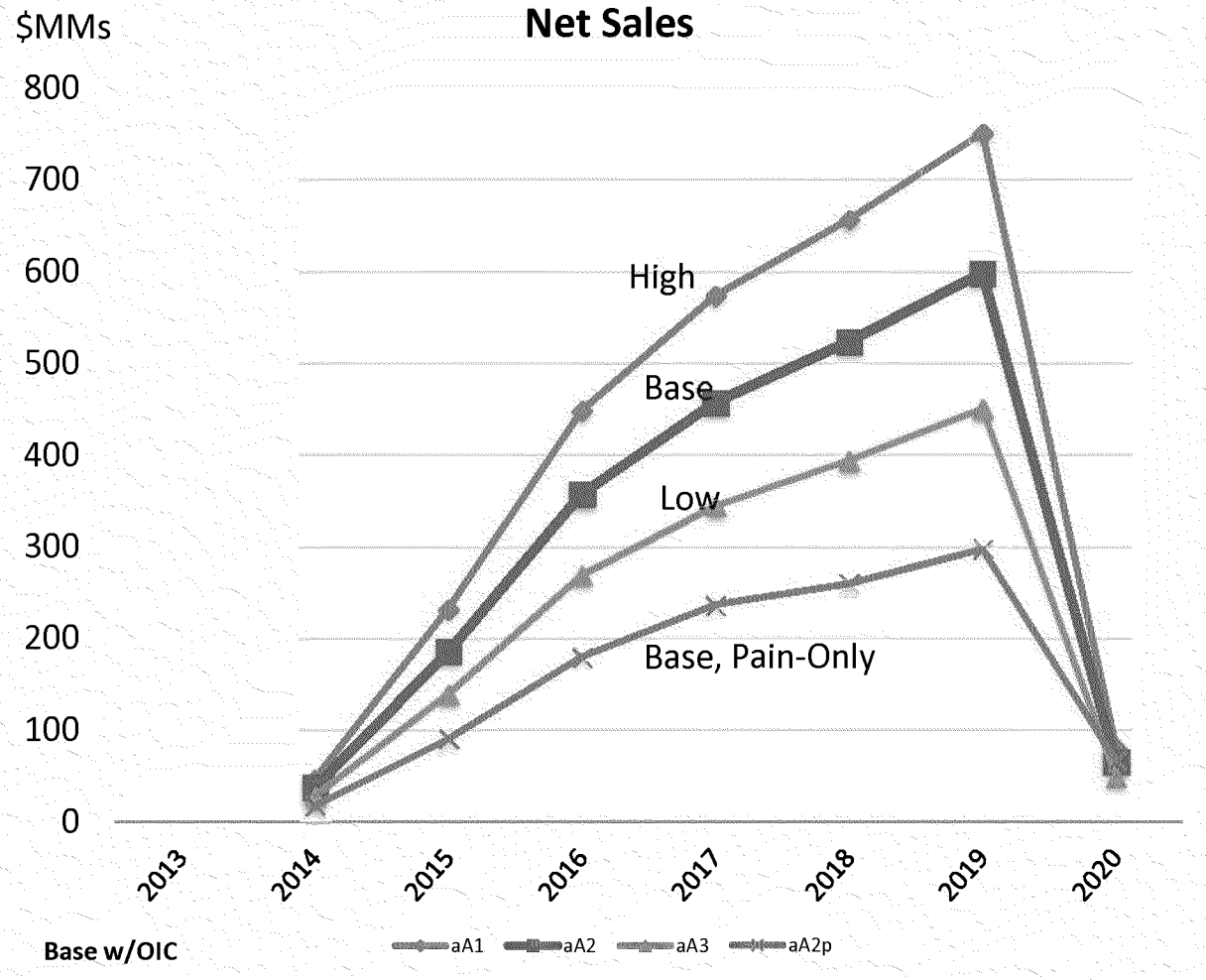
Market Assessment Scenarios

U.S. Only



Base w/OIC

P&L Highlights ($mms)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross sales	$ -	$ -	$ 46.0	$ 229.7	$ 454.5	$ 604.3	$ 691.7	$ 790.7	$ 78.9	$ 52.3	$ 40.7	$ 34.5
Net sales	-	-	37.2	185.4	357.8	457.6	523.8	598.7	65.2	43.2	33.6	28.5
Gross margin	-	-	30.5	152.0	291.6	369.6	423.1	483.7	53.7	35.5	27.6	23.5
Selling and promotion	3.3	5.8	74.1	140.7	149.0	152.3	118.1	47.2	1.1	1.1	1.1	0.4
Research and development	89.2	85.7	42.5	11.6	13.9	9.3	10.2	11.4	3.0	3.1	3.2	3.3
Total operating expenses	92.6	91.5	122.8	162.8	178.6	180.3	149.0	81.6	6.0	5.5	5.3	4.6
Operating income / (loss)	(92.6)	(91.5)	(92.3)	(10.8)	113.0	189.3	274.1	402.1	47.6	30.0	22.3	18.9

High	**(aA1)**
Base Case + 25%.	
Base	**(aA2)**
Launch with a pain indication in Q3-2014 and then an OIC indication in Q2-2015. Maximum daily dose will be 80/40mg. (Initial label). sNDA may allow 160mg/ 80mg daily dosing with additional data. Market share is based on 2011 Synovate Market Research: 6.3% of Total LAO, 0.6% of all opioids. Generic to ONU launches end of 2019.	
Low	**(aA3)**
Base Case - 25%.	
Base, Pain-Only	**(aA2p)**
Base case, but with pain-only clinical development and indication.	

IP Assumptions

- 3 years of Hatch-Waxman data exclusivity for pain indication, expiry 2017-Q3
- 3 years of Hatch-Waxman data exclusivity for opioid-induced constipation (OIC) indication, expiry 2018-Q2
- Low ABUK patents expiry 2025

Pending Patent Applications:

- PT0621 US Application 20050245556 Expiry April 2023
- PT0614 US Application 20050245483 Expiry April 2023
- PT0650 US Application 20080145429 Expiry Feb 2026

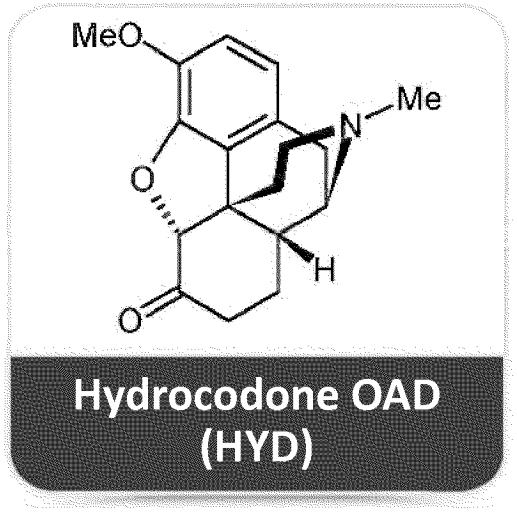
Managed Care Assumptions

Assumed having approximately 15% of commercial lives on Tier-2 without restrictions. Its managed care reduction in the sales forecast is 35% based on typical responses to various tier placements.

ONU Financial Summary

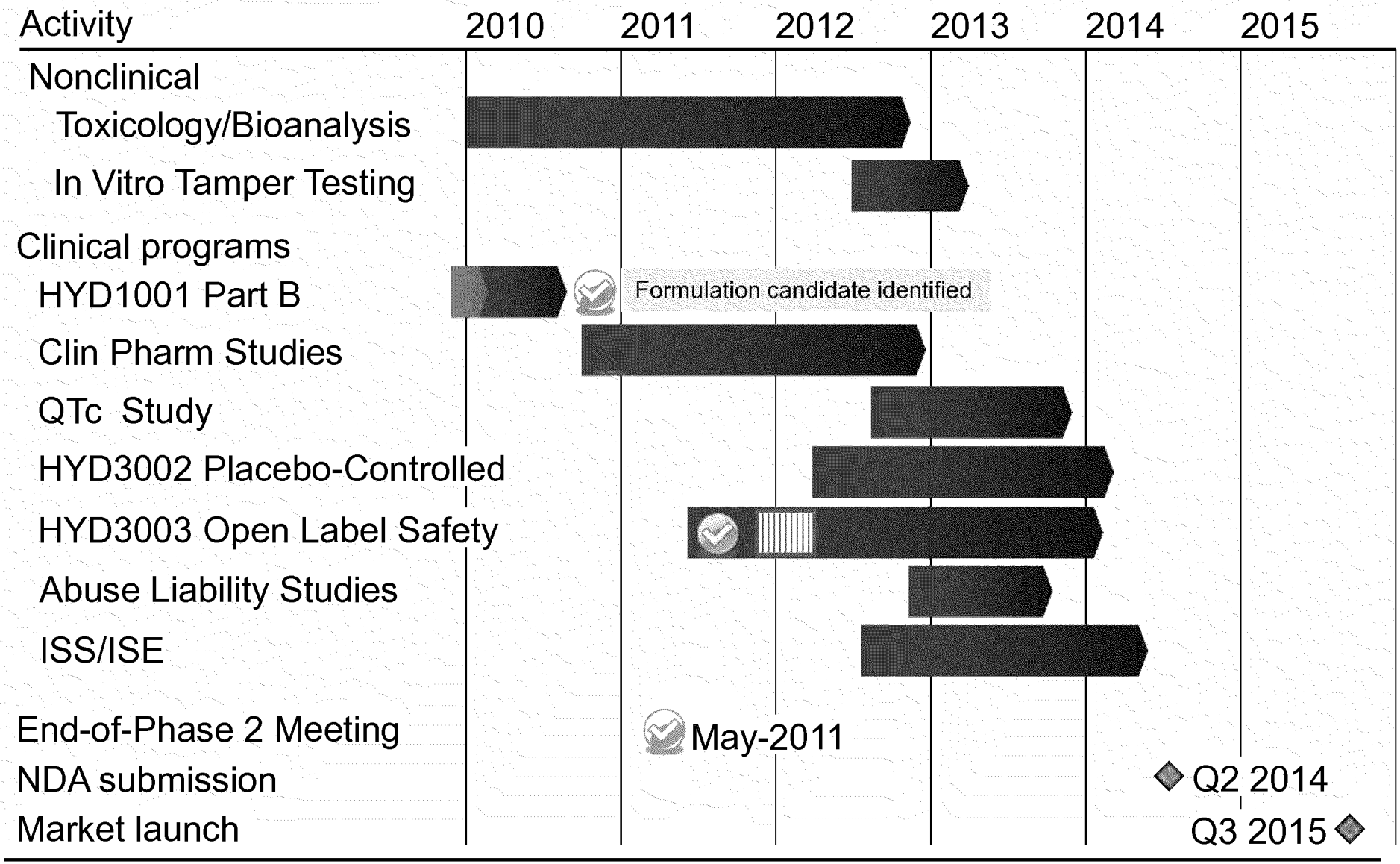
Financial Metrics	Product			
Product	ONU (Targin, Oxycodone with Naloxone BID) (40/20mg, 20/10mg, and 10/5mg)			
Launch	Q3-2014 (Pain NDA), Q2-2015 (OIC sNDA)			
IP Exclusivity (expiry)	Q4-2019			
Indication (target with OIC)	Oxycodone HCl / Naloxone HCl controlled-release tablets are indicated for the management of moderate to severe pain when a continuous, around-the-clock analgesic is needed for an extended period of time in patients requiring management of opioid-induced constipation.			
Project Current Phase	Phase 3			
Prelaunch R&D	w/OIC	≈$217 million (2012→launch+PREA)		
Peak Sales (Base)	w/OIC	$791 million (Gross) / $599 million (Net)		
Sales Force PDE (Primary Detail Equivalent)	720,000 PDE p.a. (1st full-year with pain + OIC, Base Case)			
Deal Terms (3rd-Party)	None			
NPV (Base Case)	w/OIC	Purdue	$151 million	IRR @ 27%
NPV (Risk-Adjusted)	w/OIC	Purdue	$109 million	
Price/Rx (launch year)	≈$16.50 / tablet or $495 / Rx			Price Increase @ 3% p.a.

Hydrocodone [HYD]



Hydrocodone OAD (HYD)

HYD U.S. Registration Timeline



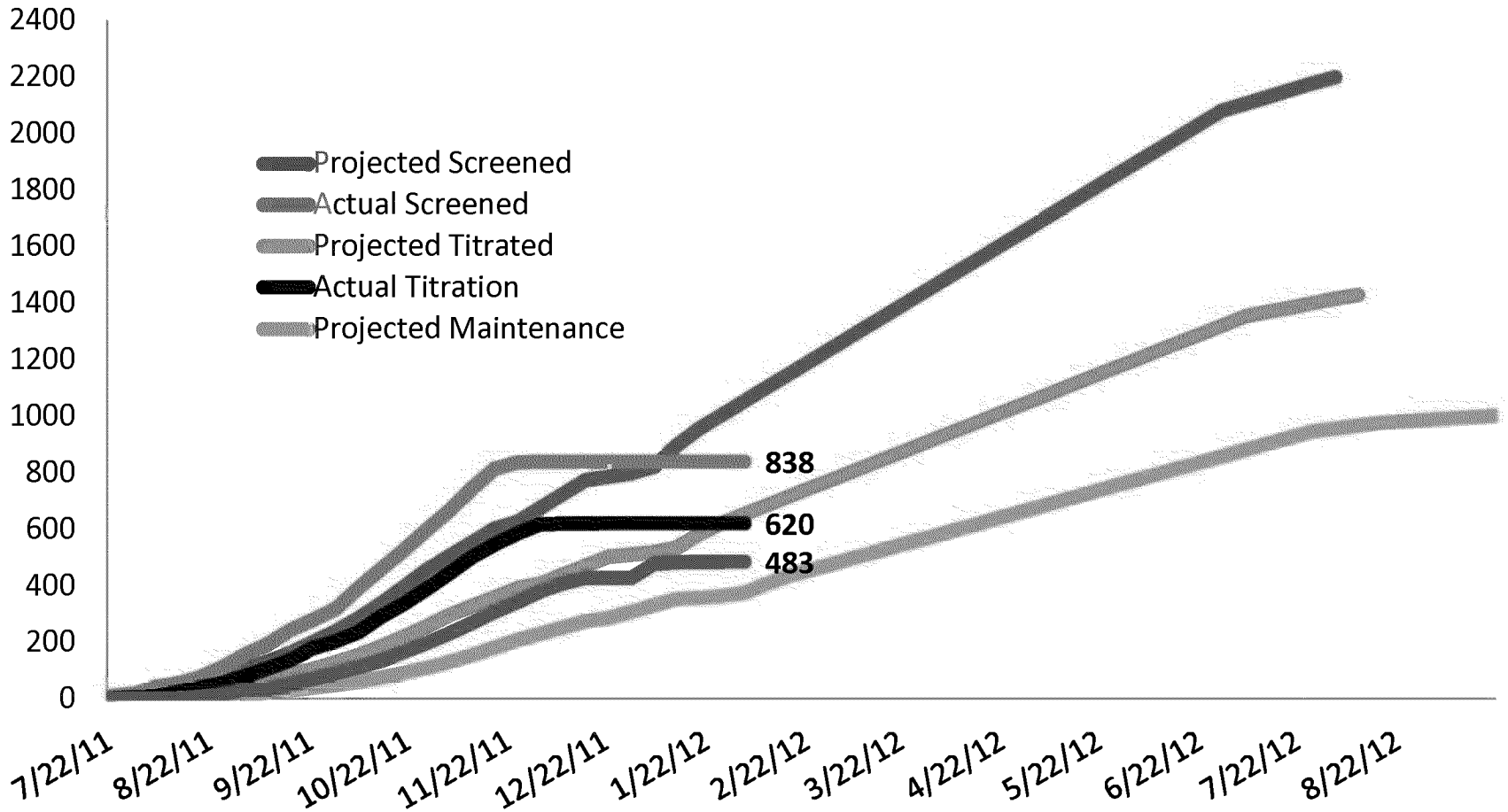
Hydrocodone

- A 505(b)(1) application approach will be utilized with a single pivotal study (HYD3002) with a "right-of-reference" to the Abbott NDA.
- FDA letter Nov 2011 requesting additional hearing testing.
  - HYD3003 safety study paused. Procedures, plans put in place to restart March 2012. We will add 200 patients.
  - FDA Type C Meeting: March 13, 2012
- HYD3002 initiate March 2012.

We remain on track for NDA submission.

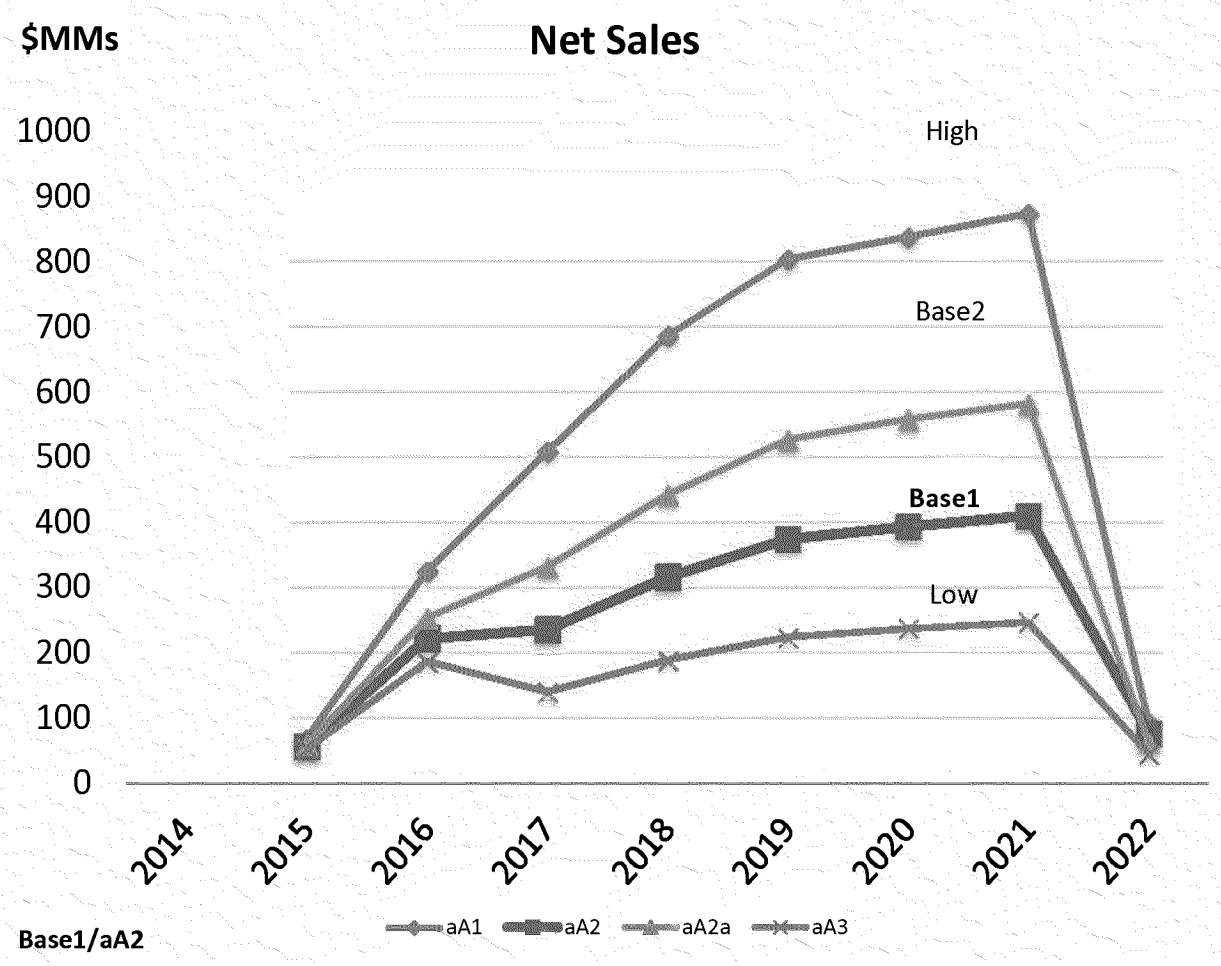
HYD3003 Current Screening

838 screened, 620 titrated, 483 maintenance, 84 (17%) discontinued in maintenance



Market Assessment Scenarios

U.S. Only



Scenarios	Vicodin CR Launch	Other Single Entity HYD products on the market
High Case	No	0
Base 1 Case	No	1 before Purdue
Base 2 Case	No	1 after Purdue
Low Case	No	2 before Purdue

IP Assumptions

- Exclusivity expiry @ 2021-Q4
- 3 years of Hatch-Waxman data exclusivity, expiry 2018-Q3
- Grunenthal patents expiry early 2024
- Low ABUK patents expiry 2025

Hydrocodone Issued Patents:
US 6,733,783 Expiry October 2021
US 7,514,100 Expiry October 2021

Managed Care Assumptions

Assumed having approximately 20% of commercial lives on Tier 2 without restrictions. Its managed care reduction in the sales forecast is 35% based on physician responses to the product if it was placed on Tier 3.

Base1/aA2

P&L Highlights ($mms)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross sales	$ -	$ -	$ -	$ 68.1	$ 274.9	$ 299.5	$ 412.2	$ 494.7	$ 519.8	$ 541.6	$ 92.8	$ 37.2
Net sales	-	-	-	56.3	221.8	235.7	316.1	374.4	393.4	409.9	76.4	30.6
Gross margin	-	-	-	47.3	186.1	197.3	263.9	312.2	328.0	354.1	68.4	27.4
Selling and promotion	1.0	3.4	6.0	77.1	143.6	144.6	129.4	95.0	54.2	13.9	1.1	1.2
Research and development	78.8	40.7	19.8	12.5	20.3	19.5	20.5	17.2	18.0	19.0	1.8	1.9
Total operating expenses	79.8	44.1	26.8	94.9	174.1	174.8	163.0	127.0	87.6	57.7	5.3	4.0
Operating income / (loss)	(79.8)	(44.1)	(26.8)	(47.5)	12.1	22.5	100.9	185.1	240.4	296.4	63.2	23.4

HYD Financial Summary

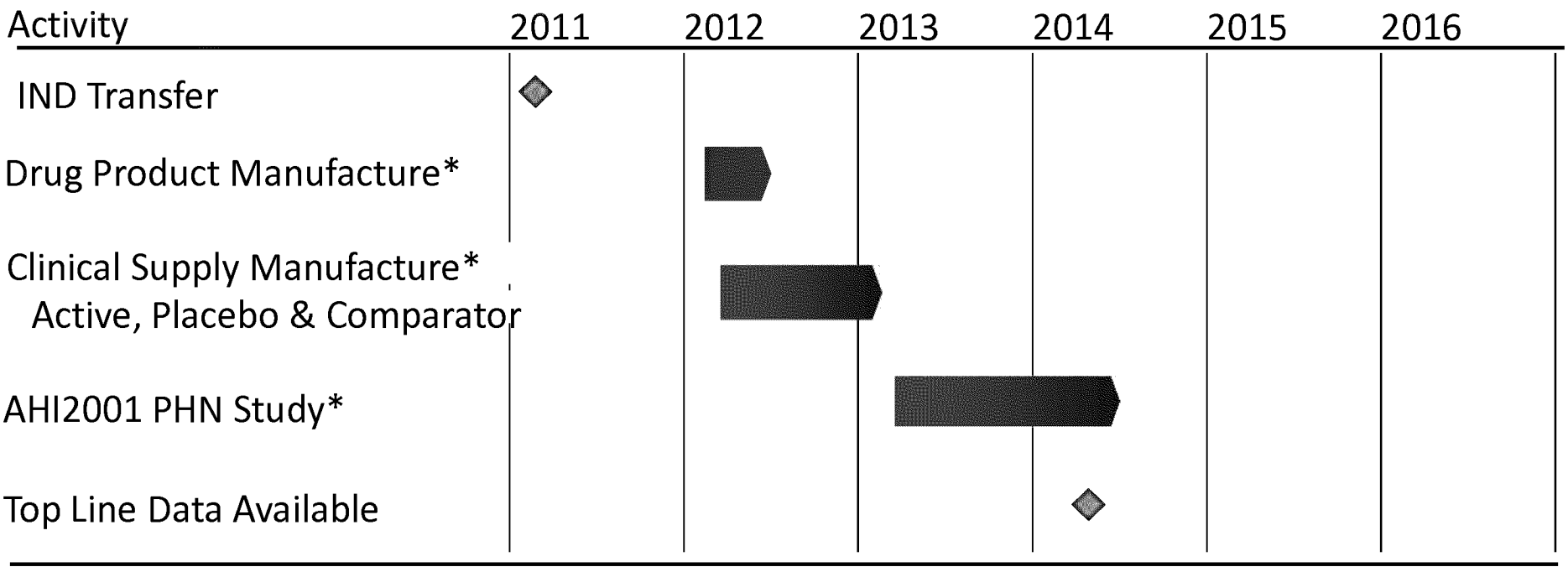
Financial Metrics	Product
Product	HYD (Hydrocodone QD) (20mg, 30mg, 40mg, 60mg, 80mg, 100mg, 120mg)
Launch	Q3-2015
IP Exclusivity (expiry)	Q4-2021
Indication (target)	Indicated for the management of moderate to severe pain when a continuous, around-the-clock analgesic is needed for an extended period of time.
Project Current Phase	Phase 3
Prelaunch R&D	≈$157 million
Peak Sales (Base1)	$542 million (Gross) / $410 million (Net)
Sales Force PDE	705,000 p.a. (1st full-year, Base1 Case)
Deal Terms (3rd-Party)	Assume PEO formulation used. **Grunenthal IP:** NDA Approval € 3 million Sales Royalty 3-5% (tiered net sales) **McGinity Agreement with Abbott (assumption):** Upfront $5 million Exclusivity License $3 million NDA Filing $1 million NDA Approval $4 million Sales Royalty 3.0%-3.5% (net sales) Royalty ended Q4-2020
NPV (Base1 Case)	Purdue $105 million (65% of total) IRR @ 23% Partner $56 million (35% of total)
NPV (Risk-Adjusted)	Purdue $181 million (76% of total) Partner $58 million (24% of total)
Price/Rx (launch year)	≈$18.29 / tablet or $549 / Rx Price Increase @ 3% p.a.

Fatty Acid Amide Hydrolase (FAAH) Inhibitor [AHI]

Infinity/ Purdue

AHI IPI-940

AHI Provisional Project Plan

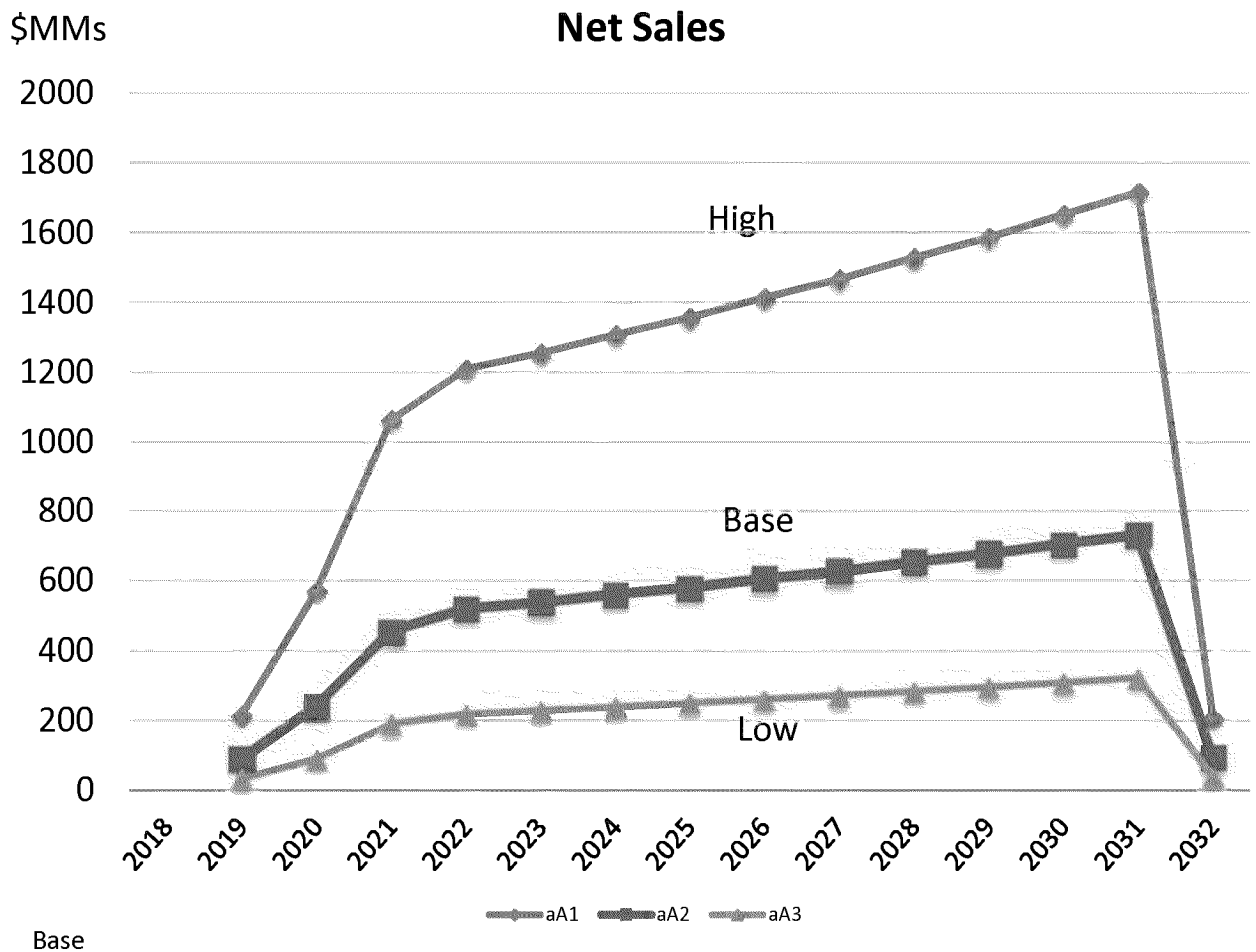


AHI (Fatty Acid Amide Hydrolase)

- Clinical supplies manufactured at Pharmaceutics International Inc (Pii)
  - Rejected due to contamination (paint chips, hair)
    - July 2011
    - October 2011
- Clinical supplies at Pii rejected due to being exposed to a contaminating product known to be a health hazard – Jan 2012
- Last of the API
- New API and clinical supplies – 9-12 months

Market Assessment Scenarios

U.S. Only



Base

P&L Highlights ($mms)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Gross sales	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 118.1	$ 314.5	$ 588.8	$ 696.6	$ 725.2	$ 754.8	$ 785.6
Net sales	-	-	-	-	-	-	-	90.4	242.1	456.0	520.6	538.0	561.3	580.4
Gross margin	-	-	-	-	-	-	-	68.5	174.2	315.2	354.8	365.6	380.9	392.8
Selling and promotion	-	-	-	-	1.1	3.7	6.6	102.2	256.9	274.5	239.5	228.0	233.6	226.5
Research and development	11.9	11.9	30.5	47.1	82.6	88.0	44.0	19.5	9.5	27.2	23.1	23.5	24.0	24.4
Total operating expenses	11.9	11.9	30.5	47.1	83.7	91.8	50.5	129.6	282.5	329.3	293.7	283.6	290.9	285.4
Operating income / (loss)	(11.9)	(11.9)	(30.5)	(47.1)	(83.7)	(91.8)	(50.5)	(61.1)	(108.3)	(14.1)	61.1	82.0	90.0	107.5

High (aA1)

Since FAAH is an early stage product and no market research has been done share is varied between the cases. In addition the High Case assumes an indication in Fibromyalgia and the Base Case assumes some use in Fibromyalgia.

Base (aA2)

Launch in Q2-2019. IP expiry in Q4-2031. Indication is targeted for neuropathic pain. Base Case assumes some use in Fibromyalgia. Market basket includes neuropathic back pain, diabetic neuropathy, HIV/AIDS neuropathic pain, post-herpetic neuralgia patients
Fibromyalgia in base and high case.

Low (aA3)

Lower share than the Base case

IP Assumptions

- 5 years of NCE exclusivity, expiry 2024-Q3

Issued US patent

- No. 7,947,663 that covers a genus encompassing IPI-940. The 20-year term will expire September 3, 2028 (includes 327 days of PTA).
- Related patent applications are pending that will cover IPI-940 as a species, and methods of use thereof.
- Included from Oct-2027—expected average of patent term extension from clinical development (3 years) and FDA review (1 year).

Managed Care Assumptions

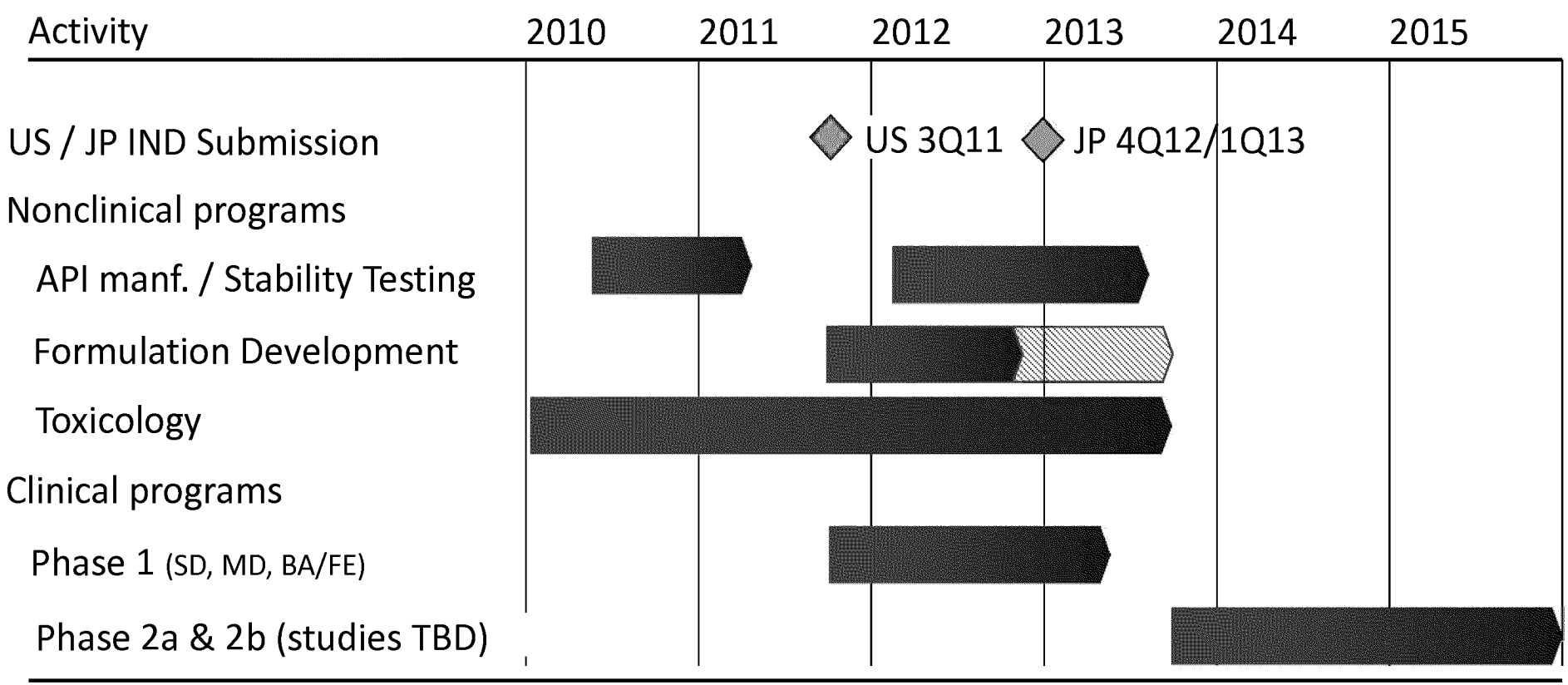
This is at very early stage of development; a 15% total rebate rate assumption is assumed.

FAAH Financial Summary

Financial Metrics	Product
Product	FAAH (Fatty Acid Amide Hydrolase Inhibitor)
Launch	Q2-2019
IP Exclusivity (expiry)	Q4-2031
Indication (target)	FAAH is proposed to be effective in the treatment of pain. Market assessment targets neuropathic pain.
Project Current Phase	Phase 1
Prelaunch R&D	≈$329 million
Peak Sales (Base)	$996 million (Gross) / $731 million (Net)
Sales Force PDE (Primary Detail Equivalent)	812,319 PDE p.a. (1st full-year, Base Case)
Deal Terms (3rd-Party)	Sales royalties to Infinity: 10%/15%/20% for annual net sales <$100/ ≥$100/≥$200 million
NPV (Base Case)	Purdue $2 million (1% of total) IRR @ 12% Partner $167 million (99% of total)
NPV (Risk-Adjusted)	Purdue $-25 million (n/a% of total) Partner $29 million (n/a% of total)
Price/Rx (launch year)	≈$7.49 / day or $224.70 / Rx Price Increase @ 3% p.a.

ORL-1 (OAG)

ORL-1 Provisional Project Plan



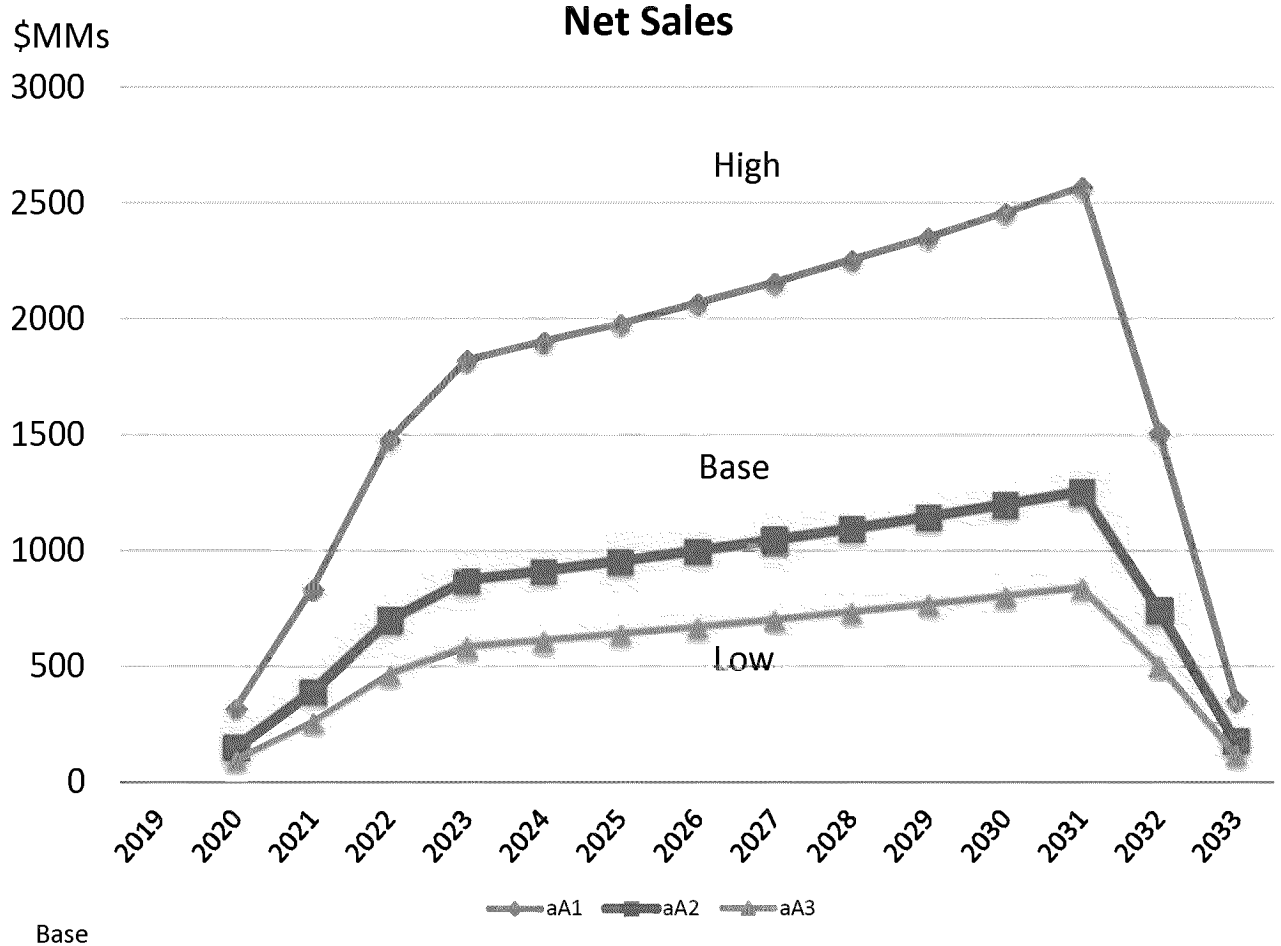
Note: Purdue / Shionogi Collaboration Project

ORL-1 (OAG)

- $3M milestone from Shionogi – Dec 2011
- Single ascending dose study ongoing
  - 3rd cohort completing
  - Data within the next month

Market Assessment Scenarios

U.S. Only



Base

P&L Highlights ($mms)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Gross sales	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 193.8	$ 502.9	$ 901.0	$ 1,155.7	$ 1,207.5
Net sales	-	-	-	-	-	-	-	-	-	147.2	391.5	699.0	870.9	911.7
Gross margin	-	-	-	-	-	-	-	-	-	75.1	201.2	358.9	443.1	464.2
Selling and promotion	-	-	-	-	-	-	1.2	4.9	7.6	102.6	198.1	199.7	178.5	168.3
Research and development	4.1	9.9	11.5	12.3	14.4	17.0	33.8	30.0	11.8	13.8	28.2	35.3	29.6	30.1
Total operating expenses	2.6	8.4	11.5	12.3	14.4	17.0	35.0	34.9	19.4	134.7	259.1	284.3	266.7	259.3
Operating income / (loss)	(2.6)	(8.4)	(11.5)	(12.3)	(14.4)	(17.0)	(35.0)	(34.9)	(19.4)	(59.6)	(57.8)	74.5	176.4	204.9

High (aA1)

Since ORL-1 is an early stage product and no market research has been done share is varied between the cases

Base (aA2)

Launch in Q3-2020. IP expiry in Q2-2032. Market basket includes only adult population and Neuropathic lower back pain prevalence 25%, diagnosis rate 61%. Peak share at 4.8mm Rx per year.

Low (aA3)

Since ORL-1 is an early stage product and no market research has been done share is varied between the cases.

IP Assumptions

- 5 years of NCE exclusivity, expiry 2025-Q3

Pending Patent Applications:

- PT1385 PCT WO 2009/027820 Expiry August 2028
- PT1422 PCT WO 2010/010458 Expiry July 2029
- Added 3.5 years from year 2029-Q3—expected average of patent term extension from clinical development (2.5 years) and FDA review (1 year)

Managed Care Assumptions

This is at very early stage of development; a 15% total rebate rate assumption is assumed.