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CELGENE CORP /DE/
Form 8-K/A
January 05, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

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

Date of Report (Date of earliest event reported): December 30, 2004

CELGENE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	0-16132	22-2711928
----- (State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)
86 Morris Avenue, Summit, New Jersey		07901
----- (Address of principal executive offices)		(Zip Code)
Registrant's telephone number, including area code: (908) 673-9000		
7 Powder Horn Drive, Warren, New Jersey		07059
----- (Former name or former address, if changed since last report.)		

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note: This Form 8-K/A amends the Form 8-K that we filed on October 26, 2004, with regard to the acquisition of Penn T Limited, which did not include certain requisite financial information. Specifically, this Form 8-K/A includes the financial statements of Penn T Limited for the periods specified in Rule 3-05 of Regulation S-X and unaudited pro forma financial information specified in Article 11 of Regulation S-X.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

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(a) Financial Statements of Business Acquired.

Independent Auditors' Report
Profit and loss accounts for the two years ended 31 March 2004
Balance sheet as at 31 March 2004 and 31 March 2003
Cash flow statement for the two years ended 31 March 2004
Accounting policies
Notes to the financial statements for the two years ended 31 March 2004

(b) Unaudited Pro Forma Financial Information.

Introduction to Pro Forma Financial Statements (Unaudited)
Pro Forma Condensed Balance Sheet as of September 30, 2004 (Unaudited)
Pro Forma Condensed Statement of Operations - Nine Months Ended
September 30, 2003 (Unaudited)
Pro Forma Condensed Statement of Operations - Year Ended
December 31, 2003 (Unaudited)
Notes to Pro Forma Financial Statements (Unaudited)

(c) Exhibits

99.1 Independent Auditors' Consent

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SIGNATURES

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

CELGENE CORPORATION

Date: January 4, 2005

By: /s/ Robert J. Hugin

Name: Robert J. Hugin
Title: Senior Vice President and
Chief Financial Officer

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CELGENE UK MANUFACTURING II LIMITED
(FORMERLY PENN T LIMITED)

FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED
31 MARCH 2004

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REPORT OF THE INDEPENDENT AUDITORS TO THE BOARD OF DIRECTORS OF CELGENE UK
MANUFACTURING II LIMITED

We have audited the accompanying balance sheets of Celgene UK Manufacturing II

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Limited (the "Division") as at 31 March 2004 and 2003 and the related profit and loss accounts, and cash flow statements for each of the years in the two-year period ended 31 March 2004. These financial statements are the responsibility of Celgene UK Manufacturing II Limited management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division as at 31 March 2004 and 2003, the results of its operations and its cash flows, for each of the years in the two-year period ended 31 March 2004, in conformity with generally accepted accounting principles in the United Kingdom.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 23 to the financial statements.

KPMG LLP
 CHARTERED ACCOUNTANTS
 BRISTOL, UNITED KINGDOM
 22 DECEMBER 2004

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)

PROFIT AND LOSS ACCOUNTS FOR THE TWO YEARS ENDED 31 MARCH 2004

	NOTE	2004 (POUND) '000	

TURNOVER - CONTINUING OPERATIONS	1	8,564	
Cost of sales		(648)	

GROSS PROFIT		7,916	
Administrative expenses		(1,649)	

OPERATING PROFIT - CONTINUING OPERATIONS	2	6,267	
Interest payable and similar charges	3	(127)	

PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,140	
Tax on profit on ordinary activities	5	(2,013)	

PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,127	
Dividends	6	(6,510)	

RETAINED (LOSS)/ PROFIT FOR THE FINANCIAL YEAR	14	(2,383)	

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There were no recognised gains and losses in the years other than the profit for the years.

There is no difference between the profit on ordinary activities before taxation and the retained loss/profit for the financial years stated above and their historical cost equivalents.

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)

BALANCE SHEET AS AT 31 MARCH 2004 AND 31 MARCH 2003

	NOTE	2004 (POUND) '000

FIXED ASSETS		
Goodwill	7	10,093

CURRENT ASSETS		
Stocks	8	245
Debtors	9	1,544

CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	10	1,789 (6,571)

NET CURRENT LIABILITIES		(4,782)

TOTAL ASSETS LESS CURRENT LIABILITIES		5,311

CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(4,125)

NET ASSETS		1,186

CAPITAL AND RESERVES		
Called up share capital	13	64
Capital redemption reserve	14	55
Profit and loss account	14	1,067

TOTAL SHAREHOLDERS' FUNDS	15	1,186

EQUITY SHAREHOLDERS' FUNDS		1,127
NON EQUITY SHAREHOLDERS' FUNDS		59

		1,186

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The financial statements on pages 3 to 18 were approved by the board of directors on 22 December 2004 and were signed on its behalf by:

S JASKO
DIRECTOR

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)

CASH FLOW STATEMENT FOR THE TWO YEARS ENDED 31 MARCH 2004

	NOTE	2004 (POUND) '000

NET CASH INFLOW FROM OPERATING ACTIVITIES	16	5,231

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid		(127)
Non-equity dividends paid		(5)

NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND		
SERVICING OF FINANCE		(132)

TAXATION		(1,691)

EQUITY DIVIDENDS PAID		(6,243)

FINANCING		
Loans received		6,000
Bank loan repayments		(375)
Repayments to intermediate holding company		(2,735)
Redemption of preference shares		(55)

NET CASH INFLOW/(OUTFLOW) FROM FINANCING		2,835

INCREASE IN CASH		-

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)
ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies is set out below.

BASIS OF PREPARATION

These Celgene UK Manufacturing II Limited financial statements have been

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prepared under generally accepted accounting principles in the United Kingdom ("UK GAAP"). A reconciliation has been prepared and included within these financial statements to show the effect of the differences between UK GAAP and generally accepted accounting principles in the United States ("US GAAP").

The information set out in these accounts does not constitute the company's statutory accounts for the two years ended 31 March 2004. Those accounts have been reported on by the company's auditors; their reports were unqualified and did not contain a statement under section 237(2) or (3) of the United Kingdom Companies Act 1985. The accounts for the two years ended 31 March 2004 have been delivered to the United Kingdom registrar of companies.

BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the historical cost convention.

TURNOVER

Turnover is recorded on the sale of goods at the point of which the possession of title passes. Royalty income is recorded on a receivable basis in accordance with sales reported by the licensee.

STOCKS

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in first-out basis. The cost of work in progress comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and/or from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

GOODWILL

Goodwill arising on acquisition represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. Goodwill arising on acquisition is eliminated by amortisation through the profit and loss account over its useful economic life, which the directors estimate to be 20 years.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 MARCH 2004

1 SEGMENTAL REPORTING

The company supplies THALOMID and other thalidomide formulations for the healthcare market. The company's turnover by destination, all relating to this principal activity, is set out below:

	2004 (POUND) '000	2003 (pound) '000
UK	5,639	6,336
Rest of Europe	2,925	-
	8,564	6,336

The company's turnover by sales channel is set out below:

	2004 (POUND) '000	2003 (pound) '000
Royalty income	3,417	-
Drug sales	5,147	6,336
	8,564	6,336

2 OPERATING PROFIT

Operating profit is stated after charging:

	2004 (POUND) '000	2003 (pound) '000
Auditors' remuneration:		
Audit of UK statutory accounts	4	4
Other services (tax)	1	1
Goodwill amortisation	572	573

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 MARCH 2004

3 INTEREST PAYABLE

	2004 (POUND) '000	2003 (pound) '000
On bank loans and overdrafts	127	-

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4 DIRECTORS EMOLUMENTS

The directors receive emoluments from Penn Pharmaceutical Services Limited for their services to that company. The proportion of the emoluments which relates to Celgene UK Manufacturing II Limited which were recharged by Penn Pharmaceutical Services Limited amounted to approximately (pound)81,000 (2003: (pound)60,000) in the period.

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 (POUND) '000

TAXATION ON THE PROFIT FOR THE YEAR	
UK corporation tax at 30%	2,009
Deferred taxation	4

	2,013

Factors affecting the tax charge for the year:	

Profit on ordinary activities at 30%	1,842
Expenses not deductible for tax purposes	172
Accelerated capital allowances and other timing differences	(4)
Adjustments to tax charge in respect of previous period	(1)

	2,009

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 MARCH 2004

6 DIVIDENDS

	2004 (POUND) '000

A Ordinary: (pound)23.65 per share (2003: (pound)0.88)	6,505
A Preference 0.18p per share (2003: 0.13p)	5

	6,510

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7 GOODWILL

	2004 (POUND) '000	2003 (pound) '000

Cost		
At beginning of year	11,453	11,453

Amortisation		
At beginning of year	(788)	(215)
Charge for the year	(572)	(573)
	(1,360)	(788)

Net Book amount		
At end of year	10,093	10,665
At beginning of year	10,665	11,238

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 MARCH 2004

8 STOCKS

	2004 (POUND) '000	2003 (pound) '000

Raw materials and consumables	123	22
Finished goods and goods for resale	122	211
	245	233

9 DEBTORS

	2004 (POUND) '000	2003 (pound) '000

Trade debtors	1,543	-
Deferred tax asset	1	4
	1,544	4

10 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

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2004
(POUND) '000

Amounts due to Penn Pharmaceuticals Services Limited (Note 20)	3,258
Accruals	133
Loans	1,500
Dividends payable	505
Corporation tax	1,124
Social security and other taxes	51
	6,571

The loan due to the related party is interest free and repayable on demand.

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 MARCH 2004

11 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004 (POUND) '000	2003 (pound) '000
Bank loan	4,125	-

12 LOANS AND OTHER BORROWINGS

	2004 (POUND) '000	2003 (pound) '000
Bank loan	5,625	-
Maturity of bank loan and overdraft		
In one year or less, or on demand	1,500	-
In more than one year, but not more than two years	1,500	-
In more than two years, but not more than five years	2,625	-
	5,625	-

The bank loans are secured by way of a fixed and floating charge over the assets of the group.

The interest expense is allocated to the profit and loss account over the term of the loan at a constant rate on the carrying amount.

Interest payable on the loan is at a rate of LIBOR plus 2%.

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 MARCH 2004

13 SHARE CAPITAL

		2004 (POUND)

AUTHORISED		
275,000	A ordinary shares of 0.2p each	550
225,000	B ordinary shares of 2p each	4,500
5,479,000	A 5.6% preference shares of 2p each	109,580
238,765	B 6.4% preference shares of 2p each	4,775

		119,405

ALLOTTED, CALLED UP AND FULLY PAID		
275,000	(2003: 275,000) A ordinary shares of 0.2p each	550
225,000	(2003, 225,000) B ordinary shares of 2p each	4,500
2,739,000	(2003: 5,479,000) A 5.6% preference shares of 2p each	54,790
198,971	(2003: 238,765) B 6.4% preference shares of 2p each	3,979

		63,819

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 MARCH 2004

A ORDINARY SHARES OF 0.2p EACH

The A ordinary shareholders hold full equity voting rights and are entitled to receive dividends as follows:

- i) For financial years before 31 March 2002, a fixed cumulative preferred dividend of 80% of the subscription price.
- ii) For financial years after 31 March 2002 the dividend will be the greater of:

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- a) the fixed cumulative preferred dividend of 80% of the subscription price; and
- b) a cumulative participating dividend of an amount equal to :-
 - o 5% of the net profit for the financial year ending 31 March 2003
 - o 7.5% of the net profit for the financial year ending 31 March 2004
 - o 10% of the net profit for the financial year ending 31 March 2005
 - o 12.5% of the net profit for the financial year ending 31 March 2006
 - o 15% of the net profit for any financial year thereafter

On a winding up the A ordinary shareholders rank below all preference shareholders but above all B ordinary shareholders and are entitled to all unpaid arrears and accruals of any preferred dividend or participating dividend and 10 times the subscription price paid for the shares.

B ORDINARY SHARES OF 2p EACH

The B ordinary shareholders hold full equity voting rights and are not entitled to receive any dividend. On a winding up the B ordinary shareholders rank below all preferred and A ordinary shareholders and are entitled to the subscription price paid for the shares.

CONVERSION OF A ORDINARY AND B ORDINARY INTO ORDINARY SHARES

Immediately prior to a listing or a sale, each of the A and B ordinary shares then in issue shall be converted into one fully paid ordinary share ranking *pari passu* in all respects.

A PREFERENCE SHARES OF 2p EACH

The A preference shareholders hold no voting rights and are entitled to a 5.6% dividend per annum on the subscription price.

On a winding up the A preference shareholders rank above all other preference and ordinary shares and are entitled to all unpaid arrears and accruals of any preferred dividend and subscription price paid for the shares.

B PREFERENCE SHARES OF 2p EACH

The B preference shareholders hold no voting rights and are entitled to a 6.4% dividend per annum on the subscription price.

On a winding up the B preference shareholders rank below the A preference shares but above all ordinary shares and are entitled to all unpaid arrears and accruals of any preferred dividend and subscription price paid for the shares.

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 MARCH 2004

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14 RESERVES

	Profit and loss account (pound) '000	Capital redemption reserve (pound) '000
At 1 April 2002	921	-
Retained profit for the year	2,584	-
At 1 April 2003	3,505	-
Retained loss for the year	(2,383)	-
Redemption of preference shares	(55)	55
AT 31 MARCH 2004	1,067	55

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 (POUND) '000	2003 (pound) '000
Profit for the financial year	4,127	2,834
Dividends	(6,510)	(250)
Redemption of preference shares	(55)	-
Net (decrease)/increase in shareholders' funds	(2,438)	2,584
Opening shareholders' funds	3,624	1,040
Closing shareholders' funds	1,186	3,624

16 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2004 (POUND) '000	2003 (pound) '000
CONTINUING OPERATIONS		
Operating profit	6,267	4,294
Amortisation of goodwill	572	573
Increase in stocks	(12)	(61)
(Increase)/decrease in debtors	(1,543)	2,638
Decrease in creditors	(53)	(769)
NET CASH FLOW FROM CONTINUING OPERATIONS	5,231	6,675

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 MARCH 2004

17 MOVEMENT IN NET DEBT

	2004 (POUND) '000	2003 (pound) '000
Net debt at beginning of year	5,993	11,514
Loans received	6,000	-
Repayments	(3,110)	(5,521)
NET DEBT AT END OF YEAR	8,883	5,993

18 CAPITAL COMMITMENTS

There were no capital commitments as at 31 March 2004 or 31 March 2003.

19 CONTINGENT LIABILITIES

The company had potential contingent liabilities at 31 March 2004 and 31 March 2003 under the terms of the cross guarantee given in respect of the bank borrowings of Penn Pharmaceuticals Holdings Limited and its subsidiaries. Any liability that might arise in the future under the terms of the guarantee would be limited to the extent that the bankers might be unable to recover the full amount of the debt due to them out of the assets of Penn Pharmaceuticals Holdings Limited and its subsidiaries. Subject to Penn Pharmaceuticals Holdings Limited and its subsidiaries continuing to comply with the bank's terms of borrowing, no liability will crystallise. As at 31 March 2004, Penn Pharmaceuticals Holdings Limited and its subsidiaries had net bank borrowings of (pound)5,725,000.

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 MARCH 2004

20 TRANSACTIONS WITH RELATED PARTIES

During the period the company conducted trade transactions with, and had amounts receivable from / (due to), the following related parties:

	2004 (POUND) '000	2003 (pound) '000
PENN PHARMACEUTICAL SERVICES LIMITED		
Sales	5,637	6,336
Administration charge	(1,079)	(997)
Balance payable	(3,258)	(5,993)

Administration charge relates to the recharge of costs and overheads to Celgene UK Manufacturing II Limited from Penn Pharmaceutical Services Limited ("PPSL").

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The company has no employees and all associated costs are incurred by PPSL and reallocated based on fair market value.

	2004 (POUND) '000	2003 (pound) '000

Manufacturing	154	144
Maintenance	78	68
Quality control	227	172
General management	55	91
Finance	30	75
Site support	450	347
Other	85	100

	1,079	997

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 MARCH 2004

21 ULTIMATE CONTROLLING PARTY

The directors consider Gresham II Fund to be the controlling party at 31 March 2004. Gresham II Fund is managed by Gresham LLP. See Note 22 for information concerning post balance sheet date changes in controlling party.

22 POST BALANCE SHEET EVENTS

On 21 October 2004, all of the issued shares of Celgene UK Manufacturing II Limited (formerly Penn T Limited) - "Celgene UK" were sold to Celgene UK Manufacturing I Limited, an indirect wholly-owned subsidiary of Celgene Corporation, for approximately (pound)60.5 million in cash. Prior to the acquisition, Celgene Corporation, the acquirer and Celgene UK were parties to a manufacturing agreement pursuant to which Celgene UK manufactured THALOMID(R) for Celgene Corporation.

In connection with the acquisition, on 21 October, 2004, Celgene Corporation and its operating subsidiary, Celgene UK, entered into a technical services agreement with PPSL and Penn Pharmaceutical Holding Limited pursuant to which PPSL will provide the services and facilities necessary for the manufacture of Celgene's requirements of THALOMID and other thalidomide formulations.

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CELGENE UK MANUFACTURING II LIMITED (FORMERLY PENN T LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 MARCH 2004

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23 SUMMARY OF DIFFERENCES BETWEEN UK AND US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The financial statements are prepared in accordance with UK GAAP, which differs in certain respects from US GAAP. Differences which have an effect on the profit and loss account and balance sheet are set out below:

EFFECT ON PROFIT AND LOSS ACCOUNT	2004 (POUND) '000	(pou

Profit on ordinary activities after taxation (under UK GAAP)	4,127	
Adjustment for:		
Amortisation of goodwill	572	

PROFIT ON ORDINARY ACTIVITIES AFTER TAX AS ADJUSTED FOR US GAAP	4,699	

EFFECT ON BALANCE SHEET	2004 (POUND) '000	(pou

Total shareholders' funds under UK GAAP	1,186	
Adjustment for:		
Goodwill	(10,093)	
Dividends accrued not declared	505	

TOTAL SHAREHOLDERS' FUNDS UNDER US GAAP	(8,402)	

EFFECT ON CASH FLOW STATEMENT	2004 (POUND) '000	(pou

Cash flows from operating activities	3,413	
Cash flows from investing activities	-	
Cash flows from financing activities	(3,413)	

NET CASH FLOW	-	

Under UK GAAP, goodwill arising on acquisition and representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is amortised through the profit and loss account over its useful economic life. Under US GAAP the transaction to set up the company was a transaction among entities under common control and assets and liabilities are reported at the historical cost of the transferor. The company was created as the result of a demerger of a business previously controlled by an associated company. Therefore, the assets are reported at historical cost for US GAAP purposes and goodwill would not be recorded.

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CELGENE CORPORATION INTRODUCTION TO PRO FORMA CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

On October 21, 2004, Celgene Corporation, through an indirect wholly-owned subsidiary, acquired all of the outstanding shares of Penn T Limited ("Penn T"), from a consortium of private investors (the "Acquisition") for approximately \$114.6 million, including estimated acquisition related costs of approximately \$2.3 million and estimated working capital adjustments of approximately \$3.2 million, which are expected to be paid upon final completion and agreement of the net working capital amounts. The Company did not assume existing debt (consisting of a bank loan and related party debt) of approximately \$14.2 million, which was retained by the existing shareholders.

The accompanying unaudited pro forma condensed Balance Sheet as of September 30, 2004 gives effect to the Acquisition as if the Acquisition occurred on that date. The accompanying unaudited pro forma condensed statements of operations for the nine months ended September 30, 2004 and for the year ended December 31, 2003, combine the historical consolidated statements of operations of the Company and Penn T, giving effect to the acquisition of Penn T as if the transaction had occurred on January 1, 2003. The Company made pro forma adjustments to the historical consolidated financial information to give effect to events that are (i) directly attributable to the acquisition, (ii) expected to have a continuing impact on the combined results, and (iii) factually supportable.

The fiscal year end of Penn T is March 31, whereas the fiscal year end of the Company is December 31. The pro forma condensed unaudited statement of operations for the fiscal year ended December 31, 2003 is derived from Penn T's statement of operations for the year ended March 31, 2004 and the Company's statement of operations for the year ended December 31, 2003. The pro forma condensed unaudited statement of operations for the nine months ended September 30, 2004 is derived from Penn T's Unaudited statement of operations for the nine months ended September 30, 2004 and the Company's unaudited statement of operations for the nine months ended September 30, 2004.

The unaudited pro forma condensed financial information is not necessarily indicative of the results that would have occurred if the Acquisition had occurred on January 1, 2003 and should not be construed as being representative of future operating results or financial position. The unaudited pro forma condensed financial information should be read in conjunction with the:

- o Accompanying Notes to Unaudited Pro Forma Condensed Financial Information;
- o Company's historical consolidated financial statements and notes included in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2003;
- o Company's Quarterly Reports on Form 10-Q for the quarterly period ended September 30, 2004, and the quarterly period ended June 30, 2004; and
- o Celgene UK Manufacturing II, Limited (formerly Penn T Limited) historical financial statements and notes for the fiscal year ended March 31, 2004 (included in this 8-K/A filing).

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CELGENE CORPORATION
 UNAUDITED PRO FORMA CONDENSED BALANCE SHEET
 As of September 30, 2004
 (Amounts in thousands)

	HISTORICAL CELGENE CORPORATION	HISTORICAL PENN T LIMITED	PRO FORMA ADJUSTMENTS
	-----	-----	-----
ASSETS		(A)	
CURRENT ASSETS:			
CASH AND CASH EQUIVALENTS	\$ 268,997	\$ --	\$ (109,094)
Marketable securities available for sale	\$ 529,834		
Accounts receivable, net	\$ 44,476	\$ 4,686	1,205
Inventory	\$ 21,566	\$ 421	3,121
Other current assets	\$ 20,961		
	-----	-----	-----
Total current assets	\$ 885,834	\$ 5,107	(104,768)
Plant and equipment, net	\$ 22,668		
Intangible assets, net	\$ 2,461		104,510
Goodwill	\$ 3,268	\$ 17,640	17,290
Other assets	\$ 27,317		
	-----	-----	-----
Total assets	\$ 941,548	\$ 22,747	\$ 17,032
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 22,644	\$ 354	\$ 99
Accrued expenses	\$ 56,410		5,478
Other current liabilities	\$ 4,256	\$ 9,758	(7,263)
	-----	-----	-----
Total current liabilities	\$ 83,310	\$ 10,112	(1,686)
	-----	-----	-----
Long-term debt	\$ 400,000	\$ 6,071	(6,071)
Other non-current liabilities	\$ 14,619		31,353
	-----	-----	-----
Total liabilities	\$ 497,929	\$ 16,183	23,596
	-----	-----	-----
Stockholders' equity:			
Preferred stock	\$ --	\$ 106	(106)
Common stock	\$ 822	\$ 9	(9)
Common stock in treasury	\$ (306)	\$ --	
Additional paid-in capital	\$ 623,032	\$ --	
Accumulated (deficit) earnings	\$ (266,537)	\$ 6,449	(6,449)
Accumulated other comprehensive income	\$ 86,608	\$ --	
	-----	-----	-----
Total stockholders' equity	\$ 443,619	\$ 6,564	(6,564)
	-----	-----	-----
Total liabilities and stockholders' Equity	\$ 941,548	\$ 22,747	\$ 17,032
	=====	=====	=====

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS,

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WHICH ARE AN INTEGRAL PART OF THESE STATEMENTS.

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CELGENE CORPORATION
 UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS
 For the nine months ended September 30, 2004
 (Thousands of dollars, except per share amounts)

	HISTORICAL CELGENE CORPORATION -----	HISTORICAL PENN T LIMITED ----- (A)	PRO FORMA ADJUSTMENTS -----
REVENUE:			
NET PRODUCT SALES	\$ 238,933	\$ 13,991	\$ (1,478)
Collaborative agreements and other revenue	15,420	\$ -	
Royalty revenue	17,741	\$ -	
	-----	-----	-----
Total revenue	272,094	\$ 13,991	(1,478)
	-----	-----	-----
Expenses:			
Cost of goods sold	43,655	\$ 2,135	(192)
Research and development	116,520		
Selling, general and administrative	79,408	\$ 781	5,283
	-----	-----	-----
Total expenses	239,583	\$ 2,916	5,091
	-----	-----	-----
Operating income (loss)	32,511	\$ 11,075	(6,569)
Other income and expense:			
Interest and other income (expense)	20,902		(2,233)
Interest expense	7,164	\$ 599	(599)
	-----	-----	-----
Income (loss) before taxes	46,249	\$ 10,476	(8,203)
Income tax provision (benefit)	3,931	\$ 3,506	(2,461)
	-----	-----	-----
Net income (loss)	\$ 42,318	\$ 6,970	\$ (5,742)
	=====	=====	=====
Net income per common share:			
Basic	\$ 0.26		
	=====		
Diluted	\$ 0.24		
	=====		
Weighted average number of shares of common stock utilized to calculate net income per common share:			
Basic	163,574,000		
	=====		
Diluted	176,273,000		
	=====		

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS,
 WHICH ARE AN INTEGRAL PART OF THESE STATEMENTS.

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CELGENE CORPORATION
 UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS
 For the year ended December 31, 2003
 (Thousands of dollars, except per share amounts)

	HISTORICAL CELGENE CORPORATION -----	HISTORICAL PENN T LIMITED ----- (A)	PRO FO ADJUSTM -----
REVENUE:			
NET PRODUCT SALES	\$ 244,453	\$ 14,450	\$
Collaborative agreements and other revenue	15,174		
Royalty revenue	11,848		
	-----	-----	-----
Total revenue	271,475	14,450	
	-----	-----	-----
Expenses:			
Cost of goods sold	49,085	2,911	
Research and development	122,700		
Selling, general and administrative	102,339	965	
	-----	-----	-----
Total expenses	274,124	3,876	
	-----	-----	-----
Operating income (loss)	(2,649)	10,574	
Other income and expense:			
Interest and other income (expense)	21,795		
Interest expense	5,667	214	
	-----	-----	-----
Income (loss) before taxes	13,479	10,360	(
Income tax provision (benefit)	718	3,396	
	-----	-----	-----
Income (loss) from continuing operations	\$ 12,761	\$ 6,964	\$
	=====	=====	=====
Income from continuing operations per common share:			
Basic	\$ 0.08		
	=====		
Diluted	\$ 0.07		
	=====		
Weighted average number of shares of common stock utilized to calculate per share amounts:			
Basic	161,774,000		
	=====		
Diluted	170,796,000		
	=====		

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS,
 WHICH ARE AN INTEGRAL PART OF THESE STATEMENTS.

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NOTES TO UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION

Penn T's fiscal year ends on March 31. The Unaudited Pro Forma Condensed Statement of Operations for the year ended December 31, 2003 includes Penn T's results for their fiscal year ended March 31, 2004. The Unaudited Pro Forma Condensed Statement of Operations for the nine-months ended September 30, 2004 includes Penn T's results for the same nine-months. Penn T's results for the quarter ended March 31, 2004 were included in both Unaudited Pro Forma Condensed Statement of Operations. For the quarter ended March 31, 2004, Penn T's revenue was approximately \$4.2 million and net income was approximately \$1.9 million.

- (A) Historical Penn T's financial statements are presented in British Pounds. The historical financial statements were converted to U.S. dollars using an exchange rate of 1GBP to \$1.80 as of September 30, 2004, 1 GBP to \$1.82 for the nine months ended September 30, 2004 and 1 GBP to \$1.69 for the year ended December 31, 2003. The Penn T financials have been reclassified to conform to Celgene's presentation.
- (B) Penn T financial statements have been prepared under UK generally accepted accounting principles ("GAAP"). These adjustments show the effect of the differences between UK GAAP and US GAAP. The primary difference relates to eliminating goodwill of approximately \$17.6 million, which would not have been recognized under U.S. GAAP and eliminating the related amortization expense of approximately \$0.8 million for the nine-months ended September 30, 2004 and approximately \$1.0 million for the year ended December 31, 2003.
- (C) To eliminate approximately \$8.9 million of current liabilities and approximately \$6.1 million of long-term debt and related interest expense from historical Penn T liabilities that were not assumed in the acquisition.
- (D) To record the estimated purchase accounting effects as if the acquisition had occurred on either the pro forma balance sheet date or on January 1 of the appropriate pro forma statement of operations. The Company's preliminary estimate for the purchase price allocation is as follows (in thousands of \$):

Accounts receivable	\$5,891
Inventory	3,542
Intangibles:	
Amortizable intangibles	104,510
Goodwill	34,929
Accounts payable	(453)
Accrued expenses (acquisition related costs)	(2,283)
Accrued expenses (additional purchase price due to estimated working capital adjustment)	(3,194)
Other current liabilities	(1,530)
Deferred tax liabilities	(32,318)

	\$109,094
	=====

Amortizable intangibles include supply contracts.

- (E) To eliminate the historical Penn T stockholders' equity accounts.

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- (F) To record amortization expense for the estimated intangible assets which will be recorded as a result of the Acquisition over their estimated useful life of 13 years based on the preliminary valuation report.
- (G) To eliminate inter-company sales and profit recognition on inter-company sales from Penn T to Celgene which have not yet been sold to an unrelated third party. (Prior to the acquisition the Company purchased product from Penn T under a supply agreement. Penn T also sold product to other unrelated third parties).
- (H) To pro forma the effects of interest income that may have been generated with the internal funds used to make the acquisition
- (I) To reflect tax impact of pro forma adjustments

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