

CompetePA Presentation

Growing a company in Pennsylvania

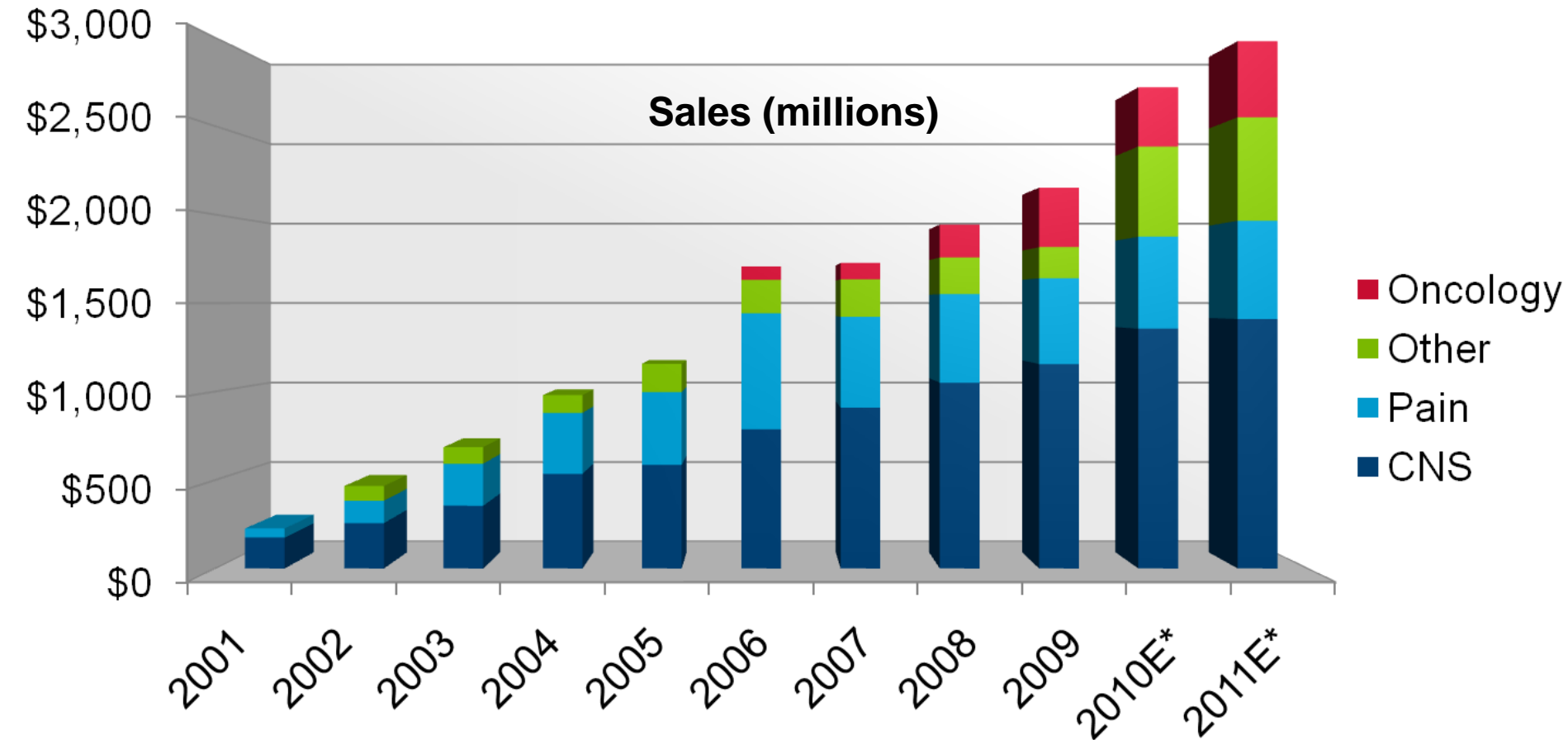
March 7, 2011

Corporate Snapshot Today

- **Among World's Top Ten Biotech Companies**
 - > **Oncology, CNS, Pain, Immunology and Regenerative medicine**
- **Over 4,000 employees worldwide**
 - > **Over 1,000 in Pennsylvania**
- **Invested over \$130 million dollars in Pennsylvania at our Global Research facility alone**
- **150+ Products in 100+ countries**
- **\$2.76 billion revenue in 2010**



Solid Record Of Sales Growth



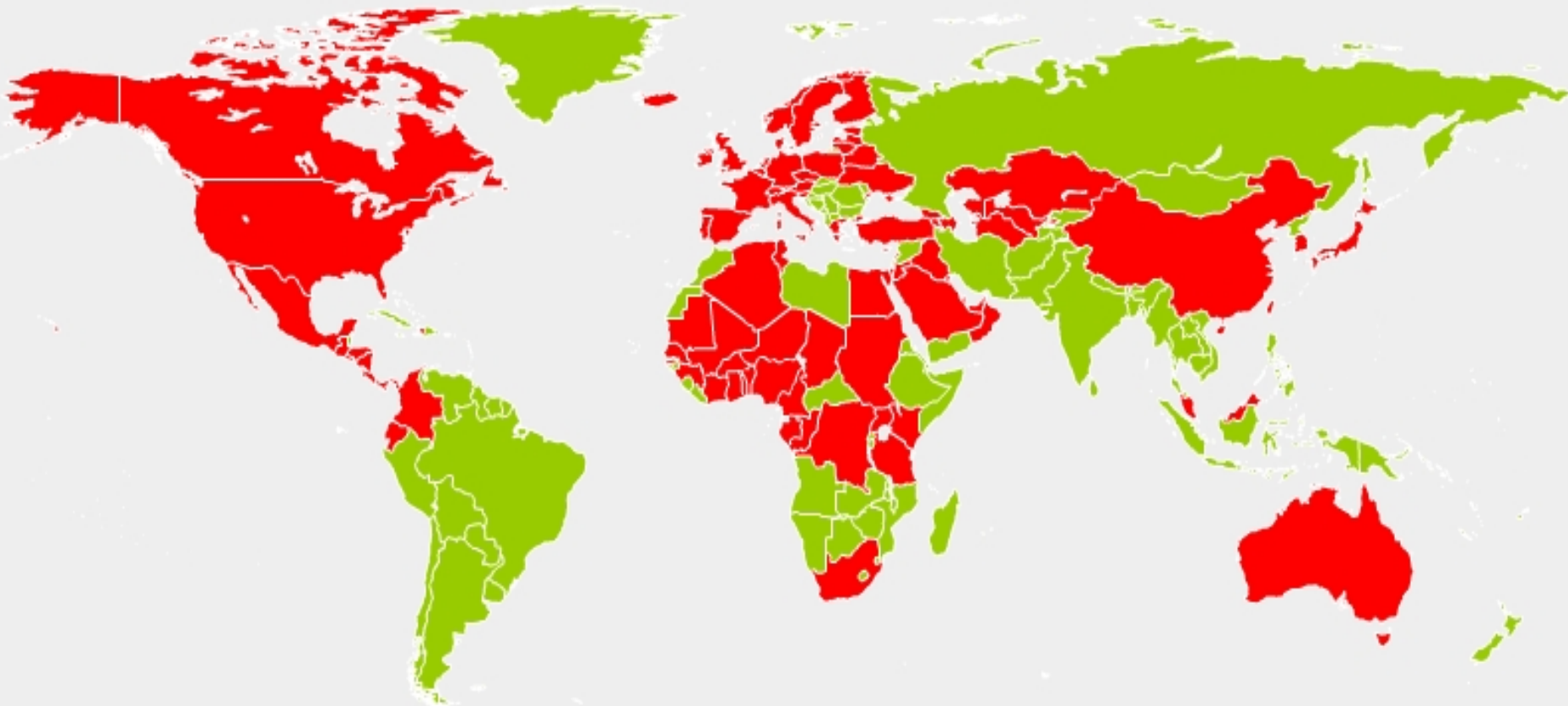
*2010 & 2011 estimates depict the midpoint of guidance ranges provided in press release issued 10/28/10.

A Growth Company

- **Fortune 1000, a list of America's largest companies**
 - **2008 Ranked 952**
 - **2009 Rank 903**
 - **2010 Rank 781 (up 122 positions, 171 in 2 years!)**
- **Member of the S&P 500**
- **Cephalon Named One of America's Best Adoption-Friendly Workplaces by the Dave Thomas Foundation for Adoption**

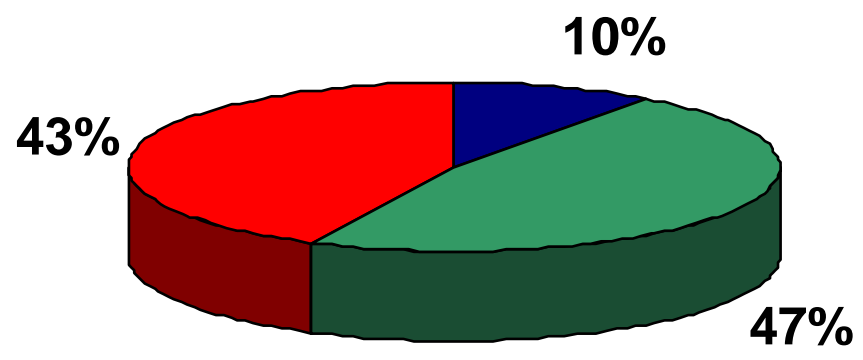
Cephalon's Growing Global Presence

Cephalon's Global Presence



Sales in more than 100 countries and over 150 products sold

2010 Total Contributions



- Community Support
- Science/Education
- Patient/Therapeutic

Total Spend: \$3,164,243

Matching Gift Spend: \$74,718



Cephalon Then...

- 1987 – Founded by Frank Baldino, Jr., Ph.D.
- 1991 – Cephalon went public, raising \$54.5 million & selling 3.3 million shares
- 1992 – First human clinical trials in U.S.
- 1999 – Cephalon launches first product in U.S.
- 2000 – Cephalon
 - sold 3 products
 - sales presence in 6 countries
 - 3 products in clinical development
 - just under 250 employees in Pennsylvania



Cephalon Then...

- 2005 – 18 years later and over \$1 billion invested, Cephalon becomes profitable
- 2010 – Cephalon
 - sells over 150 products
 - sales presence in 100 countries
 - has 13 compounds in 65 clinical trials
 - purchased 4 bio-pharmaceutical companies
 - > *Ception Therapeutics, Mepha AG, BioAssets Development Corp., and Mesoblast Ltd.*
- 2011– Over 1,000 employees in PA, largest publicly traded bio-pharmaceutical company with global headquarters in PA



Assistance from Commonwealth

Corporate Headquarters

- Early Ben Franklin Technology Partners Investment
- \$10 million Sunny Day Loan approved in 1994
 - \$5,318,593 forgiven in 2007
- \$2 million Opportunity Grant
- \$1.75 million Job Creation Tax Credit (JCTC)

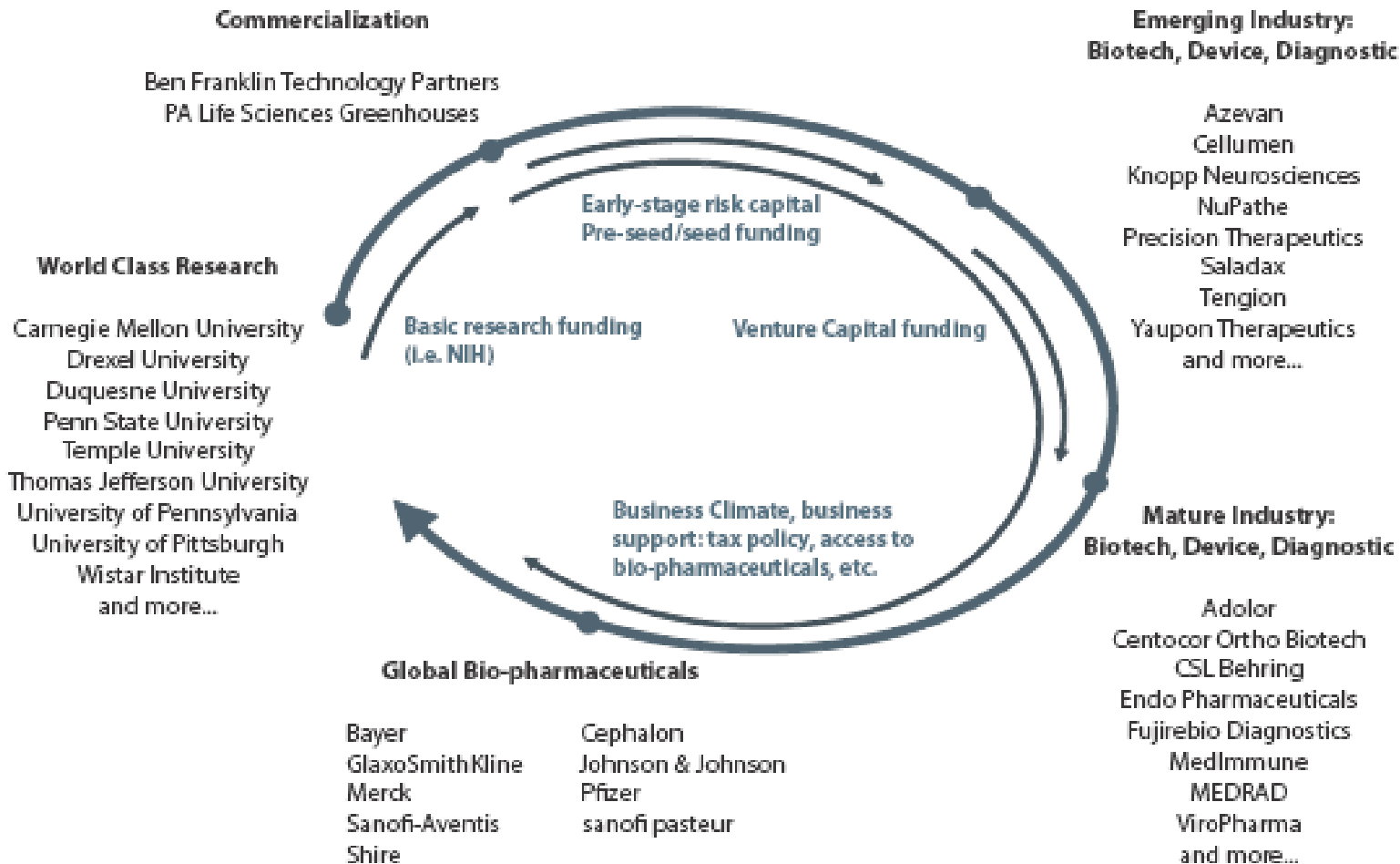
Why Invest in Our Industry

2009 Milken Report

- **2nd most significant Life Sciences cluster in the United States**
- **The Life Sciences industry is highly sought by states and nations for its high-paying jobs and tremendous growth potential**
- **1 in every 6 jobs in the Philadelphia region is traced directly to the Life Sciences Industry**
- **Using the Milken report multiplier (7.3) and data from 2007, the Life Sciences Industry generated 380,800 jobs, \$20.2 billion in earnings and \$39.7 billion in output in the Greater Philadelphia region**
- **9th in the Nation in small business vitality**

Continuum

The Bioscience Continuum in Pennsylvania



Global Competition

In a global economy, not only must we ask how many jobs were created in Pennsylvania...but how many were created elsewhere.

Then we ask why.

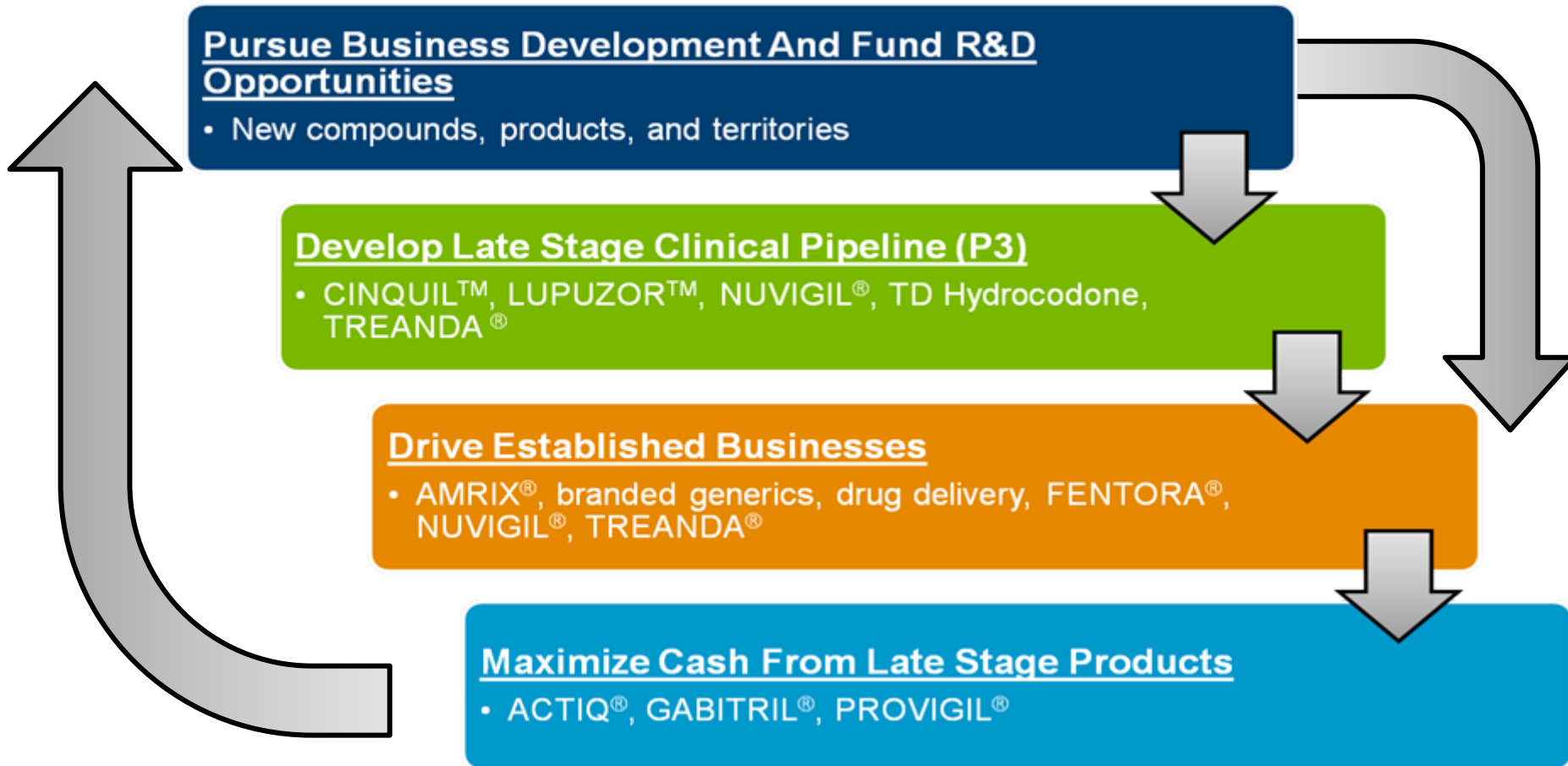
Empower an Innovation Economy

Taxes—Competing Globally

- U.S. has 2nd highest effective tax rate of 1st World Countries
- Items to consider:
 - CNI Rate
 - Capital Stock and Franchise Phase Out Schedule
 - Single Sales Factor, currently 90%
 - Net Operating Loss (NOL)
 - Most restrictive against competitor states and 2nd most restrictive in the nation
 - Increase Percentage; currently \$3 million or 20% of tax liability
 - Institute tradability

R&D = Sustainability

...a strong pipeline is essential to companies and patients



Empower an Innovation Economy

- **Research & Development (R&D) Tax Credit**
 - > **Based 10% increase in R&D spend over base year**
 - > **Initially \$15 million**
 - > **Raised to \$30 million**
 - > **2006 – raised to \$40 million**
 - > **2010 – \$18 million (part of 2 - year cut)**
- **Antiquated government programs based purely on bricks and mortar and job creation do not always work for innovative companies**
 - **Programs based on capital formation in the Commonwealth must be encouraged**
 - **Access to early stage seed capital is critical**
 - **Support Greenhouse and Ben Franklin programs**

Key Messages...

- We are competing not only regionally, but against other states and nations
- Programs should encourage an innovation economy & leveraging venture investment
 - 1 - California 399
 - 2 - New York 307
 - 3 - Pennsylvania 260
 - 4 - Texas 208
 - 5 - Ohio 194
- Even in a difficult budget environment, planning for incremental tax climate enhancements is important if you want to send a messages that Pennsylvania is open for business

Thank you



PROUD
PROACTIVE
HOPE
INFORMATION
MEANINGFUL
**DELIVERING
BREAKTHROUGH
MEDICATIONS
TO PEOPLE
IN NEED**
INSPIRES
SAFETY
GLOBAL
MEANINGFUL
QUEST
DRIVEN
EDUCATE
ACCURATE
INFORMING
EXPLORATION