shares outstanding, respectively, that could potentially dilute future earnings

per share calculations. The dilutive potential common shares related to the convertible note offering on June 3, 2003 are anti-dilutive, and thus were not included in the calculation of diluted earnings per share for the three and six month periods ended June 30, 2003.

The following represents the weighted average number of common shares outstanding for the three and six month periods ended June 30, 2003 and 2002 used in the basic and diluted earnings (loss) per common share calculations:

	Three month period ended	
	June 30, 2003	June 30, 2002

Weighted average number of common stock outstanding - basic	80,839,000	76,377,000
Effect of dilutive securities:		
Assumed exercise of stock options, warrants and restricted stock	4,295,000	--
Weighted average number of common stock and dilutive potential common stock outstanding	85,134,000	76,377,000

	Six month period ended	
	June 30, 2003	June 30, 2002
Weighted average number of common stock outstanding - basic	80,613,000	76,003,000
Effect of dilutive securities:		
Assumed exercise of stock options, warrants and restricted stock	3,822,000	--
Weighted average number of common stock and dilutive potential common stock outstanding	84,435,000	76,003,000

3. Anthrogenesis Acquisition

The following unaudited pro forma results of operations of the Company for the three and six month periods ended June 30, 2002 assumes the acquisition of Anthrogenesis has been accounted for using the purchase method of accounting as of January 1, 2002 and assumes the purchase price has been allocated to the assets purchased and the liabilities assumed based on fair values at the date of acquisition. The unaudited pro forma net loss and net loss per share amounts for the six month period ended June 30, 2002 include the charge for purchased research and development of approximately $55.7 million, which was recognized at the acquisition date, and the pro forma amounts for the three and six months ended June 30, 2002 also include an adjustment to reflect amortization of intangibles recorded in conjunction with the acquisition. The unaudited pro forma results of operations is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred if the transaction had been consummated at the date indicated, nor is it necessarily indicative of future operating results of the combined

companies and should not be construed as representative of these amounts for any future dates or periods. Anthrogenesis' results of operations included in the following pro forma financial information are derived from their unaudited financial statements for the three and six month periods ended June 30, 2002 and has been adjusted, where appropriate, to present their financial position and results of operations in accordance with accounting principles generally accepted in the United States.

	Pro Forma Three Months Ended June 30, 2002	Pro Forma Six Months Ended June 30, 2002
Total revenues	$33,620,361	$ 64,314,777
Net (loss)	$(1,793,335)	$(58,395,409)
Net (loss) per share	$ (0.02)	$ (0.77)

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

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

4. Convertible Notes

On June 3, 2003, the Company issued to institutional investors unsecured convertible notes in the amount of $400,000,000. The notes have a five year term and a coupon rate of 1.75% with interest payable on a semi-annual basis. The notes have a conversion rate of $48.45 per share, which represents a 50% premium to the closing price of Celgene's common stock on May 28, 2003. The debt issue costs related to these notes were approximately $12.2 million and are being amortized over five years. The debt issue costs are classified under "Other Assets" on the Company's balance sheet. Under the terms of the Purchase Agreement, the note holders can convert the notes into common shares at any time at the conversion price, and also have the right to require the Company to redeem the notes prior to maturity in the event of a "fundamental change", as defined within the Agreement. At June 30, 2003, the notes could be converted into 8,255,920 common shares. The Company is required to register the notes and common stock issuable upon conversion with the Securities and Exchange Commission, and to use reasonable best efforts to keep it effective for the defined period. The Company may not merge or transfer substantially all assets, as defined, unless certain conditions are met.

5. Marketable Securities Available for Sale

The amortized cost, gross unrealized holding gains, gross unrealized holding losses and fair value of available for sale securities by major security type at June 30, 2003 and December 31, 2002 were as follows:

	Gross	Gross	Estimate

June 30, 2003	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Government agencies	$ 149,906	$ 824	$ --	$ 150,7
Government bonds and notes	301,757	--	(164)	301,5
Corporate debt securities	127,247,278	9,856,689	(322,297)	136,781,6
Total	$127,698,941	$ 9,857,513	$ (322,461)	$137,233,9

December 31, 2002	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimate Fair Value
Government agencies	$ 149,906	$ 1,795	$ --	$ 151,7
Government bonds and notes	553,593	5,235	--	558,8
Corporate debt securities	167,974,812	9,428,832	(2,407,618)	174,996,0
Total	$168,678,311	$ 9,435,862	$ (2,407,618)	$175,706,5

6. Inventory

Inventory consists of the following:

	June 30, 2003	December 31, 2002
Raw materials	$2,596,219	$2,680,398
Work in process	1,096,315	555,232
Finished goods	5,228,459	1,570,140
Total	$8,920,993	$4,805,770

7. Stock Based Compensation

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

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

The following table illustrates the effect on net income (loss) and net income (loss) per share as if the fair-value-based method under SFAS No. 123 had been applied.

	Three Month Period Ended June	
	2003	2002
Net income (loss) applicable to common stockholders:		
As reported	$ 2,894,072	$(1,714,502
Add stock-based employee compensation expense included in reported net income (loss)	62,445	410,445
Deduct total stock-based employee compensation expense determined under fair-value-based method for all awards	(4,904,851)	(5,321,476
Pro forma	$(1,948,334)	$(6,625,533
Net income(loss) per common share basic and diluted:		
Basic, as reported	$ 0.04	$ (0.02
Basic, pro forma	$ (0.02)	$ (0.09
Diluted, as reported	$ 0.03	$ (0.02
Diluted, pro forma	$ (0.02)	$ (0.09

	Six Month Period Ended June 3	
	2003	2002
Net income (loss) applicable to common stockholders:		
As reported	$ 3,846,535	$ (2,537,74
Add stock-based employee compensation expense included in reported net income (loss)	124,204	914,20
Deduct total stock-based employee compensation expense determined under fair-value-based method for all awards	(8,939,513)	(10,542,16
Pro forma	$(4,968,774)	$(12,165,70
Net income(loss) per common share basic and diluted:		
Basic, as reported	$ 0.05	$ (0.0

Basic, pro forma	$ (0.06)	$ (0.1
Diluted, as reported	$ 0.05	$ (0.0
Diluted, pro forma	$ (0.06)	$ (0.1

The pro forma effects on net income (loss) per common share for the periods ended June 30, 2003 and 2002 may not be representative of the pro forma effects in future years since compensation cost is allocated on a straight-line basis over the vesting periods of the grants, which extends beyond the reported years.

The weighted-average fair value per share was $9.35 and $8.26 for stock options granted in the six month periods ended June 30, 2003 and 2002, respectively. The company estimated the fair values of each option grant on their respective grant dates using the Black-Scholes option pricing model based on the following assumptions:

	Three Month Period Ended June 30,	
	2003	2002
Risk-free interest rate	1.92%	1.98%
Expected stock price volatility	44%	59%
Expected term until exercise (years)	2.53	2.78
Expected dividend yield	0%	0%

	Six Month Period Ended June 30,	
	2003	2002
Risk-free interest rate	1.97%	2.00%
Expected stock price volatility	47%	59%
Expected term until exercise (years)	2.68	2.84
Expected dividend yield	0%	0%

8. Comprehensive Income(Loss)

Comprehensive income (loss) includes net income (loss) and other comprehensive income (loss) which refers to those revenues, expenses, gains and losses which are excluded from net income (loss). Other comprehensive income (loss) includes net unrealized gains and losses on marketable securities classified as available-for-sale.

	Three Month Period Ended June 30,	
	2003	2002
Net income (loss)	$ 2,894,072	$(1,714,502)
Other comprehensive income (loss):		
Unrealized holding gains arising		

during the period	4,658,605	185,413
Less: reclassification adjustment for gains included in net income(loss)	(1,701,488)	(1,623,784)
Net unrealized income(loss) on securities	2,957,117	(1,438,371)
Total comprehensive income(loss)	$ 5,851,189	$(3,152,873)

	Six Month Period Ended June 30,	
	2003	2002
Net income (loss)	$ 3,846,535	$(2,537,742)
Other comprehensive income (loss):		
Unrealized holding gains(losses) arising during the period	6,751,380	(4,322,095)
Less: reclassification adjustment for gains included in net income(loss)	(4,244,572)	(2,778,460)
Net unrealized income(loss) on securities	2,506,808	(7,100,555)
Total comprehensive income(loss)	$ 6,353,343	$(9,638,297)

9. Stockholders' Equity

Deferred Compensation Expense

Prior to the Company's merger with Signal Pharmaceuticals, Inc., Signal recorded an aggregate of approximately $9.4 million of deferred compensation for stock options granted from 1997 through 2000, representing the difference between the option exercise price and the estimated fair value of the underlying stock for financial statement presentation purposes. The deferred compensation was being amortized over the vesting period of the options, and as of December 31, 2002, the Company had recorded as expense or reversed the full amount of the $9.4 million of deferred compensation. Approximately $348,000 and $790,000 of expense was recorded during the three and six month periods ended June 30, 2002, respectively. Upon the termination of certain employees and consultants, the Company reversed approximately $1.1 million of unamortized deferred compensation relating to their unvested options through December 2002.

The Company recorded compensation expense(credits) relating to stock options and warrants issued to consultants, advisors or financial institutions and other stock-based compensation of approximately $167,000 and $(58,000) for

the three month periods ended June 30, 2003 and 2002, respectively and approximately $342,000 and $137,000 for the six month periods ended June 30, 2003 and 2002, respectively.

Stock Incentive Plan

At the Company's Annual Meeting of Stockholders on June 10, 2003, the stockholders of the Company approved an amendment to the 1998 Stock Incentive Plan (known prior to April 23, 2003 as the 1998 Long-Term Incentive Plan) to increase the number of shares that may be subject to awards granted thereunder from 8,500,000 to 12,500,000 and to authorize the award of certain performance-based awards.

10. Segments

Effective with the acquisition of Anthrogenesis on December 31, 2002, the Company operates in two business segments -human pharmaceuticals and stem cell therapies. Revenues and income (loss) before taxes by segment, for the three and six months ended June 30, 2003 were as follows:

	Three Months Ended June 30, 2003	Six Months Ended June 30, 2003
Revenues:		
Human pharmaceuticals	$ 66,161,034	$ 114,329,611
Stem cell therapies	1,125,140	2,045,227
Total	$ 67,286,174	$ 116,374,838
Income(loss)before taxes:		
Human pharmaceuticals	$ 6,419,593	$ 10,223,646
Stem cell therapies	(3,315,828)	(6,032,418)
Total	$ 3,103,765	$ 4,191,228

11. Distribution Agreement

On March 31, 2003, the Company entered into a distribution and supply agreement with GlaxoSmithKline ("GSK") in which GSK granted to Celgene the exclusive right to market, promote, sell and distribute Alkeran (melphalan) in all dosage forms. Under the terms of the agreement, Celgene will purchase Alkeran tablets and Alkeran for injection from GSK and sell and distribute the products in the United States under Celgene's label. The agreement requires Celgene to purchase certain minimum quantities each year of the initial three year term of the agreement under a take-or-pay arrangement which aggregates $56.6 million over such period.

12. Pharmion Agreements

In April 2003, the Company entered into an Amendment to the License Agreement, dated November 16, 2001, with Pharmion Corporation whereby Pharmion has agreed to provide the Company an aggregate of $8 million in research funding for the further clinical development of THALOMID(R) during the period commencing on the date of the agreement and ending December 31, 2005. The research funding will consist of three installments of $1 million each, payable upon execution of the agreement, September 30, 2003 and December 31, 2003, four quarterly installments of $750,000 each in 2004 and four quarterly installments of $500,000 each in 2005. The Company received the initial payment of $1 million in April 2003, which was recognized as collaborative agreement revenue.

In April, 2003, the Company entered into a Securities Purchase Agreement with Pharmion Corporation whereby Celgene purchased for $12 million a Senior Convertible Promissory Note (the "Note") with a principal amount of $12 million, and a warrant with a five year term to purchase up to 1,454,545 shares of Pharmion's common stock at a purchase price of $2.75 per share. The Note has a term of five years with an annual interest rate of 6% compounded semi-annually. The Note has a conversion price of $2.75 per share of Common Stock and is automatically convertible into common stock under certain conditions. The Note is classified under "Other Assets" on the Company's balance sheet.

13. Termination Agreement

On June 12, 2003, the Company entered into an agreement with Cell Pathways, Inc. and OSI Pharmaceuticals to terminate the Co-Promotion agreement between Cell Pathways and Celgene for the promotion of Gelclair. The effective date of the agreement is July 1, 2003. Celgene will receive $3.0 million in July 2003 upon the transfer of promotional materials as specified in the agreement, and an additional $3.0 million on the first anniversary of the effective date assuming the Company successfully provides the aforementioned transitional services. The Company will provide additional promotion on the product on a transitional basis as reasonably requested by OSI through December 31, 2003.

PART 1 - FINANCIAL INFORMATION

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Results of Operations

Three month period ended June 30, 2003 vs.
Three month period ended June 30, 2002

Total revenue: Our total revenue for the three months ended June 30, 2003 increased approximately 100.0% to $67.3 million compared to $33.6 million in the same period of 2002. Revenue in 2003 consisted of product sales of approximately $62.5 million, made up primarily of THALOMID(R) sales of $54.9 million, Alkeran(R) sales of $6.0 million and Focalin(TM) sales of $1.3 million, Ritalin(R) product royalties of $2.5 million and collaborative agreements and

other revenue of $2.3 million compared with THALOMID(R) sales of $28.4 million, Focalin(TM) sales of $2.0 million, Ritalin(R) product royalties of $0.7 million and collaborative agreements and other revenue of $2.6 million in the same period of 2002. The combination of price increases, increasing use by oncologists in the treatment of various types of cancer, especially in multiple myeloma, and the market introduction of two new higher strength formulations during the first half of 2003 contributed to the 93% growth in THALOMID(R) sales. The second quarter 2003 marked the first period that we recorded sales of Alkeran(R) with the commencement of our distribution and supply agreement with GlaxoSmithKline on March 31, 2003. Focalin(TM) sales were lower due to the timing of shipments to Novartis for their commercial distribution. The decrease in collaborative agreement revenue is primarily attributable to the completion of the amortization of the up-front payment from Novartis Pharma AG related to the SERM license agreement, partially offset by revenue from our Cellular Therapeutics division and the Pharmion collaboration agreements. The increase in royalty income was the result of the marketing approval and subsequent launch in August 2002 of Ritalin(R) LA, Novartis' long-acting version of Ritalin(R).

Cost of goods sold: Cost of goods sold during the three months ended June 30, 2003 increased approximately 183% to $11.6 million compared to approximately $4.1 million in the comparable period in 2002. The cost of goods sold relates to sales of THALOMID(R), Alkeran(R) and Focalin(TM) in 2003 and to sales of THALOMID(R) and Focalin(TM) in 2002, and accordingly, the increase in cost of goods sold is related primarily to the increased volume

of THALOMID(R) sales during 2003, in addition to the introduction of Alkeran(R) sales in 2003 partially offset by lower Focalin(TM) sales compared to the same period in 2002. Cost of goods sold for the 2003 and 2002 comparable periods relating to Focalin(TM) sales was lower than the normal cost at standard as some manufacturing costs incurred prior to Focalin's(TM) approval in November 2001 were expensed as research and development expenses. This favorability will continue until the quantity previously expensed is completely sold. Cost of goods sold as a percentage of total product sales was approximately 18.6% during the three months ended June 30, 2003 compared to approximately 13.5% in the comparable period in 2002. The increase was primarily related to the introduction of Alkeran(R) sales, which has a higher cost structure than THALOMID(R), partially offset by a higher margin on THALOMID(R) sales in 2003 due to price increases, and by the higher 2002 sales of Focalin(TM) which has a higher cost as a percentage of sales than THALOMID(R).

Research and development expenses: Research and development expenses consist primarily of salaries and benefits, contractor fees, principally with contract research organizations to assist in our clinical development programs, clinical drug supplies for our clinical and preclinical programs as well as other consumable research supplies, and allocated facilities charges such as building rent and utilities. Research and development expenses for the second quarter of 2003 increased 58.8% to $30.5 million from $19.2 million in 2002. During the second quarter of 2003, approximately $20.6 million was spent on THALOMID(R) and the IMiDs(R) and SeLCIDs(TM), primarily for preclinical toxicology, phase I/II and phase III clinical trials and regulatory expenses. We spent approximately $9.1 million in our gene regulation, target discovery and agro-chemical programs, and $0.8 million in our stem cell development programs, primarily for internal headcount related expenses, laboratory supplies and product development costs. As a percent of total revenue, research and development expenses were approximately 45% and 57% for the three months ended June 30, 2003 and 2002, respectively. As a result of increasing revenue, research and development expense may continue to decrease as a percent of total

revenue although the actual dollar amount will continue to increase as we move our earlier stage compounds through preclinical and clinical programs. In general, time to completion would be as follows:

Phase I ----- 1-2 years
Phase II ---- 2-3 years
Phase III --- 2-3 years

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

Selling, general and administrative expenses: Selling expenses consist of salaries and benefits for sales and marketing and customer service personnel, warehousing and distribution costs, and other commercial expenses to support the sales force and the education and registration efforts underlying the S.T.E.P.S.(R) program. General and administrative expenses consist primarily of salaries and benefits, outside services for legal, insurance, audit, tax and investor activities and allocations of facilities costs, principally for rent, utilities and property taxes. Selling, general and administrative expenses increased by approximately 40.8% for the three months ended June 30, 2003 to $25.9 million from $18.4 million in the same period in 2002. The increase was due primarily to the expansion of the sales and marketing organization and related expenses and an increase in customer service staff. As a percent of total revenue, selling, general and administrative expenses were approximately 38.5% and 54.7% for the three month periods ended June 30, 2003 and 2002, respectively.

Interest and other income and expense: Interest and other income for the second quarter 2003 decreased 29.7% to approximately $4.5 million from $6.4 in the same period in 2002. The decrease was primarily due to lower interest income as a result of lower interest rates in 2003 on decreased average daily balances of total cash, cash equivalents and marketable securities.

Interest expense for the second quarter 2003 increased to approximately $594,000 from approximately $5,000 during the same period in 2002. The increase was a direct result of the recognition of interest expense due on the $400 million convertible notes issued on June 3, 2003.

Net income (loss): We recorded net income for the three month period ended June 30, 2003 of $2.9 million compared to a net (loss) of $1.7 million during the same period of 2002. The net positive change of $4.6 million was the result of an increase in total revenues of $33.7 million, primarily due to an increase in THALOMID(R) sales of $26.5 million and first-time Alkeran(R) sales of $6.0 million, offset by an increase in costs and expenses of $27.2 million, which includes interest and tax expense, and a decrease in interest and other income of $1.9 million.

Six month period ended June 30, 2003 vs.
Six month period ended June 30, 2002

Total revenue: Our total revenue for the six months ended June 30, 2003 increased 81% to $116.4 million compared with $64.3 million in the same period of 2002. Revenue in 2003 consisted of product sales of approximately $108.3 million, made up primarily of THALOMID(R) sales of $100.5 million, Alkeran(R) sales of $6.0 million and Focalin(TM) sales of $1.3 million, Ritalin(R) product royalties of $4.7 million and collaborative agreements and other revenue of $3.4 million compared with THALOMID(R) sales of $54.5 million, Focalin(TM) sales of $3.4 million, Ritalin(R) product royalties of $1.4 million and collaborative agreements and other revenue of $4.9 million in the same period of 2002. The combination of price increases, increasing use by oncologists in the treatment of various types of cancer, especially in multiple myeloma, and the market introduction of two new higher strength formulations during the first half of 2003 contributed to the 84% growth in THALOMID(R) sales. The second quarter 2003 marked the first period that we recorded sales of Alkeran(R) with the commencement of our distribution and supply agreement with GlaxoSmithKline on March 31, 2003. Focalin(TM) sales were lower due to the timing of shipments to Novartis for their commercial distribution. The decrease in collaborative agreement revenue is primarily attributable to the completion of the amortization of the up-front payment from Novartis Pharma AG related to the SERM license agreement, partially offset by revenue from our Cellular Therapeutics division and the Pharmion collaboration agreements. The increase in royalty income was the result of the marketing approval and subsequent launch in August 2002 of Ritalin(R) LA, Novartis' long-acting version of Ritalin(R).

Cost of goods sold: Cost of goods sold during the first six months of 2003 increased approximately 109% to $16.3 million compared to approximately $7.8 million in the comparable period in 2002. The cost of goods sold relates to sales of THALOMID(R), Alkeran(R) and Focalin(TM) in 2003 and to sales of THALOMID(R) and Focalin(TM) in 2002, and accordingly, the increase in cost of goods sold is related primarily to the increased volume of THALOMID(R) sales during 2003, in addition to the introduction of Alkeran(R) sales in 2003 partially offset by lower Focalin(TM) sales compared to the same period in 2002. Cost of goods sold for the 2003 and 2002 comparable periods relating to Focalin(TM) sales was lower than the normal cost at standard as some manufacturing costs incurred prior to Focalin's(TM) approval in November 2001 were expensed as research and development expenses. This favorability will continue until the quantity previously expensed is completely sold. Cost of goods sold as a percentage of total product sales was approximately 15.0% during the first six months of 2003 compared to approximately 13.4% in the comparable period in 2002. The increase was primarily related to the introduction of Alkeran(R) sales, which has a higher cost structure than THALOMID(R), partially offset by a higher margin on THALOMID(R) sales in 2003 due to price increases, and by the higher 2002 sales of Focalin(TM) which has a higher cost as a percentage of sales than THALOMID(R).

Research and development expenses: Research and development expenses for the first six months of 2003 increased 50.4% to $55.2 million from $36.7 million in 2002. The increase was due to the initiation of several large studies related to our clinical programs in the second half of 2002. During the first half of 2003, we spent approximately $34.7 million on THALOMID(R) and its follow on compounds, the IMiDs(R) and SelCIDs(TM), and Focalin(TM), primarily for preclinical toxicology, phase I/II and phase III clinical trials and regulatory expenses. We spent approximately $18.8 million in our gene regulation, target

discovery and agro-chemical programs, and $1.7 million in our stem cell development programs, primarily for internal headcount related expenses, laboratory supplies and product development costs.

As a percent of total revenue, research and development expenses were approximately 47% and 57% for the six months ended June 30, 2003 and 2002, respectively. As a result of increasing revenue, research and development expense may continue to decrease as a percent of total revenue although the actual

dollar amount will continue to increase as we move our earlier stage compounds through preclinical and clinical programs.

Selling, general and administrative expenses: Selling, general and administrative expenses increased by approximately 42% for the six months ended June 30, 2003 to $49.3 million from $34.7 million in the same period in 2002. The increase was due primarily to the expansion of the sales and marketing organization and related expenses and an increase in customer service staff. As a percent of total revenue, selling, general and administrative expenses were approximately 42% and 54% for the six month periods ended June 30, 2003 and 2002, respectively.

Interest and other income and expense: Interest and other income for the first six months of 2003 decreased 25.8% to approximately $9.2 million from $12.4 in the same period in 2002. The decrease was primarily due to lower interest income as a result of lower interest rates in 2003 on decreased average daily balances of total cash, cash equivalents and marketable securities, partially offset by an increase of $1.4 million in realized gains on marketable securities available for sale year over year, with $4.2 million realized during the first half of 2003 compared to $2.8 million for the comparable period in 2002.

Interest expense for the first six months of 2003 increased to approximately $594,000 from approximately $15,000 during the same period in 2002. The increase was a direct result of the recognition of interest expense due on the $400 million convertible notes issued on June 3, 2003.

Net income (loss): We recorded net income for the six month period ended June 30, 2003 of $3.8 million compared to a net (loss) of $2.5 million during the same period of 2002. The net positive change of $6.3 million was the result of an increase in total revenues of $52.1 million, primarily due to an increase in THALOMID(R) sales of $46.0 million, offset by an increase in costs and expenses of $42.6 million, which includes interest and tax expense, and a decrease in interest and other income of $3.2 million.

Liquidity and capital resources: Since inception, we have financed our working capital requirements primarily through product sales, private and public sales of our debt and equity securities, income earned on the investment of proceeds from the sale of such securities and revenue from research contracts and license and milestone payments. Since our initial product launch in the third quarter of 1998, we have recorded net

product sales totaling approximately $404.9 million through June 30, 2003. On June 3, 2003, we issued convertible notes to institutional investors in the amount of $400.0 million. Proceeds to the Company from the transaction, net of debt issue costs, were approximately $388.0 million. We also received $37.5 million from two separate research and license agreements during 2000 and 2001.

Our net working capital at June 30, 2003 increased approximately 156% to $643.5 million from $251.8 million at December 31, 2002. The significant increase in working capital was primarily due to higher total cash, cash equivalents and marketable securities balances as a result of our $400 million convertible note offering, as well as significant increases in both inventory, with the addition of Alkeran(R), and trade receivables, due to the increase in THALOMID(R) sales, partially offset by increases in accounts payable and accrued expenses.

Cash and cash equivalents increased to $512.9 million in the first six months of 2003 from $85.5 million at December 31, 2002 while investments in marketable debt securities decreased to $137.2 million from $175.7 million in the same period. Total cash, cash equivalents and marketable securities increased by approximately $388.9 primarily as a result of the $400 million convertible note offering on June 3, 2003.

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

Contractual Obligations

Our major outstanding contractual obligations relate primarily to our operating (facilities) leases, our Alkeran(R) purchase commitments and our convertible note issuance.

We lease a 44,500-square foot laboratory and office facility in Warren, New Jersey, under a lease with an unaffiliated party, which has a term ending in May 2007 with two five-year renewal options, a 29,000-square foot facility which has a term ending in July 2010 with two five-year renewal options, an 11,400-square foot facility with a term ending in June 2005 with a five-year renewal option and a 7,200-square foot facility with a term ending in June 2005 with a five-year renewal option. Monthly rental expenses for these facilities are approximately $87,000. We also lease an 18,000-square foot laboratory and office facility in North Brunswick, New Jersey, under a lease with an unaffiliated party that has a term ending in March 2009 with two five-year renewal options. Monthly rental expenses for this facility are approximately $40,500.

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

approximately $172,000.

The three leases for the 44,000-square feet of San Diego laboratory and office space recently vacated by us are coterminous and end in December 2003. On July 3, 2003, one of the three leases was terminated and we received a lease termination payment from the landlord. Under the remaining two leases, we reimburse the landlord for taxes, insurance and operating costs associated with the properties and have an outstanding letter of credit for $150,000 in favor of the landlord that is fully collateralized by cash. Upon transferring our operations to the new facility, the 2003 lease obligations and remaining unamortized leasehold improvements for the vacated properties were taken as a charge to earnings in the fourth quarter of 2002.

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

expense for this facility is approximately $7,500. In May 2003, we entered into a third lease in Cedar Knolls for an additional 5,300-square foot facility for office and laboratory space which has a term ending in May 2008 with a five-year renewal option. Monthly rental expense for this facility is approximately $7,000.

On March 31, 2003 we entered into a Distribution and Supply Agreement with SmithKline Beecham Corporation, d/b/a GlaxoSmithKline ("GSK") in which we have obtained the exclusive rights to market, promote, sell and distribute GSK's Alkeran(R) brand products approved by the FDA. Under the terms of the agreement, we will purchase Alkeran(R) tablets and Alkeran(R) for injection from GSK and sell and distribute the products in the United States under our marketing label. The agreement requires us to purchase certain minimum quantities each year of the initial three year term of the agreement under a take-or-pay arrangement which aggregates $56.6 million over such period.

On June 3, 2003, we issued to institutional investors unsecured convertible notes in the amount of $400,000,000. The notes have a five year term and a coupon rate of 1.75% with interest payable on a semi-annual basis. The notes have a conversion rate of $48.45 per share, which represents a 50% premium to the closing price of our common stock on May 28, 2003. The debt issue costs related to these notes were approximately $12.2 million and are being amortized over five years. The debt issue costs are classified under "Other Assets" on our balance sheet. Under the terms of the Purchase Agreement, the note holders can convert the notes into common shares at any time at the conversion price, and also have the right to require the Company to redeem the notes prior to maturity in the event of a "fundamental change", as defined within the Agreement. At June 30, 2003, the notes could be converted into 8,255,920 common shares. We are required to register the notes and common stock issuable upon conversion with the Securities and Exchange Commission, and to use reasonable best efforts to keep it effective for the defined period. We may not merge or transfer substantially all assets, as defined, unless certain conditions are met.

Critical Accounting Policies

In December 2001, the SEC requested that all registrants discuss their most "critical accounting policies" in management's discussion and analysis of financial condition and

results of operations. The SEC indicated that a "critical accounting policy" is one which is both important to the portrayal of the company's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our significant accounting policies are fully described in Note 2 to our consolidated financial statements included in our annual report on Form 10K. Our critical accounting policies are disclosed in the MD&A section on Form 10-K. There have been no significant changes with respect to such accounting policies.

Cautionary Statements for Forward-Looking Information

The Management's Discussion and Analysis of Financial Condition and Results of Operations provided above contains certain forward-looking statements which involve known and unknown risks, delays, uncertainties and other factors not under our control which may cause actual results, performance and achievements of Celgene to be materially different from the results, performance or other expectations implied by these forward-looking statements. These factors include the results of current or pending clinical trials, actions by the FDA and other factors detailed herein and in our other filings with the Securities and Exchange Commission.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

Our holdings of financial instruments are comprised of commercial paper, U.S. government and corporate securities. These financial instruments may be classified as securities available for sale and carried at fair value or held to maturity and carried at amortized cost depending upon our intent. Securities classified as available for sale are held for an indefinite period of time and are intended to be used to meet the ongoing liquidity needs of the Company. Unrealized gains and losses (which are deemed to be temporary) on available for sale securities, if any, are reported as a separate component of stockholders' equity. The cost of all debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization, along with realized gains and losses, is included in interest income and other income. We do not use financial derivatives for investment or trading purposes. As of June 30, 2003, all securities have been classified as available for sale.

We have established guidelines relative to diversification and maturities to maintain safety and liquidity. These guidelines are reviewed periodically and may be modified depending on market conditions. Although our investments are subject to credit risk, our Investment Policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or type of investment. Our investments are also subject to interest rate risk and will decrease in value if market interest rates increase. Due to the limited number of foreign currency transactions, our foreign exchange currency risk is minimal.

The table below presents the principal amounts and related weighted average interest rates by year of maturity for our investment portfolio as of June 30, 2003:

(in Thousands $)	2003	2004	2005	2006	2007	2008 and beyond
Fixed Rate	$ 450	$ --	$ 20,510	$ 59,345	$ 14,500	$ 20,275
Average Interest Rate	4.63%	--	8.08%	6.74%	4.71%	7.94%
Variable Rate	--	--	--	--	--	$ 12,000
Average Interest Rate	--	--	--	--	--	5.72%
Total	$ 450	$ --	$ 20,510	$ 59,345	$ 14,500	$ 32,275

Item 4 - Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. Our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended), based on their evaluation of these controls and procedures as of June 30, 2003, are effective.

(b) Changes in Internal Controls. There have not been any changes in our internal control over financial reporting during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. - None

Item 2. - None

Item 3. - None

Item 4. - Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Stockholders on June 10, 2003. At this meeting stockholders of the Company were asked to vote for the election of directors, to amend and restate the 1998 Stock Incentive Plan (known prior to April 23, 2003 as the 1998 Long-Term Incentive Plan) to increase the number of shares that may be subject to awards granted thereunder from 8,500,000 to 12,500,000 and to authorize the award of certain performance-based awards, and to consider and act upon a proposal to confirm the appointment of KPMG LLP as

the independent certified public accountants of the Company for the current fiscal year. All nominated directors were elected, the amendment to the 1998 Stock Incentive Plan was approved, and the proposal regarding the appointment of auditors was approved. The election of directors and the proposals were approved by the following votes:

A. Election of Directors:

Name	Number of Shares		
	For	Withheld	Abstained
John W. Jackson	71,394,285	473,018	--
Sol J. Barer, Ph.D.	71,763,995	103,308	--
Robert J. Hugin	71,764,145	103,158	--
Jack L. Bowman	71,274,972	592,331	--
Frank T. Cary	71,274,372	592,931	--
Michael D. Casey	71,488,040	379,263	
Arthur Hull Hayes, Jr.,M.D.	71,484,145	383,158	--
Gilla Kaplan, Ph.D.	71,487,890	379,413	--
Richard C.E. Morgan	71,275,272	592,031	--
Walter L. Robb, Ph.D.	71,530,882	336,421	--

B. Amendment of 1998 Stock Incentive Plan:

Number of Shares		
For	Against	Abstained
60,544,425	11,172,807	150,071

C. Appointment of Auditors:

Number of Shares		
For	Against	Abstained
71,380,327	430,483	56,493

Item 5.-- Other Information:

None

Item 6. (a) Exhibits

10.1 Securities Purchase Agreement dated as of April 8, 2003 between the Company and Pharmion Corporation in connection with the purchase by the Company of Pharmion's Senior Convertible Promissory Note in the principal amount of $12,000,000.

10.2 Pharmion Corporation Senior Convertible Promissory Note.

10.3 Warrant to Purchase an aggregate of 1,454,545 shares of common stock of Pharmion Corporation.

10.4 Purchase Agreement dated May 28, 2003 between the Company and Morgan Stanley & Co. Incorporated, as Initial Purchaser, in connection with the purchase of $400,000,000 principal amount of the Company's 1 3/4% Convertible Note Due 2008.

10.5 Indenture dated as of June 3, 2003 between the Company and The Bank of New York, Trustee (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-3 dated August 14, 2003).

10.6 Registration Rights Agreement dated as of June 3, 2003 between the Company, as Issuer, and Morgan Stanley & Co. Incorporated, as Initial Purchaser (incorporated by reference to Exhibit 4.2 of the Company's Registration Statement on Form S-3 dated August 14, 2003).

10.7 Form of 1 3/4% Convertible Note Due 2008 (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement of Form S-3 dated August 14, 2003).

31.1 Certification by the Company's Chief Executive Officer dated August 14, 2003.

31.2 Certification by the Company's Chief Financial Officer dated August 14, 2003.

32.1 Certification by the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350 dated August 14, 2003.

32.2 Certification by the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350 dated August 14, 2003.

(b) Reports on Form 8-K

- Current Report on Form 8-K, Items 5 and 7(c), filed June 5, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CELGENE CORPORATION

DATE August 14, 2003 BY /S/Robert J. Hugin

		Robert J. Hugin Senior Vice President Chief Financial Officer
DATE	August 14, 2003	BY /s/James R. Swenson
		James R. Swenson Controller (Chief Accounting Officer)