

CELGENE CORP /DE/
Form DEF 14A
April 29, 2008

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-11(c) of Section 240.14a-12

CELGENE CORPORATION
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on the table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1)	Title of each class of securities to which transaction applies:
(2)	Aggregate number of securities to which transaction applies:
(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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| (1) | Amount Previously Paid: |
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| (3) | Filing Party: |
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CELGENE CORPORATION
86 Morris Avenue
Summit, New Jersey 07901

May 4, 2008

Dear Stockholder:

On behalf of the Board of Directors, I cordially invite you to attend the 2008 Annual Meeting of Stockholders, or the Annual Meeting, of Celgene Corporation. The Annual Meeting will be held on June 18, 2008, beginning at 1:00 p.m. Eastern Time at the offices of Celgene Corporation, 86 Morris Avenue, Summit, New Jersey 07901. The formal Notice of Annual Meeting is set forth in the enclosed material.

The matters expected to be acted upon at the meeting are described in the attached Proxy Statement. During the meeting, stockholders will have the opportunity to ask questions and comment on our business operations.

This year, we are pleased to be using the Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing to our stockholders a notice instead of a paper copy of this Proxy Statement and a proxy card. The notice contains instructions on how to access those documents over the Internet. The notice also contains instructions on how each of those stockholders can receive a paper copy of our proxy materials, including this Proxy Statement and a form of proxy card. We believe this new process will conserve natural resources and reduce the costs of printing and distributing our proxy materials.

It is important that your views be represented whether or not you are able to be present at the Annual Meeting. You may cast your vote by signing and dating the enclosed proxy card and promptly returning it in the provided return envelope. No postage is required if this envelope is mailed in the United States. You have the option to cast your vote in person at the Annual Meeting on June 18, 2008. You also have the option of voting your proxy via the Internet at www.proxyvote.com or by calling toll free via a touch-tone phone at 800-690-6903. You may vote via telephone or the Internet up until 11:59 p.m. Eastern Time on June 17, 2008.

We appreciate your investment in Celgene and urge you to return your proxy card as soon as possible.

Sincerely,

Sol J. Barer, Ph.D.
*Chairman of the Board and
Chief Executive Officer*

CELGENE CORPORATION
86 Morris Avenue
Summit, New Jersey 07901

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders, or the Annual Meeting, of CELGENE CORPORATION will be held at the offices of Celgene Corporation, 86 Morris Avenue, Summit, New Jersey 07901 on June 18, 2008, beginning at 1:00 p.m. Eastern Time for the following purposes:

1. to elect nine directors;
2. to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008;
3. to approve the amendment and restatement of our 1998 Stock Incentive Plan (to be renamed the 2008 Stock Incentive Plan); and
4. to transact any such other business as may properly come before the Annual Meeting and at any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on April 22, 2008 as the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting.

By order of the Board of Directors,

Sol J. Barer, Ph.D.
*Chairman of the Board and
Chief Executive Officer*

May 4, 2008

YOUR VOTE IS IMPORTANT

Please vote via the Internet or telephone.

Internet: www.proxyvote.com

Phone: 800-690-6903

If you request a proxy card, please mark, sign and date the proxy card when received and return it promptly in the self-addressed, stamped envelope we will provide.

CELGENE CORPORATION
86 Morris Avenue
Summit, New Jersey 07901

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors for the annual meeting of stockholders (which we refer to as the Annual Meeting) of Celgene Corporation, a Delaware corporation, to be held on June 18, 2008, and at any adjournment or postponement thereof. The proxy materials include this proxy statement for the Annual Meeting and a form of proxy card. When we refer to our fiscal year, we mean the 12-month period ending December 31 of the stated year (for example, fiscal 2007 is

January 1, 2007 through December 31, 2007).

Electronic Notice and Mailing

Pursuant to new rules promulgated by the Securities and Exchange Commission, or the SEC, we are making our proxy materials available to you on the Internet. Accordingly, we will mail a Notice of Internet Availability of proxy materials (which we refer to as the Notice of Internet Availability) to the beneficial owners of our common stock, par value \$0.01 per share, or Common Stock on or about May 4, 2008. From the date of the mailing of the Notice of Internet Availability until the conclusion of the Annual Meeting, all beneficial owners will have the ability to access all of the proxy materials at www.proxyvote.com. All stockholders will have an opportunity to request a paper or e-mail delivery of these proxy materials.

The Notice of Internet Availability will contain:

- the date, time and location of the Annual Meeting, the matters to be acted upon at the Annual Meeting and the Board of Directors' recommendation with regard to each matter;
- the Internet address that will enable access to the proxy materials;
- a comprehensive listing of all proxy materials available on the website;
- a toll-free phone number, e-mail address and Internet address for requesting either paper or e-mail delivery of proxy materials;
- the last reasonable date a stockholder can request materials and expect them to be delivered prior to the meeting; and
- instructions on how to access the proxy card.

You may also request a paper or e-mail delivery of the proxy materials on or before the date provided in the Notice of Internet Availability by calling 1-800-579-1639. We will fill your request within three business days. You will also have the option to establish delivery preferences that will be applicable for all your future mailings.

Record Date and Voting Securities

Only stockholders of record at the close of business on April 22, 2008, the record date for the Annual Meeting, or the Record Date, will be entitled to notice of and to vote at the Annual Meeting. On the Record Date we had outstanding 435,754,523 shares of Common Stock, which are our only securities entitled to vote at the Annual Meeting, each share being entitled to one vote.

How to Vote

Stockholders of record (that is, stockholders who hold their shares in their own name) can vote any one of four ways:

(1) *By Internet:* Go to the website www.proxyvote.com to vote via the Internet. You will need to follow the instructions on your proxy card and the website. If you vote via the Internet, you may incur telephone and Internet access charges.

(2) *By Telephone:* Call the toll-free number 1-800-690-6903 to vote by telephone. You will need to follow the instructions on your proxy card and the voice prompts.

(3) *By Mail:* If you prefer, you can contact us to obtain copies of all proxy materials, including proxy cards, by calling 1-800-579-1639, or by mail: Celgene Corporation, 86 Morris Avenue, Summit, New Jersey 07901. If you contact us to request a proxy card, please mark, sign and date the proxy card and return it promptly in the self-addressed, stamped envelope, that we will provide. If you sign and return your proxy card but do not give voting instructions, the shares represented by that proxy will be voted as recommended by the Board of

Directors.

(4) *In Person*: You can attend the Annual Meeting, or send a personal representative with an appropriate proxy, to vote by ballot. Please note that only record or beneficial owners of Common Stock or their proxies may attend the Annual Meeting in person. When you arrive at the Annual Meeting, you must present photo identification, such as a driver's license. Beneficial owners must also provide evidence of stock holdings, such as a recent brokerage account or bank statement.

If you vote via the Internet or by telephone, your electronic vote authorizes the named proxies in the same manner as if you signed, dated and returned your proxy card. **If you vote via the Internet or by telephone, do not mail a proxy card.**

If your shares are held in the name of a bank, broker or other holder of record (that is, "street name"), you will receive instructions from the holder of record that you must follow in order for your shares to be voted. Internet and telephone voting also will be offered to stockholders owning shares through most banks and brokers.

Revocability of Proxies

Stockholders who execute proxies may revoke them by giving written notice to our Chief Executive Officer at any time before such proxies are voted. Attendance at the Annual Meeting shall not have the effect of revoking a proxy unless the stockholder so attending shall, in writing, so notify the Secretary of the Annual Meeting at any time prior to the voting of the proxy at the Annual Meeting.

Other Matters

The Board of Directors does not know of any matter that is expected to be presented for consideration at the Annual Meeting, other than the election of directors; the ratification of the appointment of our independent registered public accounting firm for the current fiscal year; and the adoption of the amended and restated 1998 Stock Incentive Plan (to be renamed the 2008 Stock Incentive Plan). However, if other matters properly come before the Annual Meeting, the persons named in the accompanying proxy intend to vote thereon in accordance with their judgment.

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Solicitation Expenses

We will bear the cost of the Annual Meeting and the cost of soliciting proxies, including the cost of mailing the proxy material. In addition to solicitation by mail, our directors, officers and regular employees (who will not be specifically compensated for such services) may solicit proxies by telephone or otherwise. Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries to forward proxies and proxy material to their principals, and we will reimburse them for their expenses. In addition, we have retained Broadridge Financial Solutions, or Broadridge, to assist in the mailing, collection, and administration of the proxy. Broadridge's fee is estimated to be \$150,000 plus reasonable out-of-pocket expenses.

Voting Procedures; Abstentions

All proxies received pursuant to this solicitation will be voted except as to matters where authority to vote is specifically withheld and, where a choice is specified as to the proposal, they will be voted in accordance with such specification. If no instructions are given, the persons named in the proxy solicited by our Board of Directors intend to vote FOR the nominees for election of our directors listed herein, FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008 and FOR the amendment and restatement of our 1998 Stock Incentive Plan (to be renamed the 2008 Stock Incentive Plan).

A majority of the outstanding shares of Common Stock entitled to vote on the Record Date, whether present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting and any adjournment or postponement thereof. Abstentions and broker non-votes (i.e., proxies from brokers or

nominees indicating that such persons have not received instructions from the beneficial owner or other persons eligible to vote shares as to a matter with respect to which the brokers or nominees do not have discretionary power to vote) will be counted as present or represented for purposes of establishing a quorum for the transaction of business.

Abstentions and broker non-votes will have no effect on the election of directors, which is by plurality of the votes cast in person or by proxy.

Abstentions and broker non-votes will have no effect on the proposed (i) amendment and restatement of our 1998 Stock Incentive Plan (to be renamed the 2008 Stock Incentive Plan) and (ii) ratification of the appointment of KPMG LLP as our independent registered public accounting firm, as each of these items requires the affirmative vote of a majority of shares of Common Stock cast in person or by proxy.

All shares of Common Stock as set forth in this Proxy Statement have been adjusted to reflect the three-for-one-split we declared and paid on April 14, 2000, or the 2000 Split; the two-for-one-split we declared and paid on October 22, 2004, or the 2004 Split; and the two-for-one-split we declared on February 17, 2006 and paid on February 24, 2006, or the 2006 Split. The 2000 Split, the 2004 Split and the 2006 Split are collectively referred to as the Splits.

MATTERS TO COME BEFORE THE ANNUAL MEETING

PROPOSAL ONE: ELECTION OF DIRECTORS

Nominees

At the Annual Meeting, nine directors, who have been nominated by the Nominating and Governance Committee (referred to as the Nominating Committee), are to be elected, each to hold office (subject to our Bylaws) until the next annual meeting and until his or her successor has been elected and qualified. All of the nominees for director currently serve as directors and, other than Ernest Mario, Ph.D., were elected by the stockholders at the 2007 Annual Meeting. Richard C.E. Morgan, who has served as one of our directors since 1987, is not standing for re-election at the Annual Meeting. In that connection, the Board of Directors has determined to decrease the number of directors from ten to nine, effective at the Annual Meeting.

Each nominee has consented to being named as a nominee in this Proxy Statement and to serve if elected. If any nominee listed in the table below should become unavailable for any reason, which the Board of Directors does not anticipate, the proxy will be voted for any substitute nominee or nominees who may be selected by the Board of Directors prior to or at the Annual Meeting, or, if no substitute is selected by the Board of Directors prior to or at the Annual Meeting, for a motion to reduce the membership of the Board of Directors to the number of nominees available. Directors will be elected by an affirmative vote of a plurality of the votes cast at the Annual Meeting in person or by proxy. There are no family relationships between any of our directors and executive officers. The information concerning the nominees and their security holdings has been furnished by them to us.

Name	Age	Position
Sol J. Barer, Ph.D.	61	Chief Executive Officer and Chairman of the Board
Robert J. Hugin	53	President, Chief Operating Officer and Director
Michael D. Casey	62	Director
Rodman L. Drake	65	Director
Arthur Hull Hayes, Jr., M.D.	74	Director
Gilla Kaplan, Ph.D.	61	Director
James J. Loughlin	65	Director
Ernest Mario, Ph.D.	70	Director
Walter L. Robb, Ph.D.	80	Director

Sol J. Barer, Ph.D. has served as our Chief Executive Officer since May 1, 2006. Immediately prior, Dr. Barer served as our President, an office he held since October 1993, and as our Chief Operating Officer, an office he held since March 1994. Dr. Barer has served as the Chairman of our Board of Directors since January 2, 2007 and, since March 1994, has served as one of our directors. He is also the Chairman of the Executive Committee of our Board of Directors. Dr. Barer was Senior Vice President—Science and Technology and Vice President/General Manager—Chiral Products from October 1990 to October 1993 and our Vice President—Technology from September 1987 to October 1990. Dr. Barer received a Ph.D. in organic chemistry from Rutgers University and is on the Rutgers Graduate School Dean’s Advisory Council (Founding Chair) and the Rutgers Bioscience Commercialization Advisory Board. Dr. Barer is also a director of Semorex, Inc. and the Pharmaceutical Research and Manufacturers of America (PhRMA), and serves on the Board of Trustees of the Biotechnology Council of New Jersey and the Board of the Brooklyn College Foundation. Dr. Barer previously served as Commissioner of the New Jersey Commission on Science and Technology.

Robert J. Hugin has served as our Chief Operating Officer and President since May 1, 2006. He served as our Senior Vice President and Chief Financial Officer from June 1999 until May 1, 2006. Mr. Hugin has served as one of our directors since December 2001. Previously, Mr. Hugin had been a Managing Director

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at J.P. Morgan & Co. Inc., which he joined in 1985. Mr. Hugin received an A.B. degree from Princeton University and an M.B.A. from the University of Virginia. Mr. Hugin is also a director of The Medicines Company, Atlantic Health System, Inc., a non-profit health care system, and Family Promise, a national nonprofit network assisting homeless families.

Michael D. Casey has served as one of our directors since August 2002, is Chairman of the Nominating Committee, and serves on the Executive Committee as of December 2006 and, since April 19, 2006, the Management Compensation and Development Committee (referred to as the Compensation Committee), of our Board of Directors. He became our lead independent director on June 12, 2007. Mr. Casey was a member of the Audit Committee from August 2002 through December 2006. From September 1997 to February 2002, Mr. Casey served as the Chairman, President, Chief Executive Officer and a director of Matrix Pharmaceutical, Inc. From November 1995 to September 1997, Mr. Casey was Executive Vice President at Schein Pharmaceutical, Inc. In December 1996, he was appointed President of the retail and specialty products division of Schein. From June 1993 to November 1995, he served as President and Chief Operating Officer of Genetic Therapy, Inc. Mr. Casey was President of McNeil Pharmaceutical (a unit of Johnson & Johnson) from 1989 to June 1993 and Vice President, Sales and Marketing for Ortho Pharmaceutical Corp. (a subsidiary of Johnson & Johnson) from 1985 to 1989. Mr. Casey is also a director of Allos Therapeutics, Inc., Durect Corp. and AVI BioPharma.

Rodman L. Drake has served as one of our directors since April 19, 2006 and as a member of the Nominating Committee and the Compensation Committee of our Board of Directors. Since January 2002, Mr. Drake has been Managing Director of Baringo Capital LLC, a private equity group he co-founded. From November 1997 to January 2002, Mr. Drake was president of Continuation Investments Group Inc., a private equity firm. Prior to that, Mr. Drake was co-chairman of the KMR Power Company and Chief Executive Officer and Managing Director of Cresap McCormick and Paget, a leading management consulting firm, and served as President of the Mandrake Group, a consulting firm specializing in strategy and organizational design. He is a member of the boards of directors of Student Loan Corporation, Jackson Hewitt, Apex Silver Corporation, Crystal River Capital and the Animal Medical Center of New York. He is the Chairman of the Hyperion Brookfield Funds and a Trustee of the Columbia Atlantic Funds. Mr. Drake received his B.A. degree from Yale University and his M.B.A. from Harvard Business School.

Arthur Hull Hayes, Jr., M.D. has served as one of our directors since 1995 and is a member of the Audit Committee of our Board of Directors. Dr. Hayes was President and Chief Operating Officer of MediScience Associates, a consulting organization that works with pharmaceutical firms, biomedical companies and foreign governments, from July 1991 through December 2005, and clinical professor of medicine and pharmacology at the Pennsylvania State University College of Medicine, from 1981 to 2004. From 1986 to 1990, Dr. Hayes was President and Chief Executive Officer of E.M. Pharmaceuticals, a unit of E. Merck AG, and from 1981 to 1983 was Commissioner of the U.S. Food and Drug Administration. Dr. Hayes is also a director of Myriad Genetics, Inc., QuantRx Biomedical Corporation and Tapestry, Inc.

Gilla Kaplan, Ph.D. has served as one of our directors since April 1998 and is a member of the Audit Committee of our Board of Directors. Dr. Kaplan is head of the Laboratory of Mycobacterial Immunity and Pathogenesis at The Public Health Research Institute Center at the University of Medicine and Dentistry of New Jersey in Newark, New Jersey, where she was appointed full Member in 2002. Dr. Kaplan also was appointed, in 2005, Professor of Medicine at the University of Medicine and Dentistry of New Jersey. Previously, Dr. Kaplan was an immunologist in the Laboratory at Cellular Physiology and Immunology at The Rockefeller University in New York where she was an Associate Professor.

James J. Loughlin has served as one of our directors since January 8, 2007 and is a member of the Audit Committee of our Board of Directors. Mr. Loughlin served as the National Director of the Pharmaceuticals Practice at KPMG, including a five-year term as member of the Board of Directors of KPMG LLP. Additionally, Mr. Loughlin served as Chairman of the Pension and Investment Committee of the KPMG Board from 1995 through 2001. He also served as Partner in charge of Human Resources, Chairman of the Personnel

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and Professional Development Committee, Secretary and Trustee of the Peat Marwick Foundation and a member of the Pension, Operating and Strategic Planning Committees. Mr. Loughlin is a director of Alfacell Corporation and Datascope Corporation.

Ernest Mario, Ph.D. was appointed by a majority of the Board of Directors on August 22, 2007 and serves on the Nominating Committee of our Board of Directors. Dr. Mario is a former Deputy Chairman and Chief Executive of Glaxo Holdings plc. and a former Chairman and Chief Executive Officer of ALZA Corporation. Dr. Mario has been a Director of Boston Scientific since October 2001 and is currently Chairman of Pharmaceutical Product Development. From 2003 to 2007, he was Chairman and Chief Executive of Reliant Pharmaceuticals. Dr. Mario was recently appointed the Chief Executive Officer of Capnia, Inc. A former Trustee of Duke University, he serves on the Board of the Duke University Health System. He is a past Chairman of the American Foundation for Pharmaceutical Education and serves as an advisor to the pharmacy schools at the University of Maryland, the University of Rhode Island and The Ernest Mario School of Pharmacy at Rutgers University. Dr. Mario is the recipient of the 2007 Remington Honor Medal, which is the highest recognition given by the American Pharmacists Association.

Walter L. Robb, Ph.D. has served as one of our directors since 1992 and is the Chairman of the Audit Committee of our Board of Directors. He has been a private consultant and President of Vantage Management Inc., a consulting and investor services company, since January 1993. Dr. Robb was Senior Vice President for Corporate Research and Development of General Electric Company, and a member of its Corporate Executive Council from 1986 to December 1992. Dr. Robb is Chairman of the Board of Directors of Capital District Sports. He is also a director of Mechanical Technology, Inc., a public company, and several private companies.

RECOMMENDATION OF THE BOARD OF DIRECTORS

**THE BOARD OF DIRECTORS UNANIMOUSLY
RECOMMENDS A VOTE FOR THE ELECTION OF EACH NOMINEE.**

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Security Ownership of Certain Beneficial Owners and Management

The table below sets forth the beneficial ownership of Common Stock as of March 15, 2008 by (i) each director, (ii) each named executive officer (as defined below), (iii) all of our directors and named executive officers as a group and (iv) all persons known by the Board of Directors to be beneficial owners of more than five

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percent of the outstanding shares of Common Stock. Shares of Common Stock subject to warrants and/or options that are currently exercisable or exercisable within 60 days of March 15, 2008 are deemed outstanding for computing the ownership percentage of the stockholder holding such warrants and/or options, but are not deemed outstanding for computing the ownership percentage of any other stockholder. Unless otherwise noted, the address of each stockholder is Celgene Corporation, 86 Morris Avenue, Summit, New Jersey 07901.

Name and Address of Beneficial Ownership	Amount and Nature of Beneficial Ownership	Percent of Class
Sol J. Barer, Ph.D.	4,457,216 ⁽¹⁾⁽²⁾⁽³⁾	1.0%
Robert J. Hugin	3,168,416 ⁽¹⁾⁽²⁾⁽⁴⁾	*
David W. Gryska	166,295 ⁽¹⁾⁽²⁾	*
Aart Brouwer	478,500 ⁽¹⁾⁽²⁾	*
Graham Burton, MBBS, FRCP	377,415 ⁽¹⁾⁽²⁾	*
Michael D. Casey	202,500 ⁽¹⁾	*
Rodman L. Drake	28,500 ⁽¹⁾	*
Arthur Hull Hayes, Jr., M.D.	202,500 ⁽¹⁾	*
Gilla Kaplan, Ph.D.	342,500 ⁽¹⁾	*
James J. Loughlin	9,750 ⁽¹⁾	*
Ernest Mario, Ph.D.	10,000 ⁽¹⁾	*
Richard C.E. Morgan	511,993 ⁽¹⁾⁽⁵⁾	*
Walter L. Robb, Ph.D.	315,548 ⁽¹⁾	*
All our directors and current executive officers as a group (13 persons)	10,271,133 ⁽⁶⁾	2.4%
FMR LLC (☐FMR☐) 82 Devonshire Street Boston, MA 02109	40,637,359 ⁽⁷⁾	9.3%
Janus Capital Management LLC (☐Janus Capital☐) 151 Detroit Street Denver, CO 80206	39,394,059 ⁽⁸⁾	9.0%
AXA Financial, Inc. (☐AXA Financial☐) 1290 Avenue of the Americas New York, NY 10104	19,922,533 ⁽⁹⁾	4.6%

* Less than one percent (1%)

(1) Includes shares of Common Stock that the directors and executive officers have the right to acquire through the exercise of warrants and/or options within 60 days of March 15, 2008 as follows: Sol J. Barer ☐ 3,512,146; Robert J. Hugin ☐ 2,871,774; David W. Gryska ☐ 166,250; Aart Brouwer ☐ 378,500; Graham Burton ☐ 322,513; Michael D. Casey ☐ 202,500; Rodman L. Drake ☐ 25,000; Arthur Hull Hayes, Jr. ☐ 202,500; Gilla Kaplan ☐ 342,500; James J. Loughlin ☐ 8,750; Ernest Mario ☐ 0; Richard C.E. Morgan ☐ 37,500; and Walter L. Robb ☐ 252,500. Shares of Common Stock underlying options and/or warrants are deemed outstanding and beneficially owned by such director or executive officer if such options and/or warrants may be exercised within 60 days of March 15, 2008, regardless of whether such exercise is actually effected.

Does not include shares of Common Stock that the directors and executive officers have the right to acquire through the exercise of options not exercisable within 60 days of March 15, 2008, as follows: Sol J. Barer -0-; Robert J. Hugin -0-; David W. Gryska -0-; Aart Brouwer -0-; Graham Burton -0-; Michael D. Casey □ 18,500; Rodman L. Drake □ 28,500; Arthur Hull Hayes, Jr. □ 18,500; Gilla Kaplan □ 18,500; James J. Loughlin □ 33,500; Ernest Mario □ 38,875; Richard C.E. Morgan □ 18,500; and Walter L. Robb □ 18,500.

Pursuant to the 1998 Stock Incentive Plan, options granted to employees (including executive officers) are immediately exercisable, whether or not they are subject to a vesting schedule (with the shares of Common Stock acquired upon exercise to be held until fully vested); thus executive officers have the right to exercise all options granted within 60 days of March 15, 2008 (and shares underlying all such options are included in the executive officer's beneficial ownership reported in the above table). Options granted to non-employee directors under the Directors' Incentive Plan are not immediately exercisable; thus certain options as indicated above that are subject to vesting may not be exercised within 60 days of March 15, 2008 (and shares underlying such options are not included in the applicable director's beneficial ownership amount).

- (2) Includes shares of Common Stock reflecting matching contributions under our 401(k) Plan in which the named executive officers will vest within 60 days of March 15, 2008.
- (3) Includes with respect to Dr. Barer (i) 25,824 shares owned by a family foundation of which Dr. Barer is a trustee, (ii) 135,848 shares of Common Stock underlying options that are exercisable within 60 days of March 15, 2008 held by the Sol Barer 2006 Grantor Retained Annuity Trust, (iii) 408,337 shares of Common Stock underlying options that are exercisable within 60 days of March 15, 2008 held by the Sol Barer 2008 Grantor Retained Annuity Trust, and (iv) 398,523 shares of Common Stock underlying options that are exercisable within 60 days of March 15, 2008 held by the Meryl Barer 2008 Grantor Retained Annuity Trust. Meryl Barer is Dr. Barer's spouse. Dr. Barer disclaims beneficial ownership over shares of Common Stock underlying options held by Meryl Barer's 2008 Grantor Retained Annuity Trust.
- (4) Includes with respect to Mr. Hugin 83,857 shares owned by a family foundation of which Mr. Hugin is a trustee and an aggregate 4,800 shares owned by Mr. Hugin's children.
- (5) Includes with respect to Mr. Morgan a variable forward arrangement for up to 392,253 shares that will settle on August 11, 2008.
- (6) Includes or excludes, as the case may be, shares of Common Stock as indicated in the preceding footnotes and shares of Common Stock subject to options that are currently exercisable or exercisable within 60 days of March 15, 2008.
- (7) Information regarding FMR was obtained from a Schedule 13G/A, filed by FMR with the SEC on February 14, 2008. Fidelity Management & Research Company (□Fidelity□), a wholly owned subsidiary of FMR and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 40,286,834 shares of Common Stock, as a result of acting as an investment adviser to various investment companies. Each of

Edward C. Johnson III, FMR's Chairman, and FMR, through its control of Fidelity, and the investment companies has sole power to dispose of 40,286,834 shares of Common Stock. Strategic Advisers, Inc., a wholly owned subsidiary of FMR and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 5,611 shares of Common Stock, as a result of its service as an investment advisor to individuals. Fidelity International Limited ("FIL"), an investment manager to various non-U.S. investment companies, is the beneficial owner of 54,694 shares of Common Stock. Mr. Johnson is the Chairman of FIL, and through partnerships controlled predominantly by members of his family or trusts for their benefit, has the power to vote approximately 47% of FIL voting stock. Pyramis Global Advisors, LLC, an indirect wholly-owned subsidiary of FMR and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 20,100 shares of Common Stock, as a result of its service as an

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investment manager to various institutional accounts, non-U.S. mutual funds or investment companies. Pyramis Global Advisors Trust Company, an indirect wholly owned subsidiary of FMR and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, is the beneficial owner of 270,120 shares of Common Stock, as a result of its serving as investment manager of institutional accounts owning such shares. As a result of the above relationships, FMR beneficially owns 40,637,359 shares of Common Stock, and has sole dispositive power over all 40,637,359 shares and sole voting power over 351,304 of such shares.

- (8) Information regarding Janus Capital was obtained from a Schedule 13G/A, filed by Janus Capital with the SEC on February 14, 2008. Such Schedule 13G/A reflects that Janus Capital has an indirect 86.5% ownership stake in Enhanced Investment Technologies LLC ("Intech") and an indirect 30% ownership stake in Perkins, Wolf, McDonnell and Company, LLC ("Perkins Wolf"). Due to the above ownership structure, holdings for Janus Capital, Perkins Wolf and Intech were aggregated for purposes of the Janus Capital Schedule 13G/A. Janus Capital, Perkins Wolf and Intech are registered investment advisers, each furnishing investment advice to various investment companies registered under the Investment Company Act of 1940 and to individual and institutional clients (collectively referred to herein as "Managed Portfolios"). As a result of its role as an investment adviser or sub-adviser to the Managed Portfolios, Janus Capital may be deemed to be the beneficial owner of 32,794,720 shares of Common Stock held by such Managed Portfolios. As a result of its role as investment adviser or sub-adviser to the Managed Portfolios, Intech may be deemed to be the beneficial owner of 6,599,339 shares of Common Stock held by such Managed Portfolios. Janus Capital has sole voting power and dispositive power over 32,794,720 shares of Common Stock and shared voting and dispositive power over 6,599,339 shares of Common Stock with Intech.
- (9) Information regarding AXA Financial was obtained from a Schedule 13G, filed by AXA Financial with the SEC on February 14, 2008. Such Schedule 13G reflects that a majority of the shares reported are held by unaffiliated third-party client accounts managed by Alliance Capital Management L.P., a majority-owned subsidiary of AXA

Financial, as investment advisor. This Schedule 13G was jointly filed by AXA Financial; AXA, which owns AXA Financial; and each of AXA Assurances I.A.R.D Mutuelle, AXA Assurances Vie Mutuelle, AXA Courtage Assurance Mutuelle (collectively the "Mutuelles AXA"), which as a group control AXA. The address of Mutelles is 26, rue Drouot, 75009 Paris, France. The address of AXA is 25, avenue Matignon, 75008 Paris. According to such Schedule 13G, (i) AXA Investment Managers Paris (France), an AXA entity, is the beneficial owner of 16,322 shares and has sole voting power over 16,322 shares, shared voting power over 0 shares, sole dispositive power over 16,322 shares, and shared dispositive power over 0 shares, (ii) AXA Konzern AG (Germany), an AXA entity, is the beneficial owner of 600 shares and has sole voting power over 600 shares, shared voting power over 0 shares, sole dispositive power over 600 shares, and shared dispositive power over 0 shares, (iii) AXA Rosenberg Investment Management LLC, an AXA entity, is the beneficial owner of 23,680 shares and has sole voting power over 12,905 shares, shared voting power over 0 shares, sole dispositive power over 23,680 shares, and shared dispositive power over 0 shares, (iv) AXA Framlington, an AXA entity, is the beneficial owner of 405,000 shares and has sole voting power over 405,000 shares, shared voting power over 0 shares, sole dispositive power over 405,000 shares, and shared dispositive power over 0 shares, (v) AXA Financial is the beneficial owner of 0 shares and has sole voting power over 0 shares, shared voting power over 0 shares, sole dispositive power over 0 shares, and shared dispositive power over 0 shares, (vi) Alliance Bernstein L.P., a subsidiary of AXA Financial, is the beneficial owner of 19,137,951 shares and has sole voting power over 12,398,388 shares, shared voting power over 2,537,399 shares, sole dispositive power over 19,128,148 shares, and shared dispositive power over 9,803 shares, and (vii) AXA Equitable Life Insurance Company, a subsidiary of AXA Financial, is the beneficial owner of 338,980 shares and has sole voting power over 317,480 shares, shared voting power over 0 shares, sole dispositive power over 338,980 shares, and shared dispositive power over 0 shares. The AXA reporting

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persons' Schedule 13G filed on February 14, 2008 reflected beneficial ownership of 5.2% based on our outstanding shares of Common Stock as of such date. The above beneficial ownership table reflects ownership of 4.6% based on our outstanding shares of Common Stock as of March 15, 2008.

Board Independence

No director will be deemed to be independent unless the Board of Directors affirmatively determines that the director has no material relationship with us, directly or as an officer, stockholder or partner of an organization that has such a relationship. The Board of Directors observes all criteria for independence established by the Nasdaq Stock Market, or Nasdaq, under its applicable Marketplace Rules. In its annual review of director independence, the Board of Directors has determined that all of our non-employee directors, and a majority of all of our directors, may be classified as "independent" within the meaning of Rule 4200 of the Nasdaq Marketplace Rules. Executive sessions of our independent directors are convened at least twice a year in conjunction with regularly scheduled Board of Directors meetings.

Board Meetings; Committees and Membership

The Board of Directors held seven meetings during 2007. During 2007, each of the directors then in office attended more than 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings of all committees of the Board on which such director served, except Arthur Hull Hayes, Jr. Our policy is to encourage our Board members to attend all annual meetings and any special meeting of stockholders. All of our directors attended the 2007 Annual Meeting of stockholders.

We maintain the following committees of the Board of Directors: the Executive Committee, the Compensation Committee, the Nominating Committee and the Audit Committee. Except for the Executive Committee, each committee is comprised entirely of directors who may be classified as "independent" within the meaning of Rule 4200 of the Nasdaq Marketplace Rules. Other than the Executive Committee, each committee acts pursuant to a separate written charter, and each such charter has been adopted and approved by the Board of Directors. A copy of the Amended and Restated Audit Committee Charter, the Compensation Committee Charter and the Nominating Committee Charter are available on our website at <http://www.celgene.com> by choosing the "Investor Relations" link then clicking on the "Corporate Governance" section.

The Executive Committee

The Executive Committee's current members are Dr. Sol J. Barer, (Chairman), Richard C.E. Morgan and Michael D. Casey. As stated above, Mr. Morgan is not standing for re-election at the Annual Meeting. The Executive Committee did not meet in 2007. The Executive Committee has and may exercise all of the powers and authority of our full Board of Directors, subject to certain exceptions.

The Compensation Committee

The Compensation Committee's current members are Richard C.E. Morgan (Chairman), Michael D. Casey and, since December 6, 2007, Rodman L. Drake. As stated above, Mr. Morgan is not standing for re-election at the Annual Meeting. The Compensation Committee held six meetings during 2007. The Compensation Committee annually reviews the total compensation package for all executive officers, including the Chief Executive Officer; considers modification of existing compensation and benefit programs and the adoption of new plans; administers the plans and reviews the compensation of non-employee members of the Board of Directors. The Compensation Committee has (i) the full power and authority to interpret the provisions and supervise the administration of our 1986 Stock Option Plan, the Anthrogenesis Corporation Qualified Employee Incentive Stock Option Plan, the Signal Pharmaceuticals, Inc. 2000 Equity Incentive Plan, our 1992 Long-Term Incentive Plan, our 1998 Stock Incentive Plan (to be renamed the 2008 Stock Incentive

Plan), and, since our acquisition of Pharmion Corporation on March 7, 2008, the Pharmion Corporation 2000 Stock Incentive Plan, (ii) the full power and authority to administer and interpret our nonqualified deferred compensation plan and (iii) the authority to review all matters relating to our personnel.

The Nominating Committee

The Nominating Committee's current members are Michael D. Casey (Chairman), Rodman L. Drake and, since August 22, 2007, Ernest Mario, Ph.D. The Nominating Committee held three meetings in 2007. The Nominating Committee determines the criteria for nominating new directors, recommends to the Board of Directors candidates for nomination to the Board of Directors and oversees the evaluation of the Board of Directors. The Nominating Committee's process to identify and evaluate candidates for nomination to the Board of Directors includes consideration of candidates for nomination to the Board of Directors recommended by stockholders. Such stockholder recommendations must be delivered to our Corporate Secretary, together with the information required to be filed in a Proxy Statement with the SEC regarding director nominees, and each such nominee must consent to serve as a director if elected, no later than the deadline for submission of stockholder proposals as set forth in our Bylaws and under the section of this Proxy Statement entitled "Stockholder Nominations." In considering and evaluating such stockholder proposals that have been properly submitted, the Nominating Committee will apply substantially the same criteria that the Nominating Committee believes must be met by a Nominating Committee-recommended nominee as described below. To date, we have not received any recommendations from stockholders requesting that the Nominating Committee consider a candidate for inclusion among the Nominating Committee's slate of nominees in our Proxy Statement.

In addition, certain identification and disclosure rules apply to director candidate proposals submitted to the Nominating Committee by any single stockholder or group of stockholders that has beneficially owned more than five percent of Common Stock for at least one year, referred to as a Qualified Stockholder Proposal. If the Nominating Committee receives a Qualified Stockholder Proposal with the necessary notice, information and consent provisions as referenced above, the Proxy Statement to which the Qualified Stock Proposal referred will

disclose the name of the proposed candidate and the stockholder (or stockholder group) who recommended the candidate and will also disclose whether or not the Nominating Committee chose to nominate the proposed candidate. However, no such disclosure will be made without the written consent of both the stockholder (or stockholder group) and the proposed candidate to be so identified. The procedures described in this paragraph are meant to establish additional requirements and are not meant to replace or limit stockholders' general nomination rights in any way.

In evaluating director nominees, the Nominating Committee currently considers the following factors:

- our needs with respect to the particular competencies and experience of our directors;
- the knowledge, skills and background of nominees, including experience in relevant functional areas, in light of prevailing business conditions and the knowledge, skills, background and experience already possessed by other members of our Board of Directors;
- familiarity with our business and businesses similar or analogous to ours; and
- financial acumen and corporate governance experience.

The Nominating Committee identifies nominees first by evaluating the current members of the Board of Directors willing to continue in service. If any member of the Board does not wish to continue in service or if the Nominating Committee or the Board of Directors decides not to re-nominate a member for re-election, the Nominating Committee will identify the required skills, background and experience of a new nominee, in tandem with prevailing business conditions, and will source relevant candidates and present to the Board of Directors suggestions as to individuals who meet the required criteria. The Nominating Committee may also utilize the services of an outside search firm to assist it in finding appropriate nominees for the Board of Directors.

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The Audit Committee

The Audit Committee's current members are Walter L. Robb (Chairman); Arthur Hull Hayes, Jr., Gilla Kaplan, and James J. Loughlin. The Audit Committee held eight meetings in 2007. Each of Dr. Robb and Mr. Loughlin is an "audit committee financial expert" within the meaning of the rules of the SEC and, as such, Dr. Robb and Mr. Loughlin satisfy the requirements of Rule 4350 of the Nasdaq Marketplace Rules. The Audit Committee oversees our financial reporting process on behalf of the Board of Directors. In fulfilling its responsibility, the Audit Committee pre-approves, subject to Board approval and stockholder ratification, the selection of our independent registered public accounting firm. The Audit Committee also reviews our consolidated financial statements and the adequacy of our internal controls. The Audit Committee meets at least quarterly with our management and our independent registered public accounting firm to review and discuss the results of audits or reviews of our consolidated financial statements, the evaluation of our internal controls over financial reporting and disclosure controls and procedures, the overall quality of our financial reporting and our critical accounting policies and to approve any related-party transactions. The Audit Committee meets separately, at least quarterly, with the independent registered public accounting firm. In addition, the Audit Committee oversees our existing procedures for the receipt, retention and handling of complaints related to auditing, accounting and internal control issues, including the confidential, anonymous submission by employees of concerns on questionable accounting and auditing matters.

Review and Approval of Transactions with Related Persons

During 2007, we did not engage in any related person transaction, or series of similar such transactions, which are required to be disclosed pursuant to Regulation S-K, Item 404.

Related Person Transaction Policies and Procedures

At the beginning of each calendar year, each member of our Board of Directors and each company executive officer is required to complete an extensive questionnaire that we utilize when preparing our annual proxy statement as well as our Annual Report on Form 10-K. The purpose of the questionnaire is to obtain information

from directors and executive officers to verify disclosures required to be made in these documents. Regarding related party transactions, it serves two purposes. First, to remind each executive officer and director of their obligation to disclose any related party transactions entered into between themselves (or family members or entities in which they hold an interest) and Celgene that in the aggregate exceeds \$120,000 (related person transaction) that might arise in the upcoming year. Second, to ensure disclosure of any related person transaction that is currently proposed or that occurred during the preceding year. When completing the questionnaire, each director and executive officer is required to report any such transaction.

Compensation Committee Interlocks and Insider Participation

The current members of the Compensation Committee are Richard C.E. Morgan, Chairman; Michael D. Casey; and Rodman Drake. Each member is an independent director within the meaning of the Nasdaq listing requirements. There were no interlocks among any of the members of the Compensation Committee and any of our executive officers.

Code of Ethics

We have adopted a Financial Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer and other financial professionals. This Financial Code of Ethics is posted on our website, <http://www.celgene.com> by choosing the "Investor Relations" link then clicking on the "Corporate Governance" section. We intend to satisfy the disclosure requirement regarding any amendment to, or a waiver of, a provision of the Financial Code of Ethics by posting such information on our website. We undertake to provide to any person a copy of this Financial Code of Ethics upon request to our Corporate Secretary at our principal executive offices.

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Stockholder Nominations

Our Bylaws provide that nominations for the election of directors may be made at an annual meeting: (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder who (i) is a stockholder of record on the date of the giving of the notice and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) complies with the notice procedures set forth below.

In addition to any other applicable requirements for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to our Corporate Secretary.

To be timely, a stockholder's notice to the Corporate Secretary must be delivered to or mailed and received at our principal executive offices not less than sixty (60) days nor more than ninety (90) days prior to the date of the annual meeting; provided, however, that in the event that less than seventy (70) days' notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by the stockholder (in order to be timely) must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Corporate Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director: (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of our capital stock which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice: (i) the name and record address of such stockholder, (ii) the class or series and number of shares of our capital stock which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to nominate

the persons named in his or her notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and serving as a director if elected.

Stockholder Communications

Our Board of Directors has determined that, in order to facilitate communications with the Board of Directors, or any individual members or any Committees of the Board of Directors, stockholders should direct all communication in writing to our Corporate Secretary at our principal executive offices. Our Corporate Secretary will forward all such correspondence to the Board of Directors, individual members of the Board of Directors or applicable chair persons of any Committee of the Board of Directors, as appropriate.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Exchange Act, our directors, executive officers and any persons holding more than 10 percent of Common Stock are required to report their ownership of Common Stock and any changes in that ownership, on a timely basis, to the SEC. We believe that all applicable acquisitions and dispositions of Common Stock, including grants of options under our Directors' Incentive Plan and the 1998 Stock Incentive Plan, were filed on a timely basis for the fiscal year ended December 31, 2007. For the fiscal year commencing January 1, 2008, up through the date of this Proxy Statement, six Form 4 reports were filed one day late on January 11, 2008 with respect to grants of stock options pursuant to our 1998 Stock Incentive Plan to Sol J. Barer, Robert J. Hugin, David W. Gryska, Aart Brouwer, Andre Van Hoek and Graham Burton.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In this section, we provide an overview and analysis of our compensation programs, the compensation decisions we have made under those programs, and the factors we considered in making those decisions. Later in this section, under the heading "Additional Information Regarding Executive Compensation," we include a series of tables containing specific information about the compensation earned by, and equity awards granted to, the following individuals in 2007, whom we refer to as our named executive officers:

- Sol J. Barer, Ph.D., Chief Executive Officer, who assumed this office effective May 1, 2006;
- Robert J. Hugin, President and Chief Operating Officer, who assumed this office effective May 1, 2006;
- David W. Gryska, Chief Financial Officer, who assumed this office effective December 6, 2006;
- Aart Brouwer, President International, who assumed this office effective November 2, 2005; and
- Graham Burton, MBBS, FRCP, Senior Vice President Global Regulatory Affairs, Pharmacovigilance, and Corporate Compliance, who assumed this office effective July 1, 2003.

The discussion below is intended to help you understand the detailed information provided in those tables and put that information into context within our overall compensation program.

Compensation Philosophy

Our overall executive compensation philosophy links executive pay primarily to the achievement of short-term and long-term corporate performance focusing on the attainment of specific financial and strategic objectives directly related to our long-term strategic business plan. Within our philosophy, we seek to be competitive with our peer companies, ensure internal equity and be closely aligned with the interests of our stockholders as described below. Our executive compensation arrangements are part of our corporate wide total rewards

program covering all employees (including our named executive officers) and are designed to:

- link compensation with corporate performance and stockholder returns over the long-term;
- enable us to compete for talented executives;
- motivate and retain executives who are critical to our long-term success; and
- provide equity compensation aimed at providing financial incentives to executives to achieve annual corporate, business unit and individual goals and to align executive interests with stockholder interests.

As described below, the components of our executive compensation program are base salary, an annual bonus component linked to key annual (short-term) performance targets, both financial and strategic, and an equity component which strongly aligns our named executive officers' interests with those of our stockholders. In 2007, the equity compensation provided to our named executive officers was delivered in the form of stock options which vest over time, subject to the named executive officer's continued service with us. In addition, certain eligible named executive officers, received company matching contributions on deferred salary.

Our long-term performance program is directly aligned with our long-term strategic plan and is designed to focus our named executive officers on key financial metrics that drive long-term stockholder growth and delivers compensation only if those financial metrics are met. Corporate and individual performance and compensation levels are evaluated annually to ensure that we maintain a focus on delivering results and stockholder value.

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As further described below, our compensation decisions with respect to the components of executive compensation provided to our named executive officers (including base salary, annual incentives and long-term incentives such as stock options) are influenced by:

- the named executive officer's individual role, scope of responsibility and performance during the year;
- corporate performance (other than with respect to base salaries) as measured against our corporate objectives; and
- our assessment of the competitive marketplace, including peer companies.

Overview of Compensation Committee

The Compensation Committee of our Board of Directors is responsible for overseeing our executive compensation and benefit programs, which include the following plans:

- Our 1998 Stock Incentive Plan (our current equity plan to be renamed the 2008 Stock Incentive Plan);
- The Anthrogenesis Corporation Qualified Employee Incentive Stock Option Plan (no future grants);
- The Signal Pharmaceuticals, Inc. 2000 Equity Incentive Plan (no future grants);
- The Pharmion Corporation 2000 Stock Incentive Plan, since our acquisition of the Pharmion Corporation on March 7, 2008 (no future grants);
- Our 1992 Long-Term Incentive Plan (no future grants); and
- Our nonqualified deferred compensation plan.

The Compensation Committee's responsibilities include, among others, the responsibility to establish the base salary, incentive compensation, stock option awards and any other compensation for named executive officers, including our Chief Executive Officer, and to review and approve the Chief Executive Officer's recommendations for the compensation of certain named executive officers reporting to him. The Compensation Committee relies on the judgment of the Chief Executive Officer regarding setting named executive officers' performance

objectives, evaluating the actual performance of each named executive officer (other than the Chief Executive Officer) against those objectives through the compensation review process and recommending appropriate salary and incentive awards. The Chief Executive Officer participates in Compensation Committee meetings at the request of the Compensation Committee, and provides relevant assessment and explanation supporting his recommendations. Other members of our management as well as certain advisors, including an independent compensation consultant, attend many Compensation Committee meetings at the request of the Compensation Committee. The Compensation Committee ensures that the total compensation paid to our named executive officers is reasonable, competitive and consistent with market practice and the goal of delivering results to our stockholders.

Overview of Compensation Program

Our short-term and long-term executive compensation programs incorporate a pay-for-performance approach which is designed to align the interests of our named executive officers with those of our stockholders. Other than our base salary program, all of our executive cash and stock compensation programs for 2007 were directly dependent upon the achievement of our performance goals, whether financial or strategic, or both.

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The compensation package provided to our named executive officers includes:

- *Base Salary*, which provides fixed compensation based on competitive market practice;
- *Cash/Performance-Based Incentive Compensation* (consisting of short-term and long-term incentive compensation), which focuses our named executive officers on meeting annual and/ or long-term incentive goals that contribute to the health of our long-term business success and strategic plan objectives and motivates them to achieve critical performance metrics;
- *Equity Compensation*, which has been historically solely in the form of stock options and which is designed to reward and motivate our named executive officers by aligning their interests with those of our stockholders and provide them with an opportunity to acquire a proprietary interest in us;
- *401(k) Plan*, to which we make matching contributions in the form of shares of our Common Stock to the accounts of our named executive officers who participate in the plan;
- *Deferred Compensation Plan*, a nonqualified deferred compensation plan intended to provide competitive market-based retirement benefits, to which we make matching cash contributions to the accounts of our Chief Executive Officer and President and Chief Operating Officer who participate in the plan; and
- *Perquisites and Other Benefits*, which are described below.

Determination of Appropriate Pay Levels

In order to establish appropriate pay levels for our named executive officers we utilize market-based benchmarking. Benchmarking entails comparing the amounts of compensation paid to key executives at companies that have financial profiles similar to ours (including projected employee size, revenues and market value) to help establish our own compensation levels. Market information regarding pay practices at other companies is compiled, reviewed and considered in assessing the reasonableness and competitiveness of the compensation we pay and reward our named executive officers for their contributions.

With the assistance of an independent compensation consultant, Radford Surveys + Consulting, a business unit of Aon Corporation (Radford), we analyze competitive market data every year. Data sources include, among others, public company proxy statements and third-party industry compensation surveys. The benchmarking information we obtain is used to determine our competitive position among similarly situated companies in the marketplace and set our targeted pay at a competitive range relative to our peers.

Radford recommended and the Compensation Committee approved a comparison group of companies that we believe best represents the companies in our industry that compete with us for executive talent. In January 2007,

Radford performed a competitive market analysis of the compensation levels of Dr. Barer and Mr. Hugin relative to the market. In performing its competitive market analysis, Radford performed a peer group analysis of the compensation paid by the following 11 companies (the "Peer Group") to their respective top two executives:

- Amgen
- Biogen Idec
- Cephalon
- Forest Laboratories
- Genentech
- Genzyme
- Gilead Sciences
- MedImmune
- Millennium Pharmaceuticals
- Sepracor
- Vertex

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Based on Radford's peer group analysis, using the 2006 Radford Biotechnology TDC, the 2006 Towers Perrin Pharmaceutical and the 2006 SIRS Executive Survey, the compensation levels of Dr. Barer and Mr. Hugin relative to those of the top two executives of each of the companies in the Peer Group were as follows:

Elements of Compensation	Peer Group Benchmarks (Market Percentile)	
	Sol J. Barer At the 50 th percentile	Robert J. Hugin At the 60 th percentile
Target Total Cash (base salary plus target bonus opportunity)		
Target Total Direct Compensation (includes base salary, target bonus opportunity and annual long-term incentives)	Between the 50 th and 60 th percentiles (but with reload options granted in 2006 considered, above the 75 th percentile) ⁽¹⁾	Above the 75 th percentile (but with reload options granted in 2006 considered, above the 75 th percentile) ⁽¹⁾

(1) Future reloads were discontinued in October 2004.

The Compensation Committee generally seeks to align our named executive officers' compensation with the competitive market, while recognizing corporate performance. With respect to the January 2007 benchmarking, the distinction between Dr. Barer's and Mr. Hugin's market percentiles reflects Dr. Barer's leadership transition from his long tenure as President and Chief Operating Officer to our Chairman and Chief Executive Officer in 2006 as well as his status as a founder (*e.g.*, where significantly less emphasis is placed on cash compensation versus equity). In order to more closely align Dr. Barer's compensation with the competitive market, the Compensation Committee made certain adjustments to his base salary, as discussed below.

In October 2007, as a result of changes in our profile and stage of product development activities, Radford, in collaboration with management, recommended certain changes to the Peer Group which included the removal of MedImmune due to its acquisition and the addition of Allergan and Amylin Pharmaceuticals (the "Current Peer Group"). Our Current Peer Group of life science, pharmaceutical and biopharmaceutical companies was approved by the Compensation Committee at its October 2007 meeting based upon Radford's recommendation. In addition, the Current Peer Group was used in the evaluation of 2007 cash and equity compensation for the Chief Executive Officer and the other named executive officers using the following surveys: 2007 Radford Global Life Sciences Survey, 2007 Towers Perrin Executive Compensation Database, and 2007 SIRS Worldwide Executive Compensation Survey.

The Compensation Committee reviews each element of compensation as well as the overall compensation package in a manner designed to enable us to compete for key talent, motivate and retain our named executive officers and reward our named executive officers for their achievement of key short-term and long-term corporate financial and strategic objectives. Importantly, our compensation program is designed to deliver compensation that is commensurate with the level of performance achieved and is intended to ensure that the interests of our

stockholders are reflected in our overall compensation philosophy. The Compensation Committee considers the following factors in determining the level of compensation awarded to each named executive officer:

- overall performance, including performance against corporate, functional and individual objectives;
- overall job responsibilities, including organizational scope and impact as well as unique competencies and experience necessary to support our long-term performance;

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- performance of general management responsibilities, global objectives and execution of company financial and strategic objectives and contributions to our continuing success; and
- our overall financial performance and position.

Relative to the competitive market data, the Compensation Committee generally intends that compensation for each named executive officer will be at the market 60th percentile of the competitive market with the potential to be at the market 75th percentile for outstanding performance. Based on Radford's peer group analysis performed in February 2008, the cash compensation levels for our named executive officers are generally aligned with the market 50th percentile while equity values approximate the market 75th percentile.

In February 2008, the Compensation Committee, based on Radford's competitive market analysis and recommendations, made certain adjustments to the named executive officers' compensation in order to align their overall compensation with the market 60th percentile. This generally included increases to base salaries, bonus targets and target stock option awards as follows:

- Sol J. Barer, Ph.D. Dr. Barer's base salary was increased to \$971,000 in order to bring his base salary within the minimum range of the market 60th percentile. However, because Dr. Barer's target bonus approximated the market 60th percentile, no adjustment to his target bonus was made. In addition, his performance-based equity award is an option to purchase 180,000 shares of our Common Stock.
- Robert J. Hugin. Mr. Hugin's base salary was increased to \$750,000 even though his base salary approximates the market 75th percentile. This adjustment reflects Mr. Hugin's broad organizational role and significant impact within our structure and strategic direction. However, because Mr. Hugin's target bonus approximates the market 75th percentile, no adjustment to his target bonus was made. In addition, his performance-based equity award is an option to purchase 120,000 shares of our Common Stock.
- David W. Gryska. Mr. Gryska's base salary was increased to \$480,000, and his target bonus was increased to 60% of base salary. Both of these adjustments bring Mr. Gryska's compensation to the market 60th percentile. In addition, his performance-based equity award is an option to purchase 60,000 shares of our Common Stock.
- Aart Brouwer. Mr. Brouwer's base salary was increased to \$570,000, a merit-based adjustment based on individual performance. Mr. Brouwer's target bonus was at the market 50th percentile, but no adjustment in his target bonus was made due to the impact of recent currency fluctuations on Mr. Brouwer's compensation package. In addition, his performance-based equity award is an option to purchase 33,000 shares of our Common Stock.
- Graham Burton, MBBS, FRCP. Dr. Burton's base salary was increased to \$450,000, even though his base salary fell above the market 75th percentile and his target bonus was increased to 50% of base salary. These adjustments reflect not only a merit-based adjustment based on individual performance but also Dr. Burton's responsibility for global regulatory affairs, pharmacovigilance, corporate quality and compliance, the scope of which is commensurate with his market position. In addition, his performance-based equity award is an option to purchase 33,000 shares of our Common Stock.

In addition, for our named executive officers, the mix of compensation is generally weighted toward at-risk pay (annual incentives and long-term incentives). Maintaining this pay mix results in a pay-for-performance

orientation for our named executive officers, which is aligned with our stated compensation philosophy of providing compensation commensurate with overall delivery of corporate performance.

Timing of Compensation

As discussed elsewhere, compensation for our named executive officers, including base salary adjustments, incentive plan eligibility, incentive plan goal specifications and incentive plan payments, is established annually (usually in the first quarter) and reviewed periodically throughout the year. Awards of options to purchase shares of our Common Stock currently are granted under our 1998 Stock Incentive Plan on a quarterly basis to certain employees, including our named executive officers. The target number of options that may be granted to our named executive officers is pre-established; however, it is based upon various prospective factors, as further discussed under the heading "2007 Executive Compensation Components" Stock Option Grants under our Stock Incentive Plan. The actual grant of incentive stock options is based on the Company's and the individual's performance for the prior year. All option grant dates are approved by the Compensation Committee for named executive officers during December of the year preceding the year the grants are awarded, which are scheduled in advance without regard to any anticipated earnings or other major announcements by the Company. These dates are set forth for 2007 in the Grants of Plan-Based Awards Table. The exercise price of each stock option granted under our 1998 Stock Incentive Plan is the closing price of our Common Stock on the date of quarterly grant. Our matching contributions under our 401(k) Plan and nonqualified deferred compensation plan are pre-established, as further discussed under the headings "2007 Executive Compensation Components" Matching 401(k) Plan Benefits and "2007 Executive Compensation Components" Matching Nonqualified Deferred Compensation Plan and are usually granted in the first quarter of each year for services rendered in the preceding year for the 401(k) Plan and bi-monthly for the nonqualified deferred compensation plan.

Minimum Stock Ownership Requirements

We have no minimum stock ownership guidelines. See, however, stock ownership information for our named executive officers under the heading "Security Ownership of Certain Beneficial Owners and Management" in this Proxy Statement. Each of our named executive officers is eligible to receive stock option grants under the 1998 Stock Incentive Plan, as further discussed under the heading "2007 Executive Compensation Components" Stock Option Grants under our Stock Incentive Plan in this section.

2007 Executive Compensation Components

For the fiscal year ended December 31, 2007, the principal components of compensation for our named executive officers were:

- base salary;
- cash bonus/performance-based incentive compensation;
- stock option grants under our 1998 Stock Incentive Plan;
- matching contributions to the accounts of the named executive officers who participated in our 401(k) Plan;
- matching contributions to accounts of our Chief Executive Officer and President and Chief Operating Officer who participated in our nonqualified deferred compensation plan; and
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