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 TO IMPROVE PATIENT HEALTH  
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 DISCOVERY DRIVEN EXPAND  
 CONTRIBUTE INTERACT ENHANCE HOPE  
 HELP NEED PROUD RIGHT ACCURATE REACH  
 EXPANDING PIONEERING PURPOSE  
 INNOVATIVE PROCESS MEANINGFUL  
 PROACTIVE RESEARCH MEDICINES HEALTH  
 GROWTH REACH HUMAN HEALTH  
 EXPLORATION GLOBAL RESEARCH  
 IMPROVE CAPABILITIES PASSION  
 CAREGIVERS EFFORTS LEADER  
 BREAKTHROUGH MEDICATIONS ACCURATE  
 DATA-DRIVEN ROBUST PATIENTS  
 TREATMENTS STEWARDSHIP GUIDANCE ENVIRONMENTAL COLLABORATION RESTORING  
 POSITIVE DISCOVERING LEAD HEALTHCARE  
 FLEXIBILITY CLINICAL PRODUCTS HOPE  
 DEDICATED NEW RECORDS FIRST-IN-CLASS  
 STRENGTH NURSES BENEFIT DOCTORS MEDICAL NEEDS  
 CEHALON HAS A LONG HISTORY OF LEADERSHIP IN DEVELOPING PROGRAMS  
 OUR ACHIEVEMENTS WITH PRODUCTS AT VARIOUS STAGES OF THE LIFE CYCLE ARE COMPLEMENTED BY AN AMBITIOUS CLINICAL PLAN FOR THE FUTURE  
 ABILITY TESTAMENT REMARKABLE DELIVER  
 PURSUE WORLD ACQUISITIONS DIVERSIFIED MATERIALIZE GOAL  
 REACH ROBUST ACTION  
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 LIFE-SAVING EMPOWERMENT UNMET MEDICAL NEED  
 DIVERSIFIED PRODUCT OFFERINGS





### Frank Baldino Jr., Ph.D.

1953-2010

Frank Baldino Jr., Ph.D., Founder, Chairman and Chief Executive Officer of Cephalon, Inc., died on December 16, 2010, from complications associated with leukemia.

In 1987, Dr. Baldino founded Cephalon as a privately held startup and took it public in 1991, raising \$54.5 million with the sale of 3.3 million shares. Today, Cephalon provides more than 150 medicines to patients in approximately 100 countries, employs nearly 4,000 people around the world, and had sales in 2010 of \$2.8 billion. Throughout his leadership at Cephalon, Dr. Baldino implemented his vision to bring innovative medicines to patients around the world who suffered from various diseases.

Dr. Baldino was a recognized pioneer in the biotechnology industry, but his most enduring legacy will be his accomplishments as a civic leader, a mentor, a philanthropist, and most notably, a husband and father.

In mid-2010, Kevin Buchi, a longtime executive with Cephalon who worked closely with Dr. Baldino to create the company that we know today, took over the day-to-day responsibilities of the company and in December was named Chief Executive Officer. He has been heavily involved in every aspect of running Cephalon. Mr. Buchi has the passion, leadership skills, organizational abilities, and unwavering commitment to patients which will drive Cephalon's continued growth and success.

Mr. Buchi intends to continue the same strategic course for Cephalon and will move forward Dr. Baldino's vision and strategy of being an entrepreneurial, agile, and opportunistic company operating with integrity.

**“Our greatest success is that there are millions of people throughout the world who benefit from our medications. They are our living legacy and the reason that we exist.”**

— Frank Baldino Jr., Ph.D.



## Key Compounds From Our Extensive Pipeline

### LUPUZOR™

In mid-2010, we began enrollment in a second Phase IIb study to evaluate the efficacy of LUPUZOR™ [CEP-33457 (forigerimod)] in patients with active systemic lupus erythematosus. Lupus is a chronic, autoimmune disease that can damage any part of the body. It affects more than 1.5 million people in the U.S. alone.

### CINQUIL™

CINQUIL™ (reslizumab) is a humanized monoclonal antibody (mAb) against interleukin-5 (IL-5) that has just entered a Phase III clinical program in patients suffering from eosinophilic asthma.

### Domain antibody anti-TNF

CEP-37247 is a domain antibody anti-TNF (tumor necrosis factor) compound currently being evaluated in a Phase I/II study for the treatment of sciatica.

### Tamper-deterrent hydrocodone

Tamper-deterrent hydrocodone is a unique long-acting, acetaminophen-free hydrocodone formulation that provides protection against intentional and unintentional dose-dumping (the rapid release of the active ingredient from an extended release product into the bloodstream). The Phase III program for this compound recently began.

### Mesenchymal Precursor Cells

The Mesenchymal Precursor Cells (MPCs) Phase II program has been completed for congestive heart failure where REVASCOR™ demonstrated improvement on critical cardiac events (MACE, the composite of cardiac death, heart attack, or coronary revascularization procedures). MPCs also have completed Phase II studies for umbilical cord blood expansion associated with hematopoietic stem cells (HSCs) in patients undergoing HSC transplant.



## To Our Stockholders

2010 marked the end of an extraordinary decade for Cephalon.

A decade characterized by solid sales and earnings growth.

The year 2010 also marked the end of an era and the darkest day in Cephalon's history with the passing of our founder, Chairman and CEO Dr. Frank Baldino Jr. While Frank is greatly missed, his imprint on the company lives on and is shared by the nearly 4,000 employees who work tirelessly to continue the work he started more than 20 years ago.

In 2000, we sold three products, had a sales presence in six countries and three compounds in clinical development, and had not yet earned a profit. Fast forward ten years and Cephalon is selling more than 150 products in approximately 100 countries, has 13 compounds being evaluated in approximately 65 clinical studies, and has adjusted earnings of \$657 million.

We have built this company by continually adding new compounds, products, and territories in a disciplined fashion. In 2010, we continued to build Cephalon with four important transactions: Ception Therapeutics, Mepha AG, BioAssets Development Corp., and Mesoblast Ltd.

With Ception, we gained CINQUIL™ (reslizumab), an investigational humanized monoclonal antibody against interleukin-5 (IL-5). IL-5 has been shown to play a crucial role in the maturation, growth, and chemotaxis of eosinophils, which are inflammatory white blood cells implicated in a number of allergic diseases, including asthma.

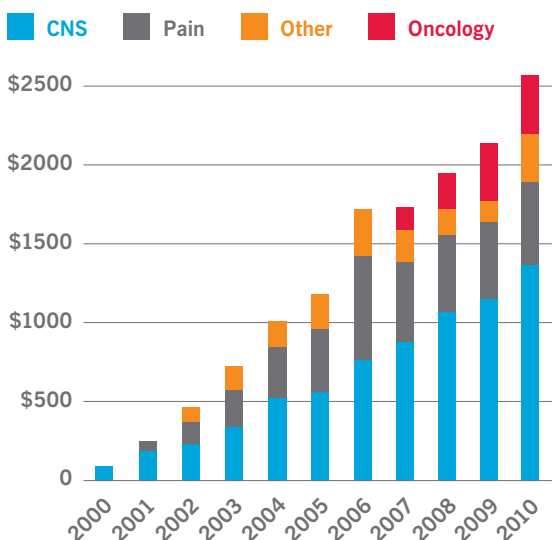
A Phase II clinical trial of CINQUIL in 106 patients demonstrated a strong treatment signal and compelling internal consistency of the effect of CINQUIL on measurements of asthma control and lung function. CINQUIL has advanced into Phase III clinical trials which are targeted to be completed in 2013.

With the Mepha acquisition we nearly doubled our ex-U.S. business, adding approximately \$350 million a year in annualized net sales. Mepha sells approximately 140 products. More importantly, Mepha allows us to reach patients in 22 countries in Europe, the Middle East, and Africa where we previously had no sales presence. Mepha has specific expertise in innovative dosage formulations and markets both generic and branded generic products. Cephalon is now a diversified pharmaceutical company offering both specialty and high-quality generic medications

in key mature and emerging markets. Recent growth has been driven by solid brands such as SPASFON®, ACTIQ®, and MYOCET®, and more recently by the launch of EFFENTORA®. When we consider the benefits that Mepha's drug-delivery capabilities, geographic presence, sales, and profitability bring to Cephalon, we can't help but be very pleased. But there is more.

We are particularly proud of Mepha's accomplishments in the pursuit of improved treatments for patients suffering from malaria. As a result of the considerable investment in research and development, and the favorable outcome of several clinical trials conducted in Africa, the new malaria Treatment Guidelines published by the World Health Organization (WHO) in March 2010 recommends the use of artesunate plus mefloquine found in Mepha's drugs ARTEQUIN™ and ARTEQUIN™ PAEDIATRIC in Africa.

### Net Product Sales *in millions*





INSPIRES  
ENLIGHTENS  
INFORMING  
SCIENTISTS  
COLLABORATION  
PROACTIVE  
MEANINGFUL  
INVESTMENT  
FOCUSSED  
NEW RECORDS  
**DEDICATED**  
TO DISCOVERING AND DELIVERING  
**ENLIGHTENS NEW THERAPIES**  
GLOBAL TO IMPROVE PATIENT HEALTH  
INSPIRES  
HELP  
COLLABORATION  
EDUCATE  
DRIVEN  
THERAPIES  
INTERACT  
POSITIVE  
NURSES  
DATA-DRIVEN  
HOPE  
RESTORING  
INFORMATION PURSUING  
IDENTIFYING  
ACCURATE  
PIONEERING  
PROCESS  
PIONEERING  
BREAKTHROUGH MEDICATIONS  
EXPLORATION  
HUMAN HEALTH  
PASSION  
GROW  
CULTURE  
MEDICINES IDENTIFYING  
OPPORTUNITIES  
EXPAND  
MEANINGFUL  
RESEARCH  
LEADER  
PROUD  
ROBUST  
BALANCE  
CONTRIBUTE



PROUD  
 PROACTIVE  
**HOPE**  
 INFORMATION  
 MEANINGFUL

**DELIVERING  
 BREAKTHROUGH  
 MEDICATIONS  
 TO PEOPLE  
 IN NEED**

INSPIRES  
 SOCIETY  
**GLOBAL**  
 MEANINGFUL  
 QUEST  
 DRIVEN  
 EDUCATE  
**ACCURATE**  
 INFORMING  
 EXPLORATION  
 PURPOSE  
 INVESTMENT  
 STRENGTHENS  
 IDENTIFYING  
 EFFORTS  
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 HOPE  
 PROUD  
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 NEED  
 INTERACT  
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 EXPAND ROBUST

EXPLORATION  
**IMPROVE**  
**NEWHOPE**  
**RECORDS**  
 INSPIRES  
 DISCOVERING  
**NURSES**  
 STRENGTHENS  
 RESTORING  
 EXPANDING  
**LEADER**

The third acquisition completed in 2010 was of BioAssets Development Corp. (BDC), enabling Cephalon to secure intellectual property covering the use of TNF inhibitors for sciatic pain in patients with intervertebral disc herniation, as well as other spinal disorders. BDC's intellectual property and scientific expertise will help us advance our proprietary domain antibody anti-TNF, CEP-37247, administered epidurally for the treatment of patients with sciatica.

In December 2010, Cephalon and Australia-based Mesoblast Ltd. entered into a strategic alliance to develop and commercialize novel adult Mesenchymal Precursor Cells (MPC) for degenerative conditions of the cardiovascular and central nervous systems. These conditions include congestive heart failure, acute myocardial infarction, Parkinson's disease, and Alzheimer's disease. The alliance also extends to products for augmenting hematopoietic stem cell transplantation in cancer patients.

Not only are we acquiring, but we are executing in research and development, regulatory, sales and marketing, and across all of the various support functions. To that end, we have assembled a talented management team that enjoys the privilege of directing the efforts of a unique group of employees. Employees come to Cephalon because they know that here they will not only be allowed to make a difference, they will be expected to make a difference.

### Executing in the Marketplace:

Under the leadership of Bob Repella, Senior Vice President, Pharmaceutical Operations, Americas Region, sales in the United States grew 19 percent in 2010 to \$2.1 billion. In 2010, Bob and his sales and marketing teams were primarily focused on building on the success of NUVIGIL® (armodafanil) [C-IV] Tablets, and TREANDA® (bendamustine HCl) for Injection.

NUVIGIL achieved 38 percent market share of the wakefulness category by the end of 2010. We are well on our way to making NUVIGIL the preferred wakefulness product in the marketplace. NUVIGIL is indicated to improve wakefulness in patients with excessive sleepiness associated with treated obstructive sleep apnea/hypopnea syndrome, narcolepsy, and shift work sleep disorder.

TREANDA has been a huge success since its launch in April 2008. TREANDA is indicated for the treatment of patients with indolent B-cell non-Hodgkin's lymphoma (iNHL) that has progressed during or within six months of treatment with rituximab or a rituximab-containing regimen. TREANDA is also indicated for the treatment of patients with chronic lymphocytic leukemia (CLL).

TREANDA sales exceeded \$393 million in 2010. To date, we estimate that approximately 31,000 patients in the United States have received treatment with TREANDA. With an estimated five-year prevalence of CLL and iNHL in the United States of approximately 54,000 and 110,000, respectively, we believe that TREANDA has the potential to reach thousands of additional patients.

### Expanding Our Reach:

Outside of the United States, Alain Aragues, Executive Vice President and President of Cephalon Europe, leads a pharmaceutical operation that spans three continents. With the addition of Mepha, Alain and his team have been tasked with integrating and expanding our European, Middle Eastern, and African capabilities; identifying and expanding cross-selling opportunities; securing approvals; and launching new branded, generic, and branded generic products in an ever-increasing number of countries.

We aim to provide healthcare professionals and patients with a diversified product offering in both mature and emerging markets throughout Europe, the Middle East, and Africa.

### Advancing the Clinical Pipeline:

Our clinical and regulatory operations are led by Dr. Lesley Russell, Executive Vice President and Chief Medical Officer. Clinical activity in 2010 will be remembered not so much by which trials concluded, but by the late-stage pipeline that we have advanced.

The pipeline of new compounds that we have assembled is unsurpassed in our history. Entering 2011, we have 13 compounds being evaluated in approximately 65 clinical studies taking place in more than 45 countries spanning therapeutic areas that include cardiology, the central nervous system, inflammatory diseases, oncology, and pain. We have five Phase III programs planned for 2011: NUVIGIL for bipolar indication, CINQUIL, tamper-deterrent hydrocodone, LUPUZOR, and TREANDA for front-line iNHL.

### Developing Preclinical Opportunities:

Dr. Jeffry Vaught, Executive Vice President and Chief Scientific Officer, leads our preclinical efforts. These efforts include not only advancing our own early-stage compounds into clinical trials, but also play a critical role in analyzing opportunities that are being considered by our business development group.

In 2010 we secured several Investigational New Drug (INDs) Applications and advanced CEP-37248, our anti-IL 12/23 compound for the treatment of inflammation, from research into preclinical development. Our new INDs included CEP-9722 (PARP inhibitor), CEP-18770 (proteasome inhibitor), and CEP-37247 (domain antibody anti-TNF), allowing us to begin clinical trials with these compounds in the United States.

### Looking Forward:

The year 2010 was a pivotal year for our company on several fronts. It was a year when we doubled our presence in Europe, the Middle East, and Africa with the acquisition of Mepha; a year when TREANDA came to the forefront in the treatment of indolent non-Hodgkin's lymphoma; and a year when we set the stage for five new product opportunities.

The decade has by no means been easy. We have suffered numerous setbacks: Clinical trials that failed to differentiate from placebo; regulatory filings that were not approved; and compounds we sought to acquire but could not.

Despite these setbacks, we thrived in the past decade.

As we begin a new decade, we go forward with confidence: Confident that we have accumulated the products, pipeline, financial resources, talented employees, and experienced management necessary to make the next decade even more successful than the last.



**Kevin Buchi**  
Chief Executive Officer

*March 14, 2011*





EFFORT  
 FLEXIBILITY  
 BIOPHARMACEUTICAL  
 PATIENT HEALTH  
 HEALTH  
 CLINICAL FORGE  
 LIVES INTERACT  
 DATA-DRIVEN  
 CULTURE PROUD NURSES  
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 NEW RECORDS EXPLOR  
**WE ASPIRE**  
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 DRIVEN ON PATIENTS' LIVES VARIETY  
 INSPIRES STRENGTHENS EFFORT  
 HELP PROUD CULTUR  
 COLLABORATION MEDIC  
 EDUCATE QUEST OPP



## World Health Organization recommends the use of artesunate plus mefloquine used in ARTEQUIN™ and ARTEQUIN™ PAEDIATRIC in Africa.

The World Health Organization (WHO) estimates that in 2008, there were 247 million cases of malaria and nearly one million deaths. In Africa, a child dies every 45 seconds from the disease which accounts for 20 percent of all childhood deaths. ARTEQUIN™ PAEDIATRIC has been developed to combat this deadly disease in children.

This product consists of pellets combining artesunate plus mefloquine, a sweetener, and mango flavoring all formulated into stickpacks. Each stickpack contains a once-daily treatment dose which can be directly applied into the mouth of the small child. A total of three stickpacks used over three days leads to a fast and complete cure. Importantly, water is not needed for the application of these pellets, a significant advantage in locations where water is scarce.

Learn more about Cephalon's contribution to the fight against malaria at [www.cephalon.com](http://www.cephalon.com)



**\$30 Million**  
of Cephalon  
Product Donated

**6,500**  
Uninsured  
Patients Served



## Patient Assistance Programs

In 2010, the first full year of the CephalonCares Foundation, the Foundation provided nearly \$30 million worth of medication to approximately 6,500 patients in need.

The CephalonCares Foundation was created in 2009 to improve patient access to medication and ensure that cost is not a barrier to receiving treatment. Through its Patient Assistance Programs, the CephalonCares Foundation provides Cephalon medication at no cost to patients who meet certain income and insurance criteria. Through these programs, the CephalonCares Foundation continues to make a positive difference in the lives of patients, families, and local communities.

Learn more about the CephalonCares Foundation at [www.cephaloncares.com](http://www.cephaloncares.com)



## Executive Officers

### J. Kevin Buchi

Chief Executive Officer

### Alain Aragues

Executive Vice President and President of Cephalon Europe

### Valli F. Baldassano, Esq.

Executive Vice President, Chief Compliance Officer

### Wilco Groenhuysen

Executive Vice President, Chief Financial Officer and Treasurer

### Gerald J. Pappert, Esq.

Executive Vice President, General Counsel and Secretary

### Lesley Russell, MB.Ch.B., MRCP

Executive Vice President and Chief Medical Officer

### Carl A. Savini

Executive Vice President and Chief Administrative Officer

### Jeffrey L. Vaught, Ph.D.

Executive Vice President and Chief Scientific Officer

## Board of Directors

### J. Kevin Buchi

Chief Executive Officer  
Cephalon, Inc.

### William P. Egan

(Chairman of the Board)

General Partner, Alta Communications, Inc., and General Partner, Marion Equity Partners LLC

### Martyn D. Greenacre

Former Chairman, BMP Sunstone Corp.; Chairman, Life Mist Technologies, Inc.; Former Chairman Europe, SmithKline Beecham Pharmaceutical Co.

### Charles J. Homcy, M.D.

Venture Partner, Third Rock Ventures, LLC, Co-Chairman and Co-Founder and former President & Chief Executive Officer, Portola Pharmaceuticals, Inc., Chairman, CytomX Therapeutics

### Vaughn M. Kailian

Managing Director, MPM Capital LP; Former Vice Chairman of The Board of Millennium Pharmaceuticals, Inc., Former CEO, President and Director, COR Therapeutics, Inc.

### Kevin E. Moley

Chairman, Project Concern Intl.; Former U.S. Ambassador to the United Nations in Geneva, Switzerland; Former Assistant Secretary and Former Deputy Secretary, U.S. Dept. of HHS

### Charles A. Sanders, M.D.

Former Chairman and Chief Executive Officer, Glaxo, Inc.

### Gail R. Wilensky, Ph.D.

Senior Fellow, Project HOPE; Former President, Defense Health Board; Former Vice Chair, Maryland Health Care Commission

### Dennis L. Winger

Former Senior Vice President and Chief Financial Officer, Applera Corporation, Cephalon Audit Committee Financial Expert

## Corporate Information

### Investor Relations

Cephalon invites stockholders, security analysts, and representatives of the financial community to contact: [investorrelations@cephalon.com](mailto:investorrelations@cephalon.com)

41 Moores Road  
PO Box 4011  
Frazer, PA 19355  
610.883.5894

Interested parties may obtain news and information about the Company and its financial performance on the Internet at [www.cephalon.com](http://www.cephalon.com).

### SEC Form 10-K

The Company's Form 10-K, as filed with the U.S. Securities and Exchange Commission, is available without charge by contacting Cephalon's Investor Relations department at 610.883.5894 and on the internet at [www.cephalon.com](http://www.cephalon.com).

### Common Stock Listing

The common stock of Cephalon is traded on the NASDAQ Stock Market under the symbol CEPH.

### Transfer Agent and Registrar

American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10038  
800.937.5449  
[www.amstock.com](http://www.amstock.com)

### Annual Meeting

Cephalon stockholders are invited to attend our annual meeting, which is scheduled to be held at 8:30 am on May 10, 2011, at Cephalon Corporate Headquarters, 41 Moores Road, Frazer, PA 19355.

### Independent Auditors

PricewaterhouseCoopers LLP  
Two Commerce Square  
Suite 1700  
2001 Market Street  
Philadelphia, PA 19103-7042

### Dividends

The Company has not paid any cash dividends on the common stock since its inception and does not anticipate paying any dividends in the foreseeable future.

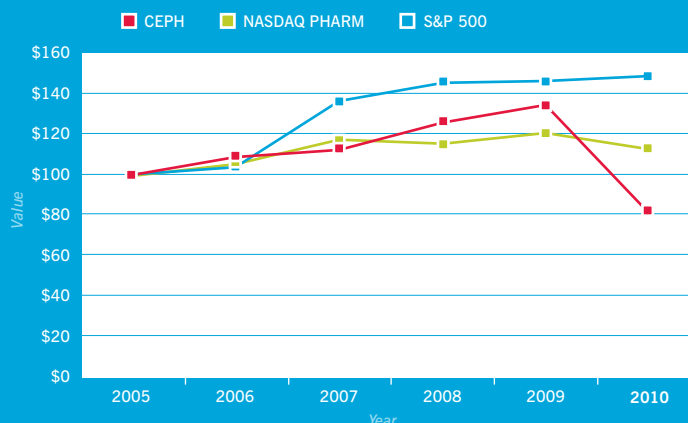
### Trademarks

Cephalon, and the "C" block logo, as well as ACTIQ, ARTEQUIN, CephalonCares, CINQUIL, EFFENTORA, MYOCET, NUVIGIL, SPASFON, REVASCOR and TREANDA are trademarks or registered trademarks owned by or licensed to Cephalon, Inc., or its subsidiaries. LUPUZOR is a trademark of ImmuPharma, PLC. All other brands and names used herein are trademarks of their respective owners.

### Stock Price Performance Graph

The graph set forth at right compares cumulative total return on Cephalon's common stock with the cumulative total stockholder return of (i) the Standard & Poor's 500 Index and (ii) the NASDAQ Pharmaceutical Stock Index, assuming an investment of \$100 on December 31, 2005 in each of the common stocks of the Company; the stocks comprising the S&P 500 Index; and the stocks comprising the NASDAQ Pharmaceutical Stock index. All values assume the reinvestment of the pre-tax value of dividends paid by companies included in these indices over the five-year period extending through the end of 2010.

*The stock price performance included in this graph is not necessarily indicative of future stock price performance.*



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 THERAPEUTIC SOLUTION SCIENT  
 COMMERCIALIZED NONPROFIT RESTOP  
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