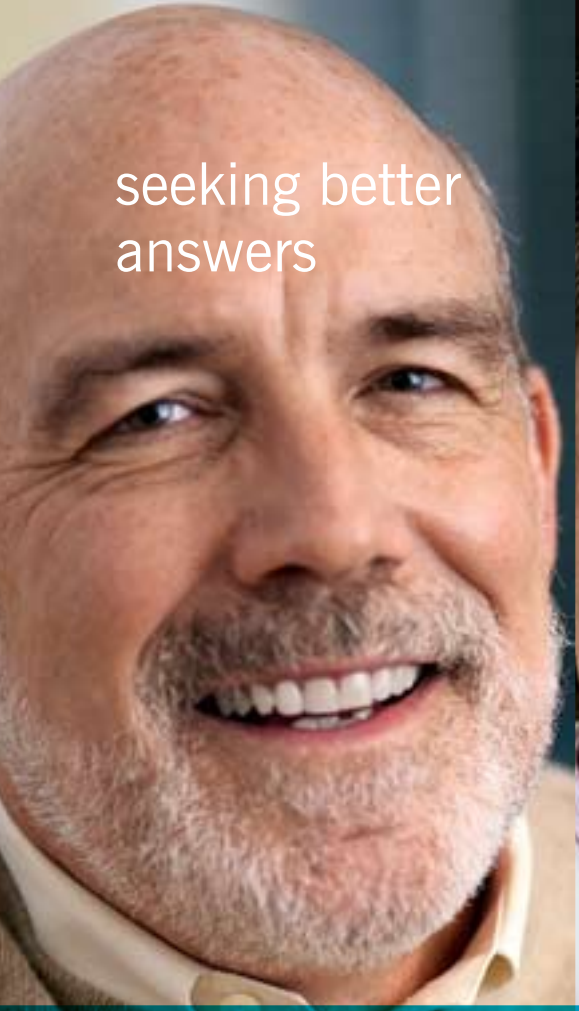
Cephalon
deliver more

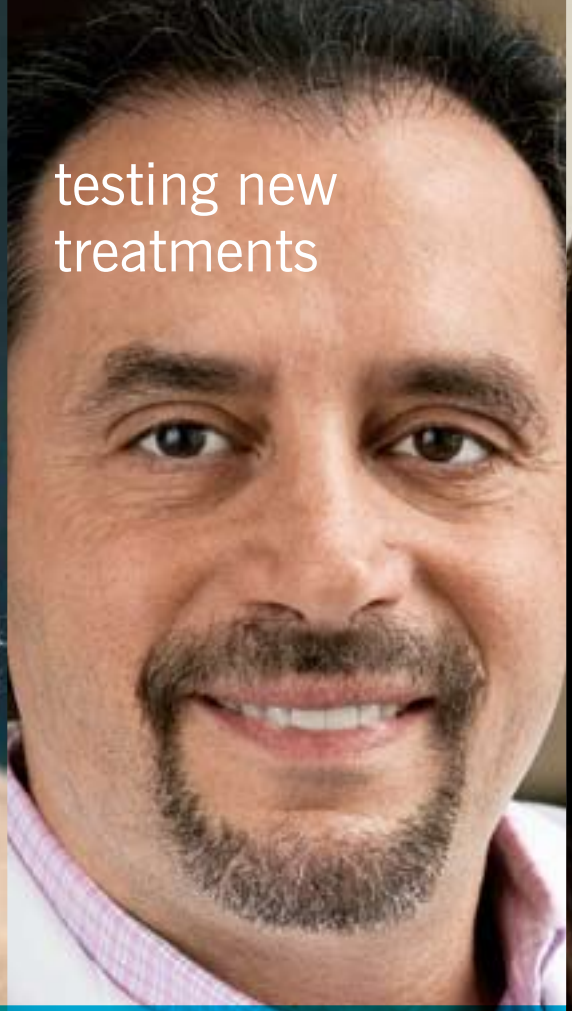
annual report 07



seeking better answers

"Research is a marathon, not a sprint. It has taken more than a decade of research, passion and dedication for us to reach this point. But we're willing to attack complex diseases and invest in products for the future."

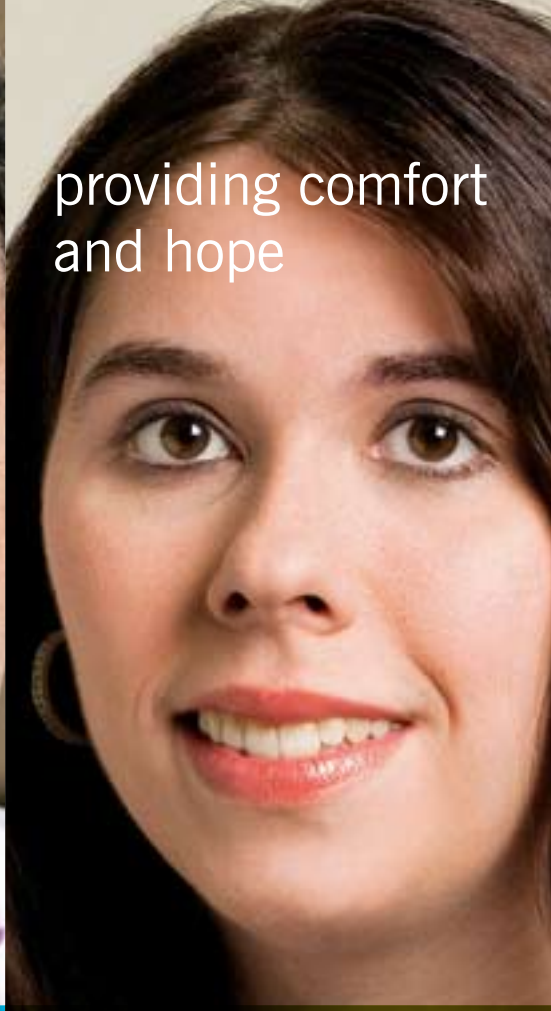
Jeffry Vaught, Ph.D.
Executive Vice President,
Research & Development



testing new treatments

"I think the availability of TREANDA for chronic lymphocytic leukemia and non-Hodgkin's lymphoma, over time, may change the standard of practice in these patients."

Hagop M. Kantarjian, M.D.
Chairman, Dept. of Leukemia
University of Texas
M. D. Anderson Cancer Center



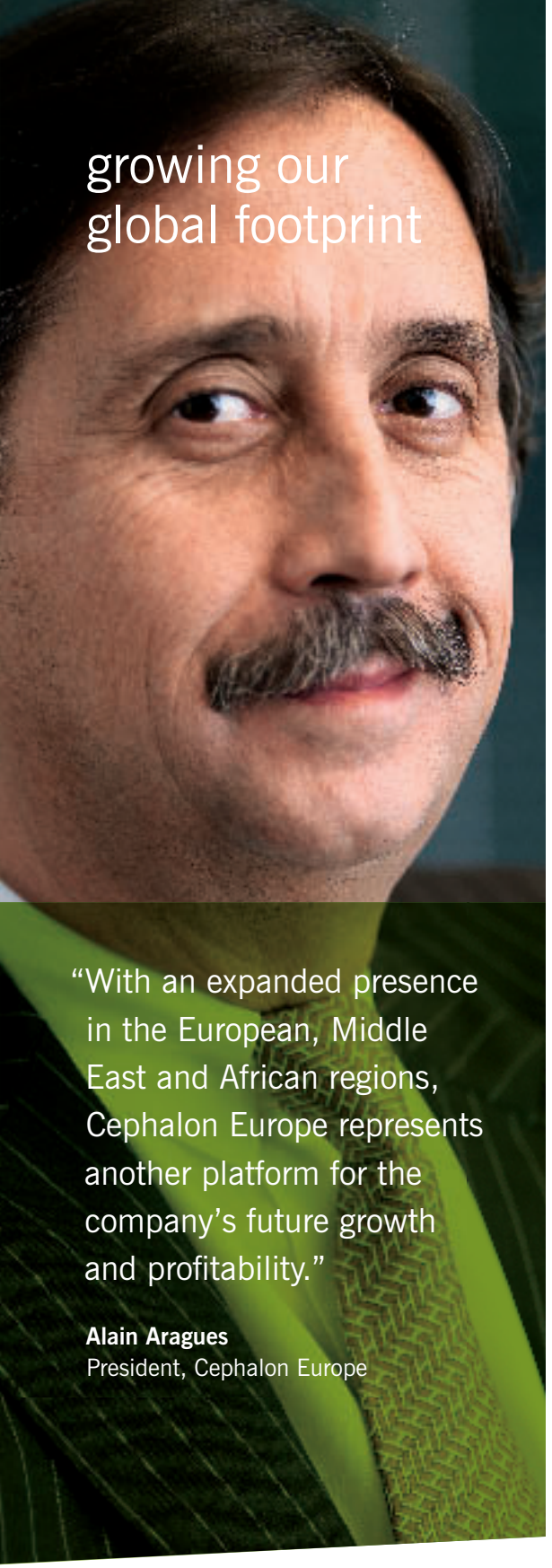
providing comfort and hope

"Before my muscle spasms, I could do a lot of things. Now everything is hard. But with AMRIX…I'm able to sit on the floor and play with my daughter. And taking it only once a day is definitely convenient."

Michelle F.
AMRIX patient

20 YEARS 1987-2007

breaking new ground and improving lives



growing our global footprint

"With an expanded presence in the European, Middle East and African regions, Cephalon Europe represents another platform for the company's future growth and profitability."

Alain Aragues
President, Cephalon Europe

our story defines us

Two decades ago, we formed a company of scientists and entrepreneurs determined to take a new approach to the development of medications and to focus on those life-changing diseases and conditions that had yet to gain the attention of large pharmaceutical companies.

In the years since, we've brought eight new treatments to patients in the United States, extended our reach into more than 50 countries with more than 30 products, and achieved distinction as one of the world's fastest-growing biopharmaceutical companies.

Today, we rededicate ourselves to delivering tomorrow's breakthrough medications and helping more people in need. It's in our heritage. It's in our future.

two decades of innovating new therapies and creating new opportunities to make a difference

1987
August 24, 1987 — Cephalon is founded.

1991
Initial Public Offering (IPO) raises $54.4 million to support the Company's ambitious plan to build an integrated biopharmaceutical company.

1993
Cephalon initiates clinical trials in the U.S. and files an Investigational New Drug (IND) application for modafinil for the treatment of excessive daytime sleepiness associated with narcolepsy.

The Company establishes a European presence in the United Kingdom (U.K.) and Ireland.

1994
The Company initiates a collaboration with TAP Pharmaceuticals to explore the use of the Company's proprietary multilineage kinase inhibitors in the field of oncology.

1998
The Company's first product, PROVIGIL® (modafinil) Tablets [C-IV], is approved in the U.S. and the U.K. It is the first new medication approved for narcolepsy in 40 years.

1999
Cephalon launches PROVIGIL, the first in a new class of wake-promoting agents, in the U.S.

2000
Cephalon acquires its first pain product, ACTIQ® (oral transmucosal fentanyl citrate) [C-II], and relaunches the product in the U.S.

ACTIQ is the first medication in the world approved for treating breakthrough pain in opioid-tolerant cancer patients.

Cephalon acquires U.S. product rights to GABITRIL® (tiagabine hydrochloride), a unique anti-seizure therapy and the first and only selective GABA reuptake inhibitor approved by the U.S. Food and Drug Administration (FDA).

2001
Cephalon receives authorization to market ACTIQ in 16 European countries.

The Company's presence in Europe is dramatically expanded through the acquisition of the French pharmaceutical company Laboratoires L. Lafon and its largest selling product, the anti-spasmodic drug, SPASFON® (phloroglucinol).

2002
Cephalon acquires the international rights to GABITRIL.

2003
The U.S. FDA approves a new compressed powder formulation of ACTIQ and the transfer of manufacturing of this product to the Company's newly expanded facility in Utah.

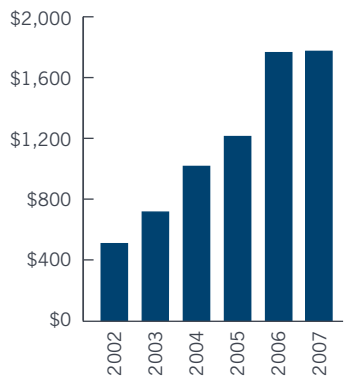
2004
PROVIGIL is approved for additional indications by the U.S. FDA to improve wakefulness in adult patients with excessive sleepiness (ES) associated with shift work sleep disorder (SWSD) and treated obstructive sleep apnea (OSA).

The Company acquires CIMA LABS INC., a Minnesota-based drug delivery company with the first tablet formulation of the opioid fentanyl in development.

Cephalon revenues exceed $1 billion for the first time.

Frank Baldino Jr., Ph.D.

Revenues (in millions)



2005
Cephalon acquires TREANDA® (bendamustine HCl) for Injection, an oncology-targeted candidate in development for the treatment of hematologic malignancies, such as leukemia, lymphoma and myeloma.

The Company acquires TRISENOX® (arsenic trioxide) injection, a product approved in both the U.S. and Europe for treatment of relapsed or refractory acute promyelocytic leukemia (APL), a life-threatening hematologic cancer. The acquisition includes a dedicated hematology sales force in the U.S. and specialized oncology medical representatives in Europe.

Cephalon accelerates its entry into the European oncology market with the acquisition of Zeneus Holdings Ltd. The acquisition adds a direct presence in 19 countries in Europe and an oncology portfolio that includes MYOCET,® a liposomal formulation of doxorubicin for the treatment of metastatic breast cancer.

The Company enters a partnership with Alkermes to commercialize VIVITROL® (naltrexone for extended-release injectable suspension), a novel treatment for alcohol dependence, that expands the Company into a new therapeutic area.

2006
The U.S. FDA approves VIVITROL, the first, once-monthly injectable medication for alcohol dependence.

The U.S. FDA approves the Company's second unique formulation of the opioid fentanyl, FENTORA® (fentanyl buccal tablet) [C-II].

2007
Cephalon files a marketing application with the European Agency for the Evaluation of Medicinal Products (EMEA) for its fentanyl buccal tablet formulation, under the trade name EFFENTORA,™ in Europe.

The U.S. FDA approves NUVIGIL™ (armodafinil) Tablets [C-IV] to improve wakefulness in patients with excessive sleepiness associated with treated OSA, narcolepsy and SWSD.

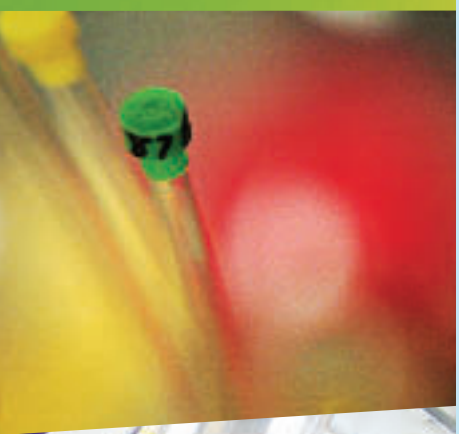
Additional clinical work initiated to explore the potential of NUVIGIL in a wide range of medical disorders.

Cephalon acquires the North American rights to AMRIX® (cyclobenzaprine hydrochloride extended-release capsules), a U.S. FDA-approved once-daily extended-release muscle relaxant.

Cephalon submits a supplemental New Drug Application (sNDA) to the U.S. FDA seeking approval to market FENTORA for the management of breakthrough pain in opioid-tolerant patients with chronic pain conditions other than cancer.

The U.S. FDA grants Orphan Drug Designation and priority review status to the New Drug Application (NDA) filing for TREANDA, an investigational treatment for chronic lymphocytic leukemia (CLL).

Cephalon files an NDA for TREANDA for treatment of patients with indolent (or slow growing) non-Hodgkin's lymphoma (NHL) who have progressed during or following rituximab treatment.



"These first 20 years have been an amazing journey, and I am proud of the company that we have created and the value that it has delivered to patients, physicians and stockholders."

Frank Baldino, Jr., Ph.D.

over 20 years of remarkable growth and achievement

to our stockholders

Cephalon reached an important milestone this year as we celebrated 20 years in business. For two decades we have successfully executed on our vision to research and develop medicines for difficult-to-treat medical problems, to bring innovative new medicines to physicians and patients and to deliver growth that rewards stockholders. From the inception of our company, we were determined to create lasting value by building a sustainable business, and with 20 years under our belt, it is a vision realized.

As a scientist, I know that drug discovery and development requires bold vision, strong discipline and unwavering commitment. As a businessman and entrepreneur, I understand that not all of our efforts will lead to marketed products. Therefore, to advance our business goals, we have a multi-prong strategy that includes ongoing investments in R&D programs, forming strategic partnerships and purchasing additional assets through mergers and acquisitions. This vision and our execution have made Cephalon one of the fastest-growing companies of its kind in the world.

In 2007, we again delivered exceptional earnings performance, exceeding the high end of both our sales and adjusted net income guidance for the year. Our research and development activities were very productive enabling us to move forward both the development of some of our marketed products and our exciting oncology pipeline.

an emerging oncology business

Ten years ago, we boldly stepped beyond our focus in the central nervous system and initiated research and partnerships in the field of oncology. After a series of successful acquisitions and the advancement of our proprietary multilineage kinases, we are now poised to bring new products to patients suffering from several hematologic malignancies. As part of our near-term strategy for growing the oncology business, this year we submitted two NDA filings for TREANDA: one for treatment of patients with chronic lymphocytic leukemia, and another for patients with indolent non-Hodgkin's lymphoma who have progressed during or following rituximab treatment.

Our marketed oncology product, TRISENOX, was the focus of an important U.S. government-sponsored clinical trial. National Cancer Institute (NCI) sponsored research revealed that TRISENOX improves survival in newly-diagnosed patients with acute promyelocytic leukemia. The study results were of such medical significance that the researchers and the NCI could not wait to share the news with clinicians and released the information immediately. Our late-stage oncology compounds also are gaining attention. TREANDA, and CEP-701, an inhibitor of tyrosine kinases, were identified in the March 2007 publication of *R&D Directions* as two of the "100 Great Investigational Drugs of 2007."

With the advancement of our VEGF-R/TIE 2 kinase inhibitor (CEP-11981) and our proteasome inhibitor (CEP-18770) into clinical development, we have set the stage for continual progress in our goal to become a leader in the oncology field. Together all of these developments will move our oncology business to the forefront of our growth over the next several years.

exceptional results during a time of transformation

For the last six years, our pain management franchise has been a key driver of our success. We pioneered the creation of products for breakthrough pain in cancer and are on the verge of extending our reach to help additional patients with non-cancer breakthrough pain. The advancement of our tamper-resistant opioid (CEP-28109) into clinical development has the potential to take our pain management franchise to a new level in the years to come.

Our Phase 3 development program focusing on FENTORA for the management of breakthrough pain in opioid-tolerant patients with chronic pain conditions delivered the positive data we needed to submit a supplemental New Drug Application to the U.S. FDA. In the European Union, we filed a request for marketing authorization of the fentanyl buccal tablet formulation (EFFENTORA) under the Centralized Filing Procedure. An approval in Europe for EFFENTORA in the treatment of breakthrough pain in cancer will provide a solid foundation for future follow-on regulatory submissions.

In August 2007, we further strengthened our pain management franchise through the acquisition and launch of AMRIX, the only once-daily extended-release muscle relaxant approved in the U.S. AMRIX competes in a large market, where we believe the product benefits of once-daily dosing and low rates of sedation are being well received by both physicians and patients.

ACTIQ has been generic for a full year, and as expected, we saw significant erosion of our market share. Despite this, we were able to generate more than $500 million in pain management franchise sales in 2007 by executing on a sound life cycle management strategy. AMRIX will build on this foundation and will be a near-term growth driver as we prepare for future product launches in our oncology, pain and Central Nervous System (CNS) franchises.

The CNS franchise that generated our first commercial success continues to be a strong source of revenue. As the foundation of our pharmaceutical business, our first-in-class wake-promoting medication, PROVIGIL, has generated more than 12 million prescriptions and over $3 billion in cumulative revenue. Over the last year, we have seen significant expansion in the use of PROVIGIL in the treatment of obstructive sleep apnea, and with a sales and marketing focus on this segment, we believe we will continue to see product growth. The U.S. FDA approval of our next generation wakefulness medication, NUVIGIL, gives us confidence that we will maintain our current leadership in the field and better serve a broader group of patients for many years to come.

Our first-in-class product for wakefulness, PROVIGIL, has generated more than 12 million prescriptions and over $3 billion in cumulative revenue.

Cephalon's eight proprietary products in the United States in four franchises

Pain Management

AMRIX®
(cyclobenzaprine hydrochloride extended-release capsules)

FENTORA®
(fentanyl buccal tablet) [C-II]

ACTIQ®
(oral transmucosal fentanyl citrate) [C-II]

Oncology

TRISENOX®
(arsenic trioxide) injection

Central Nervous System

NUVIGIL™
(armodafinil) Tablets [C-IV]

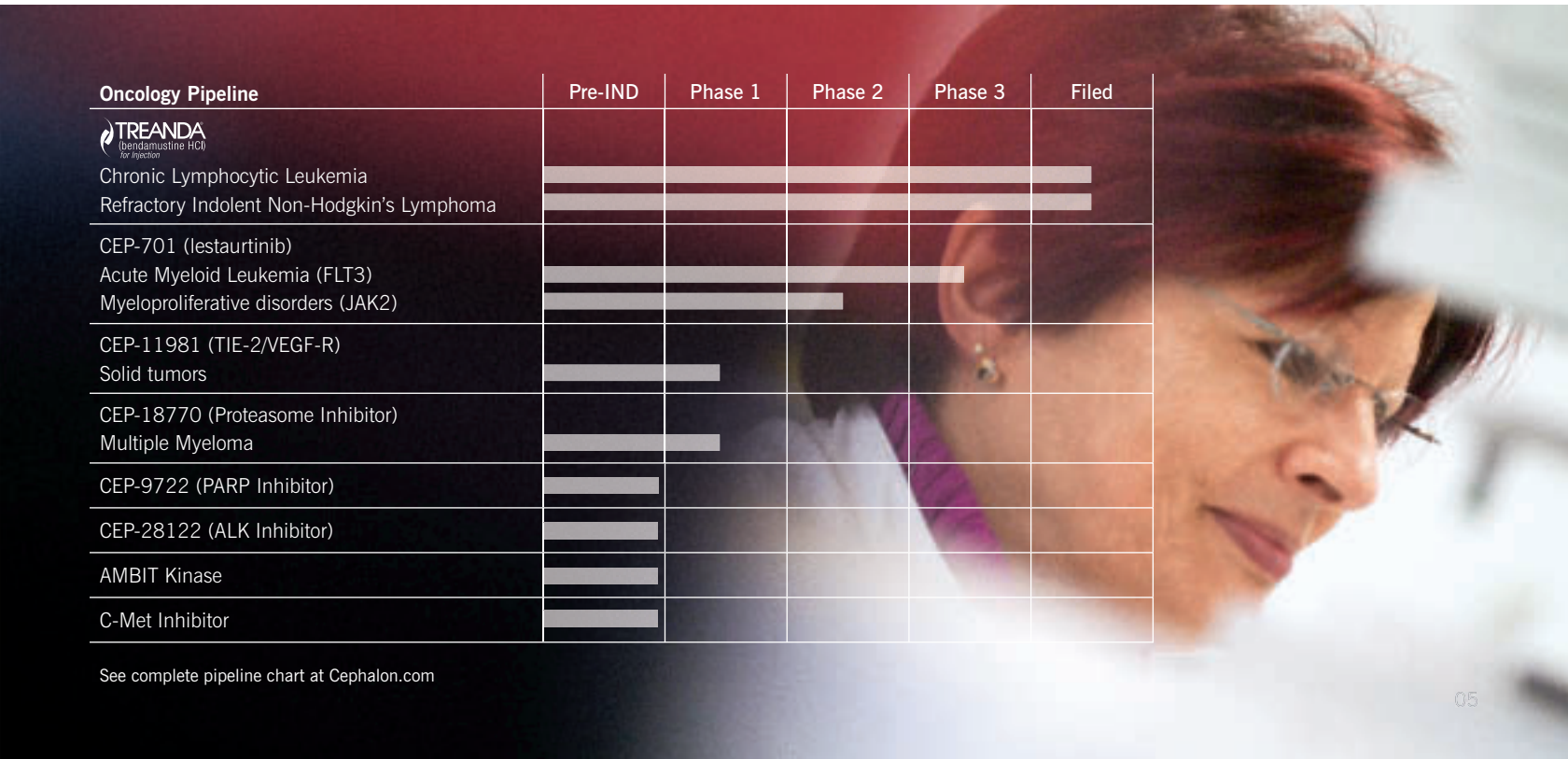
PROVIGIL®
(modafinil) Tablets [C-IV]

GABITRIL®
(tiagabine hydrochloride)

Addiction

VIVITROL®
(naltrexone for extended-release injectable suspension)

Oncology Pipeline	Pre-IND	Phase 1	Phase 2	Phase 3	Filed
TREANDA (bendamustine HCl) for injection					
Chronic Lymphocytic Leukemia					
Refractory Indolent Non-Hodgkin's Lymphoma					
CEP-701 (lestaurtinib)					
Acute Myeloid Leukemia (FLT3)					
Myeloproliferative disorders (JAK2)					
CEP-11981 (TIE-2/VEGF-R)					
Solid tumors					
CEP-18770 (Proteasome Inhibitor)					
Multiple Myeloma					
CEP-9722 (PARP Inhibitor)					
CEP-28122 (ALK Inhibitor)					
AMBIT Kinase					
C-Met Inhibitor					



See complete pipeline chart at Cephalon.com

As we enter our next decade of business, we find ourselves in a vastly changed industry. In this environment, clinical trials, safety data, and sales and marketing practices of the entire pharmaceutical industry are subject to intense scrutiny by regulators, the media and the public. Last year, we were able to resolve a three-year U.S. Department of Justice investigation of our sales and marketing practices. Undoubtedly, this resolution was significant and caused us to re-evaluate and re-invigorate our compliance initiatives. Accordingly, we elevated our chief compliance officer position to an executive officer position of the corporation, and we are fortunate that Valli Baldassano, an outstanding corporate compliance attorney, joined us last year. We are confident she will provide the leadership we need.

a future filled with opportunities

We have before us a period of remarkable opportunity, based on our diverse pipeline of early- and late-stage compounds, innovative new products and the potential to expand our marketed product labels.

Over the next three years, we anticipate several product approvals and launches. In 2008, we are making plans for two U.S. FDA approvals in our oncology franchise, two approvals in our pain management franchise and the launch of our exciting oncology product, TREANDA. Today, our plans for 2009 include the launch of a second oncology product. In addition, we have an ambitious goal to deliver annual basic adjusted EPS growth of 15 to 20 percent through 2010.

Our oncology business will play a vital role in the continued growth of our company. TREANDA is at the forefront of that business, with two U.S. FDA applications filed in both CLL and indolent NHL. If approved, we would launch TREANDA for both of these indications in 2008.

We continue to make progress in our clinical trial with CEP-701 (lestaurtinib) and expect the completion of the trial in 2008. If the data from this program are positive, we anticipate filing for regulatory approval in the U.S. and Europe for this compound as a treatment for certain acute myelogenous leukemia (AML) patients. If approved, we would expect to launch this exciting product in 2009.

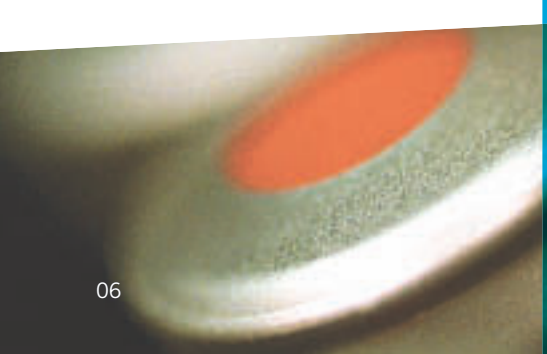
Also on the horizon, we expect the U.S. FDA to make a decision on our request for an expanded indication for FENTORA for breakthrough pain in opioid-tolerant patients with specific chronic pain conditions. The U.S. FDA has scheduled an advisory committee to consider this application, with a decision expected by September 13, 2008.

As we prepare for the anticipated launch of a broader label for FENTORA in 2009, our pain management franchise will benefit from a full year of commercial activity for AMRIX. By sampling the product and further expanding our reach into primary care with a 120-person contract sales organization, we are well positioned to grow AMRIX sales in 2008.

Our growing oncology business and our well-established pain management franchise will play a vital role in the continued growth of our business.

Longer term, with U.S. FDA approval and patent protection through 2023, NUVIGIL provides us with an exciting opportunity to extend our wakefulness franchise beyond conditions of sleep and wakefulness. Our strategy is focused on seeking additional data in areas including bipolar depression, disorders associated with excessive sleepiness, negative symptoms in schizophrenia patients treated with antipsychotics, and cancer-related fatigue. With new data, a 2010 launch would provide an even greater opportunity to maximize the value this compound can offer to patients and physicians.

2007 awards and recognition



Added to the NASDAQ-100 Index.

Ranked one of the 500 largest U.S. manufacturers, based on revenue. (*Industry Week*)

Included in the FORTUNE 1000 list of America's largest corporations.

Inducted into the "Community of Global Growth Companies" — a group of companies with annual growth of more than 15%. (World Economic Forum)

PharmaVoice named Cephalon CEO Frank Baldino, Jr., Ph.D. one of the "100 Most Inspiring People" and one of the entrepreneurs who are redefining the life-sciences industry.

Reaching underserved patients is critical to our continued growth and our global strategy also is focused on broadening usage of our products through geographic expansion. We are expecting approval of our application for EFFENTORA in the European Union in the first quarter of 2008. In addition, if our study of CEP-701 in AML is positive, we expect to file for approval in both the U.S. and Europe.

Europe is already contributing to our growth, with 30 products and a growing oncology business that includes four products. And we are looking beyond Europe to Asia. Last year, modafinil (under the brand name MODIODAL®) was launched in Japan for the treatment of excessive daytime sleepiness associated with narcolepsy by our partners, Alfresa Pharma and Mitsubishi Tanabe Pharma.

Our current efforts seek to cultivate our business in Japan and elsewhere in Asia to help more patients and physicians and to capitalize on opportunities in these burgeoning international markets.

ready to deliver more

After 20 years of extraordinary growth, this is a great time to celebrate our many accomplishments. It also is a time to reflect on what Cephalon represents. We are entrepreneurial, agile, opportunistic and committed to moving our business forward 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.

We will never lose sight of the patients whose lives we positively impact every day. 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.

We have created a sustainable and diversified business with a growing international presence and a robust R&D pipeline. Today we have both the opportunity and commitment to continue to deliver strong growth and leadership in the next 20 years and beyond.

Frank Baldino, Jr., Ph.D.
Chairman & Chief Executive Officer

executive officers (from left to right)

Peter E. Grebow, Ph.D.
Executive Vice President, Worldwide Technical Operations

Jeffry L. Vaught, Ph.D.
Executive Vice President, Research & Development

Frank Baldino, Jr., Ph.D.
Chairman & Chief Executive Officer

Lesley Russell M.B.Ch.B., MRCP
Executive Vice President, Worldwide Medical & Regulatory Operations

J. Kevin Buchi
Executive Vice President & Chief Financial Officer

Robert P. Roche, Jr.
Executive Vice President, Worldwide Pharmaceutical Operations

Valli F. Baldassano
Executive Vice President & Chief Compliance Officer

Carl A. Savini
Executive Vice President & Chief Administrative Officer

board of directors (from left to right)

Dennis L. Winger
Senior Vice President
& Chief Financial Officer
Applera Corporation

Frank Baldino, Jr., Ph.D.
Chairman & Chief
Executive Officer
Cephalon, Inc.

Vaughn M. Kailian
General Partner
MPM Capital LP;
Former President
COR Therapeutics

William P. Egan
General Partner
Alta Communications, Inc.

Charles A. Sanders, M.D.
Former Chairman &
Chief Executive Officer
Glaxo, Inc.

Kevin E. Moley
Former U.S. Ambassador
Geneva, Switzerland;
Former Deputy Secretary of HHS

Gail R. Wilensky, Ph.D.
Healthcare Economist;
Senior Fellow
Project HOPE

Martyn D. Greenacre
Chairman
BMP Sunstone Corp.;
Former Chairman Europe
SmithKline Beecham

stockholder information

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Cephalon, Inc.
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610.344.0200

investor relations
Cephalon invites stockholders, security analysts and representatives of the financial community to contact:

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.

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.

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

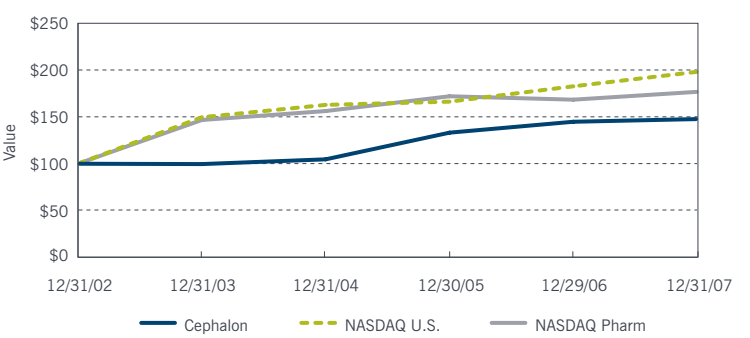
annual meeting
Cephalon stockholders are invited to attend our annual meeting, which is scheduled to be held at 8:30 a.m. EDT on May 22, 2008, at Cephalon Corporate Headquarters, 41 Moores Road, Frazer, PA 19355.

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

comparative stock performance graph
The graph compares the cumulative total stockholder return on the Common Stock with the cumulative total stockholder return of (i) the NASDAQ Stock Market (U.S.) Index (the "NASDAQ Index"), and (ii) the NASDAQ Pharmaceutical Stocks Total Return Index (the "Pharmaceutical Index"), assuming an investment of $100 on December 31, 2002 in each of the Common Stock of the Company; the stocks comprising the NASDAQ Index; and the stocks comprising the Pharmaceutical Index. All values assume 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 fiscal 2007.



we seek to improve lives by discovering and developing therapies that bring value to patients and stockholders

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