



This is how we're turning our

insights into medicine.SM



pioneering
therapies



PRODUCT PIPELINE

● indicates biologic

PHASE III

TREANDA® (bendamustine hydrochloride) injection

First Line Non-Hodgkin's Lymphoma

NUVIGIL® (armodafinil) [C-IV] Tablets

Excessive Sleepiness Associated with Traumatic Brain Injury

Adjunctive Treatment for Major Depressive Disorder Associated with Bipolar Depression

PHASE II

TREANDA (bendamustine hydrochloride) injection

Mantle Cell Lymphoma-2nd Line Combo with Rituxan® [(rituximab) Genentech, Inc.]

NUVIGIL (armodafinil) [C-IV] Tablets

Adjunctive Treatment for Schizophrenia

CINQUIL™, CEP-38072 (reslizumab) Anti-IL5 ●

Adult Eosinophilic Asthma

Lupuzor™, CEP-33457 (CD4 T cell modulator)

Systemic Lupus Erythematosus

CEP-18770 (proteasome inhibitor)

Multiple Myeloma

PHASE I

TREANDA (bendamustine hydrochloride) injection

Multiple Myeloma-refractory Combo with Velcade® [(bortezomib) Millennium Pharmaceuticals, Inc.]

CEP-11981 (VEGF-R/TIE2 kinase inhibitor)

Solid Tumors

CEP-9722 (PARP inhibitor)

Solid Tumors with Temozolomide

CEP-37247 (anti-tumor necrosis factor) ●

Sciatica

CEP-33236 (once-daily hydromorphone)

Tamper-deterrent Opioid

CEP-33237 (twice-daily hydrocodone)

Tamper-deterrent Opioid

CEP-26401 (H₃ antagonist)

Cognition in Alzheimer's Disease/Schizophrenia

CEP-33222 (intravenous celecoxib)

Post-operative Pain

RESEARCH/PRE-CLINICAL

CEP-28122 (ALK kinase inhibitor)

Anaplastic Large-Cell Lymphoma/Non-Small Cell Lung Cancer

CEP-32496 (B-Raf inhibitor)

Melanoma/Colon Carcinoma

CEP-37250/KHK2804 (targets glycolipid) ●

Colorectal Cancer (collaboration with Kyowa-Kirin)

CEP-37251 (RANKL inhibitor) ●

Bone Metastasis

CEP-37248 (Anti-IL 12/23) ●

Inflammation

CEP-37309 (JL1 antibody) ●

Leukemia

20 PIPELINE 09 HIGHLIGHTS

CEP-18770: The novel proteasome inhibitor with a higher propensity to inhibit proteasomes in tumors than in normal tissue. Current therapeutic target: multiple myeloma, a treatable, incurable cancer affecting plasma cells. Clinical validation of the disease mechanism and drug target provides strong rationale for continuing development. Phase II clinical trial underway.

CEP-37251: Engineered version of natural osteoprotegerin (OPG), a non-signaling decoy receptor for RANKL and a key mediator of bone resorption. Preclinical studies in bone cancer showed compound is as protective against bone loss as OPG and reduced the ability of tumors to grow in bone. Phase I clinical trial planned for 2010.

NUVIGIL: Armodafinil; next generation of proven modafinil compound. Additional indication for excessive sleepiness (ES) due to jet lag disorder under FDA review; early promise in studies of depressive components of bipolar disorder and negative symptoms associated with schizophrenia. Phase II/III studies underway in psychiatric conditions and ES in traumatic brain injury.

Lupuzor (CEP-33457): Novel mechanism for modifying behavior of key cells (CD4 T cells) involved in the pathogenesis of systemic lupus erythematosus, a chronic, inflammatory autoimmune disorder. Phase IIb three-month clinical study showed encouraging results in lowering disease activity in lupus. Plan to initiate six-month Phase IIb study in 2010.

CEP-37247: New generation tumor necrosis factor (TNF) alpha blocker is the first product incorporating human framework domain antibodies to be used in human trials. Phase II psoriasis trial results released in 2009. Acquired option to purchase BioAssets Development Corp. and its intellectual property estate around the use of TNF inhibitors for sciatica. Next milestone: begin Phase I/II clinical trials in sciatica in 2010.

See complete pipeline chart at www.cephalon.com



TO OUR STOCKHOLDERS

Our insights into the science and business of medicine have led to another outstanding year, with the launch of NUVIGIL[®], important acquisitions and strong financial performance. Our pipeline is full of opportunity, with a record 12 compounds in all phases of clinical studies and six compounds in pre-clinical research.

Changing lives in meaningful ways. It takes both innovative science and keen business sense to bring new therapeutic options to physicians and patients. It also takes rigorous testing, hundreds of millions of dollars and many years before a product reaches the market. Precious few compounds will ever make it through the regulatory process. Nonetheless, a single success has the potential to change patients' lives in meaningful ways—and, in doing so, we can deliver solid returns for our shareholders.

Since our start in 1987, we have invested more than \$3 billion in research and development. Our focus is on novel medicines—either first or best-in-class—that address needs not met by currently available products. We also have several products designated as “orphan drugs,” developed to treat rare medical conditions that affect fewer than 200,000 Americans annually.

With PROVIGIL[®], and now NUVIGIL, we stood convention on its head in treating sleep disorders. By improving wakefulness, millions of patients suffering from excessive sleepiness associated with three disorders of sleep and wakefulness have been able to reclaim their lives. NUVIGIL also may prove to be a useful treatment for additional sleep disorders and for patients with specific psychiatric disorders, where we are seeing encouraging results in clinical trials for bipolar depression and negative symptoms of schizophrenia. We also are changing lives for the better with TREANDA[®] for patients with certain forms of blood cancers.

Our aspiration to have a positive impact on patients' lives permeates our business, leading us to look differently at which products we develop and how we develop them. This also means running our business differently than most pharmaceutical companies. Our insightful approach to business development enhances our product pipeline with lower risk opportunities and brings balance to our approach. A prime example is our 2009 acquisition of Arana Therapeutics, which added an engine for biologics—monoclonal antibodies and therapeutic proteins—that may allow us to attack diseases in new ways.

shifting paradigms

balancing risk

2009 BUSINESS HIGHLIGHTS

Strong results. In 2009, sales exceeded \$2 billion for the first time, at \$2.15 billion, coming just five years after our first \$1 billion year in 2004. We continue to generate strong cash flows, which underwrite our ability to develop, license or acquire new compounds and to purchase assets that support long-term growth. We ended 2009 with cash and cash equivalents of \$1.6 billion.

We maintain a disciplined approach to controlling expenses, which helps to strengthen earnings growth. In 2009, adjusted net income was \$469 million, up 28% from the prior year.

Delivering results

- NUVIGIL launches in June 2009 and gains 25% market share by year-end.
- TREANDA sales nearly triple; AMRIX® sales grow 55%.
- Studies reveal positive data for NUVIGIL in psychiatric disorders; regulatory filing could expand NUVIGIL indications to include excessive sleepiness due to jet lag disorder.
- Pipeline hits record in 2009, with 12 compounds in all phases of clinical development and six compounds in pre-clinical research.

Seizing opportunity

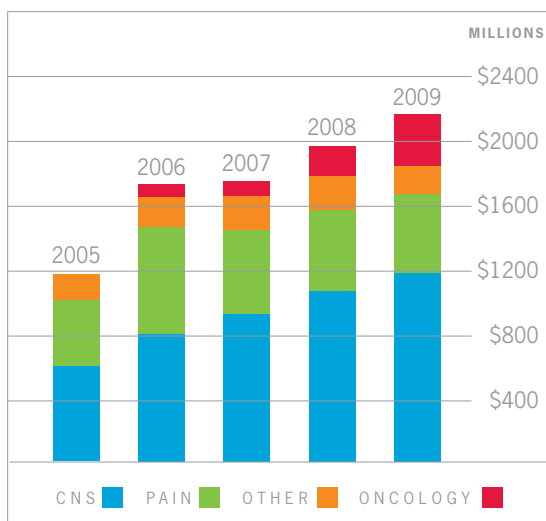
Cephalon expands pipeline, adds biologics engine and boosts long-term growth potential by licensing, acquiring or optioning assets:

- Lupuzor™, an investigational medication for systemic lupus erythematosus, from ImmuPharma PLC.
- Arana Therapeutics, an Australian-based company, with biologics targeted to oncology and inflammatory diseases and technology platforms for optimizing antibodies.
- BioAssets Development Corp., and its estate of intellectual property and scientific expertise, under option for Cephalon to acquire.
- Acquires an option and, in 2010, exercises the option to buy Ception Therapeutics and its lead product CINQUIL™ (reslizumab), following strong Phase II results in treating eosinophilic asthma.

Improving lives: About 3,500 uninsured patients receive \$35 million of free Cephalon medicines under the CephalonCares™ Foundation, (CephalonCares.com), launched in April 2009. This program could reach up to 4,000 patients in 2010.

Safety first: The Risk Evaluation and Mitigation Strategy, or REMS, being negotiated with FDA for FENTORA® could be a model for managing risks for other rapid onset opioid pain medications.

TOTAL SALES



**We believe
in innovation
and
investment.**

A person wearing a white lab coat and white gloves is using a syringe to transfer liquid into a multi-well plate. The syringe is held in the person's right hand, and the needle is inserted into one of the wells of the plate. The plate is pink and contains several other wells, some of which already contain a blue liquid. The background is a blurred laboratory setting. A red dotted line is drawn across the image, starting from the left side and ending on the right side, passing through the syringe and the multi-well plate.

New in '09. The exceptional launch of NUVIGIL, a once-daily, longer-lasting form of modafinil, will surely extend the longevity of our wake-promoting franchise. We introduced NUVIGIL in June with lower pricing and expanded patient access to the medication through our co-pay support program. We are confident in our intellectual property position with NUVIGIL and expect that our expansion strategy will allow this therapy to reach many patients for years to come.

We launched EFFENTORA® in Europe, beginning with the UK, Ireland, Germany and Italy in 2009, for the treatment of breakthrough cancer pain in adults who regularly take other opioid medications for persistent cancer pain. In the United States, this product is marketed as FENTORA and has been available since 2006. We are now pursuing additional indications, specifically for opioid-tolerant patients with non-cancer breakthrough pain. To support the safe and appropriate use of FENTORA, we submitted a novel Risk Evaluation and Mitigation Strategy (REMS) to the FDA. Our REMS approach could pave the way for a new industry standard in managing risks for other rapid onset opioid pain medications.

New Opportunities. In the tough economic environment of the past year, most companies would be happy to find a single promising growth opportunity, no matter what industry they're in. At Cephalon, we have been successful over many years in identifying prospects that both align with our strategy and combine to create something brand new. Our business development activities have added assets and expertise in science, technology and a new therapeutic area, inflammatory diseases.

- In January, we signed an option to acquire Ception Therapeutics, with its lead product CINQUIL™ (reslizumab), a humanized monoclonal antibody, in clinical studies for the treatment of eosinophilic diseases. In November, we announced disappointing initial results of a Phase IIb/III clinical study for the treatment of pediatric eosinophilic esophagitis. Subsequently, in February 2010, Ception delivered strong results from its Phase II study of CINQUIL in eosinophilic asthma, presenting us with the opportunity to add this asset to our Phase III pipeline.

- In February 2009, we exercised our option to license Lupuzor™ (CEP-33457) from ImmuPharma PLC, based on encouraging Phase IIb data in treating systemic lupus erythematosus. We plan to initiate a six-month study to expand on their results as well as to better understand the longer-term impact of this medication. This study will bring us one step closer to fulfilling the need for a medication to treat this chronic and potentially life-threatening autoimmune disorder.

- In August, we completed our acquisition of Arana Therapeutics, gaining a firm footing in biologics to complement our current R&D program, which has been based primarily on small molecules. We also strengthened our commitment in inflammatory diseases, with the most advanced being CEP-37247, a new generation tumor necrosis factor (TNF) alpha blocker, which is also the first product incorporating human framework domain antibodies to be used in human trials. The benefits of this technology platform might include therapeutic antibodies with reduced immunogenicity, increased potency, and enhanced tissue penetration.



delivering
growth



pursuing opportunities

- In October, we signed an option to acquire BioAssets Development Corp. and its estate of intellectual property. By combining the innovations of BioAssets and Arana, we will be able to better evaluate the development compound CEP-37247 as a non-surgical treatment for sciatica. BioAssets has secured an intellectual property estate around the use of TNF inhibitors for sciatic pain in patients with intervertebral disk herniation and other spinal disorders.

Our approach to business development takes many forms, from outright acquisitions to the purchase of options-to-acquire or license based on meeting milestones of key compounds under study. The value of this business model is our ability to grow while limiting downside risk and containing costs, all without sacrificing upside potential should the product prove to be a success.

Breaking new ground. Much of our work at Cephalon focuses on helping patients in disease areas where there are few, if any, medications available. Our first insights come when we identify a molecular target and a chemical or biological intervention we hope will lead to a new therapy for patients.

Unfortunately, not every opportunity will make it to the market. So it's rewarding when compounds make it through the development process, gain regulatory approval and reach physicians and their patients. This is what drives us to succeed at Cephalon. The ability to develop a therapy that could transform the life of a patient is a tremendously rewarding experience. We have been fortunate to introduce exciting new therapies to patients, year after year.

TREANDA has proven to be one of those terrific successes and, as a result, thousands of patients found new hope. TREANDA was launched in 2008 for two indications: chronic lymphocytic leukemia and as second-line treatment for indolent non-Hodgkin's lymphoma (NHL) that has progressed. Today, positive results in numerous studies initiated by independent investigators around the world are receiving a tremendous response from members of the oncology community. One study, presented at the annual meeting of the American Society of Hematology in December 2009, showed that a combination of TREANDA and Rituxan® [(rituximab) Genentech, Inc.] as first-line therapy for NHL had better complete response and progression-free survival rates with fewer side effects compared to the current standard of care. The study was presented by the lead investigator of the Study Group of Indolent Lymphomas, Mathias J. Rummel, M.D., Ph.D., who heads the Department for Hematology at the University Hospital in Giessen, Germany. Although the results are promising, we are still evaluating this study to determine if these data could support a regulatory filing for a front-line indication for TREANDA. Our own front-line NHL study is ongoing.

With CEP-701 (lestaurtinib), a proprietary compound discovered in our own laboratory, we were disappointed in the long-anticipated results of pivotal studies for this oral small molecule tyrosine kinase inhibitor. We had high hopes for this compound as a treatment for acute myelogenous leukemia in patients where the disease was associated with a mutation in a kinase called FLT-3. Even though the results were disappointing, with no positive clinical impact demonstrated, we and the oncology community believe there is much to be learned about the potential to predict which patients will be responsive to certain medicines from this first-of-its-kind study in a rare disease population.



**Changing
lives
one
therapy
at a time.**

Seeing opportunity where others don't. Our business model is unique in that it seeks to balance the inherent risk in drug discovery by continually filling the drug pipeline in several ways: with in-house discoveries, late-stage products we license, outright acquisitions, and our commitment to specialty areas where there is great demand for new treatment options.

In order to build a sustainable pharmaceutical business, we need to address important pharmaceutical markets in every corner of the world. This is what led us in early 2010 to sign an agreement to acquire Mepha AG, a profitable, Swiss-based pharmaceutical company. Mepha has specific expertise in innovative dosage formulations and markets both generic and branded generic products. The acquisition allows Cephalon to diversify our business, and provides an attractive platform to launch current and future products in new, developed and emerging markets. With this deal, we now serve all three types of pharmaceutical markets: Proprietary branded, generic and branded generic. We believe this balance will increase the growth and stability of our business.

Developing new products, expanding indications for existing products and leveraging our geographic footprint are all ways that we ensure that patients gain access to our medications. We enhance these efforts by developing programs that provide greater access to those most in need of our medications, those with no health insurance and those with limited financial resources. Our co-pay assistance programs have helped many patients reduce their out-of-pocket costs for some of our medications and our CephalonCares™ Foundation is helping those who have no health insurance at all. In 2009, we distributed \$35 million of free Cephalon medications to 3,500 patients in the United States. We hope that someday any patient who needs our medications will receive our medications.

This comprehensive and holistic approach is business as usual at Cephalon; it's how we're building the company one product at a time. We look at an asset—a research compound, a new technology, a company to acquire—with eyes wide open. This allows us to see more ways to attack disease and to design better studies for targeted populations. We can work through the complexities in educating physicians and patients about new treatment options. And we can spot potential in unexpected places with a fresh perspective on compounds and technologies that could truly change patients' lives.

Our insights into medicine have enabled us to assemble the deepest and most diverse pipeline in our history, with a variety of small molecules and biologics being studied for central nervous system disorders, pain, oncology and inflammatory diseases. We're excited about the opportunities ahead and the millions more patients that our efforts and our products might help someday.



Frank Baldino, Jr., Ph.D.
Chairman and Chief Executive Officer
March 25, 2010



expanding reach

EXECUTIVE OFFICERS

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and Chief Scientific Officer

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President, Defense Health Board

Dennis L. Winger
Former Senior Vice President
and Chief Financial Officer,
Applera Corporation

CORPORATE INFORMATION

Investor Relations
Cephalon invites stockholders,
security analysts and representatives
of the financial community to contact:
investorrelations@cephalon.com

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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
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Annual Meeting
Cephalon stockholders are invited to
attend our annual meeting, which
is scheduled to be held at 8:30 am
on May 20, 2010, at Cephalon
Corporate Headquarters, 41 Moores
Road, Frazer, PA 19355.

Independent Auditors
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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.

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