

Purdue
Quarterly Report to the Board
3rd Quarter, 2012

November 1, 2012

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FINANCE

The Department goals are to assure 2012 sales, profitability, efficiency, cash flow, compliance and pipeline objectives are supported by proactive, future-focused and meaningful financial analysis. Assure that Purdue's financial reporting and forecasting provide transparency into business results, and that financial internal controls are in place.

Selected Financials, Year-to-Date September 2012

	September Year-to-Date			Full Year		
	2012 YTD Actual	2012 YTD Budget	2011 YTD Actual	2012 Budget	2012 Mid Year Update	2011 Actual
Expressed in 000's						
Net Branded Revenues	1,595,654	1,725,273	1,680,120	2,351,488	2,237,917	2,210,115
Operating Profit Margin	726,342	793,018	896,988	1,094,217	978,722	1,186,089
EBITDA	740,911	770,291	899,532	1,070,182	951,488	1,173,772
Net Profit Before Tax	719,333	753,076	878,334	1,038,084	922,588	1,145,824
Owner's Equity	649,271	735,976	475,975	661,224	621,611	491,636
Non-tax Distributions	242,543	188,300	551,346	448,000	381,456	575,246
Days Sales Outstanding	34.3	35.0	35.6	35.0	35.0	33.9
Accounts Receivable Outstanding > 90 Days Past Due	< 1%	< 1%	< 1%	< 1%	< 1%	< 1%
Capital Spending	22,948	26,625	17,080	35,500	35,500	26,823
Unrestricted Cash on Hand	795,291	754,600	494,776	771,202	701,943	606,494
Average Months Cash on hand	4.5	3.9	2.7	3.9	3.8	3.3
Headcount	1,664	1,782	1,619	1,782	1,782	1,627

Financial Performance September Year-to-Date

Please see full 2013-Q3 financial report for details.

- Operating profit margin is lower than budget and prior year due to increases in R&D (pipeline progressing), increasing S&P (launching new products) and lower sales (OxyContin).
- Purdue has made \$243 million of non-tax distribution September year-to-date of which \$14 million and \$25 million were for re-investments in Rhodes Pharma and Rhodes Technology, respectively.

Financial Performance Full-Year 2012 Outlook

In its mid-year financial update, Purdue increased R&D spending by \$28.4 million to fund Oxy IR TR and higher costs in the ONU (oxycodone with naloxone) program. The Board asked Purdue management to save \$28.4 million to offset the higher R&D costs. This will be achieved as follows:

<u>Description of Saving Item</u>	<u>(Income) Expense \$000's Amount</u>
HYCR right to reference to Abbott data will not be purchased	(5,000)
G&A President budget reduction	(2,400)
Reduce Intermezzo S&P spend	(14,000)
Rebates - reduction	(4,400)
G&A - various savings across G&A such as (1) Ohio eliminating the commercial activity tax on Purdue sales through the Cardinal distribution center in Ohio (\$0.3 million), (2) lower bank fees (\$0.25 million), (3) lower Intermezzo and Partners against Pain consulting (\$1 million) and (4) reduction of three positions in litigation support (\$0.3 million)	(4,325)
All Others, net	1,700
Operating Savings Achieved	(28,425)

Purdue will present a 2012 full-year financial update at the upcoming Budget Meetings. We expect the full-year 2012 financials to have the following highlights as compared to the Mid-Year Update:

1. Gross sales are in line with Mid-Year Update;
2. A higher returns reserve for OxyContin of \$52 million as a result of higher returns experienced (see discussion below);
3. Lower operating expenses of approximately \$50 million as a result of savings detailed above and other underspend;
4. Lower ex-USA expenses of \$47 million, primarily driven by lower funding to Germany, Europe, and Japan as a result of restructuring the Infinity relationship.

Returns Reserve

Purdue records a reserve for expected returns. Our terms of trade do not allow customers to return product until after the product is within six months of expiration. So, OxyContin sold in October 2012 could not be returned until May 2014. Customers are very slow to process returns – sometimes taking another 2 or more years to completely settle return claims.

Since year-end 2011 Purdue has increased its reserve for future returns by \$37.4 million as follows:

Figures in \$ millions			
Product	9/30/2012	12/31/2011	Variance
OxyContin (Note 1)	\$68.8	\$31.6	\$37.2
Butrans	7.1	7.1	0.0
Intermezzo	7.3	0.0	7.3
All Others (primarily Ryzolt)	13.8	20.9	(7.1)
Total	\$97.0	\$59.6	\$37.4

Note 1 - During 2012, returns of OxyContin new formula have exceeded historical return rates. The increase in returns is attributed to slightly higher trade inventories in the trade at the time of the transition to the new product, a slight decline in overall demand and the 24-month dating of the new formula vs. 36-month dating of the old formula. Through September, returns have exceeded budget by \$45 million, of which \$32 million is accrued with the balance being physical returns.

Purdue Equity Investment in Infinity

In 2012-Q3, as a result of restructuring the Infinity Pharmaceuticals relationship:

- Purdue will no longer provide R&D funding to Infinity.
- Purdue acquired 5.4 million shares of Infinity as summarized below:

	Number Shares	Cost Per Share	Value at Acquisition Cost \$ millions
Shares acquired by Purdue in cash	1,896,552	\$14.50	\$27.5
Shares acquired by Purdue to settle \$50mm line of credit	3,520,013	\$14.50	\$51.0
Total	5,416,565	\$14.50	\$78.5
Implied Value at closing market price of \$25.62 per share on 10/4/2012			\$138.8
Implied (unrealized) gain on shares			\$60.2

Purdue signed a lock up agreement under which Purdue will not sell the shares prior to November 7, 2012. The shares will be recorded at acquisition cost (\$14.50 per share or \$78.5 million) until the lock up period ends. The shares will be marked to market value at each reporting period beginning after November 7, 2012.

Non-Tax Distributions Outlook

In planning future distributions, the following items – outside business operations – could have a favorable impact:

Description of Item	Increase or (Decrease) in Equity \$ millions	Comment
Infinity Shares Mark to Market	\$60	The gain as of October 4, 2012 was \$60 million. Purdue will recognize that gain when the lock-up period ends. Note - market price could be volatile.
12/31/2012 Defined Benefit Liabilities and Asset Values	TBD	Changes in the market value of pension assets or the present value of benefit liabilities could increase or decrease equity.
Medicaid Rebate – Line Estimate	\$137	Amount accrued through 12/31/2012 is estimated at \$176 million with an additional \$83 million budgeted for 2013. We expect the Final Rule to be issued in the first half of 2013. If the Final Rule is in Purdue's favor it would allow us to make additional distributions up to a maximum amount of \$259 million, adjusted for any tax impacts = net approximated \$137 million.
Proposed defined contribution plan	\$17	Our defined pension benefit obligation is valued assuming that employees continue working and accruing salary increases. To the extent that the plan is in part frozen and certain employees are converted to a defined contribution plan, the Purdue projected liability would be reduced with the corresponding benefit recorded in equity.
Changes to Federal Tax Rates	(\$70)	Federal withholding (39.6%) and Medicare tax on investment income (3.8%) in 2013 total to 43.4% which is up from 35% in 2012. The 39.6% federal income tax withholding rate is based on the assumption that the Bush-era tax cuts expire and Congress does not provide a fix before April 15 th , 2013.

Executive Audit Committee

Members: Stuart Baker, Jack Crowley, Mark Geraci, Ed Mahony, and Bert Weinstein

Purpose: To ensure the effectiveness of internal controls, integrity of financial statements, and ensure excellent performance of internal and external audits.

Frequency: Quarterly

Below is a summary of the most recent audits performed by IAF Corporation:

Review of Butrans Speaker Program

- The audit was done to determine whether the cost per person was compliant with requirements of the Sunshine Act. The audit detected numerous paperwork errors in numbers of attendees, room rental charges, etc. The audit did not detect compliance violations.
- Subsequent to the audit, there has been additional training of Logistics Innovations (the third party that administers the programs) and closer oversight by the Sales and Finance departments has been implemented.

Review of Contracts Supporting Payments to Major Vendors

- The audit was of all Supply Chain vendors to whom Purdue paid more than \$100,000 during the twelve months ended September 30, 2011 to ensure that, where appropriate, a contract is in place and all work was competitively bid in accordance with company policy.
- Recommendations from the audit were:

○ **Redacted**

- The current \$50,000 limitation for competitive bidding should be clarified – does the limit relate to an individual purchase or to the total annual purchase for a vendor. Current status: The policy is being reviewed.
- Manufacturing should consider more extensive, competitive bidding. Current status: The recommendation related to materials used in production which are highly regulated and typically single or dual sourced.
- Purdue management concluded that writing a bid exception report, in cases where there are limited suppliers, would not be added value.

Advertising Deductions

- The audit was performed to ensure advertising deductions made by customers prior to submitting proof of performance were properly documented and cleared by Purdue. Recommendations from the audit included raising the dollar threshold before requiring a secondary approver. The recommendation was implemented.

Material Provided to Sales Reps

- The auditors were asked to ensure that certain Butrans sample cartons – distributed to sales reps – were approved for promotional use. The materials were not approved and audit was of sales training packaging. Recommendations from this audit required that all material sent to the field sales be recorded in the SAP enterprise software.

Quality Control C II Inventory

- Audit of the Totowa C II Quality Control inventory was performed. No out of tolerance discrepancies were noted in the sample selection.

Butrans Patient Savings Card

- Performed an audit of the Butrans Patient Savings Card program and uncovered that certain patients were receiving more dollar savings than the program allowed. The problem was traced to a McKesson system glitch that in error

allowed patients to get both an introductory and an ongoing discount. The problem has been resolved and Purdue was reimbursed.

Distribution of OTC samples to Health Care Professionals

- An audit of the distribution of OTC samples to Health Care Professionals resulted in recommendations to improve controls as well as efficiencies of this program.
- Specific recommendations included:
 - Ensure timely renewal of expiring contracts.
 - Take advantage of all prompt pay discounts.
 - Ensure all invoices have supporting documentation.
 - Consider the need to have TTC perform audits of UPS charges.

Supplier Review Program

- In Q3, the Credit and Collection group performed credit reviews on two hundred suppliers. Six vendors were deemed to have both weak credit and a high importance to Purdue. Purdue management has mitigated the risk in all six cases by taking corrective action like developing alternate vendors.

Treasury

- Purdue's cash holding is currently invested in Treasury bills and US Government Securities mutual funds primarily in securities registered in Purdue's name.
- These investments earn approximately 0.05-0.07% per annum with an outstanding balance of \$906 million at the end of September 2012 investments.
- The group invests 75-85% of outstanding balance in Treasury investments with the rest in FDIC-insured bank accounts for daily funding operations.

See attached for Purdue's investment portfolio.



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Capital Committee

Members: David Long, Ed Mahony, David Lundie, Larry Pickett

Frequency: 2-3 times per year

Purpose: The Capital Committee recommends (1) an annual capital plan, (2) a long term capital plan, and (3) limits of authority for capital approvals to the President. The Capital Committee also reports postmortems on major capital projects to the President.

The following are highlights from the committee's August 29, 2012, meeting, which occurred before the Board approved the new North Carolina facility initiative.

- **2012 Outlook:**
 - Management agreed to reduce the capital budget by \$5.9 million of approved 2011 capital due to under spending, savings, and cancelled projects.
 - 2011 carryover, net of the above reductions, is \$27.5 million. In addition, the Board approved \$35.0 million of 2012 new projects - these results in a total capital pool of \$62.5 million.
 - Cash capital spend for 2012 is expected to be on budget at \$35.0 million with \$22.9 million spent year-to-date September 2012.
- **2013 Proposal:**
 - The 2013 preliminary new project budget proposal is for \$21.5 million of new capital.
 - Average capital spend over the last 4 years was \$41 million per year.
 - The 2013 request is lower than average because there are no new heavy-investment projects like in the past, such as the Wilson vault and warehouse expansion (2009).

2013 Budget

Purdue has initiated the 2013 budget process in mid-summer. The budget process is at the final stage with budget presentations being prepared for the U.S. Budget Meetings to be held in late October 2012.

Trade Inventory

During 2011 and first half of 2012, OxyContin trade (wholesaler plus pharmacy) inventory operated at about 70 to 80 days demand. The expectation is that this will continue as the trade improves its inventory management practices.

Summary of OxyContin inventory at the trade:

\$ millions	12/31/2010	6/30/2011	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12
Wholesaler	195.7	199.2	186.9	224.6	188.2	208.4	234.4
Pharmacy	438.1	421.5	406.9	347.0	369.7	337.9	312.4
Hospital/Other	3.3	4.1	4.0	5.0	4.1	4.0	3.2
Total \$	637.1	624.8	597.8	576.6	562.0	550.3	550.0
Total Days	75.6	75.1	69.8	72.6	75.4	78.5	78.4

Butrans inventory at the trade is down to about 70 days – a normal level:

\$ millions	9/30/11	12/31/11	3/31/11	6/30/12	9/30/12
Wholesaler	5.3	7.0	6.0	7.7	9.5
Pharmacy	12.6	10.8	12.4	10.7	9.1
Hospital/Other	0.1	0.1	0.1	0.5	0.6
Total \$	18.0	17.9	18.5	18.9	19.2
Total Days	139.0	117.2	79.9	72.1	70.0

Intermezzo inventory at the trade is \$10.6 million – a return reserve of \$7.3 million has been established based on current Rx demand and inventory shelf life expiration. This reserve is adjusted each month based on current demand.

\$ millions	6/30/12	9/30/12
Wholesaler	7.9	5.8
Pharmacy	4.9	4.8
Hospital/Other	0	0
Total \$	12.8	10.6

Pension Investment Committee

Members: Stuart Baker, David E. Long, and Ed Mahony.

Frequency: 4 to 5 meetings per year

Purpose: The Pension Investment Committee oversees the investment managers and investments made in the Purdue defined benefits plan and, the investment choices offered to employees in Purdue's defined contribution 401(k) plan.

Defined Benefits Pension Plans

- PPLP Plan - The plan's Accumulated Benefit Obligation¹ is projected at \$230 million at 12/31/2012 and the plan assets were \$225 million at 9/30/2012. Purdue made \$16.2 million of contributions (spread out evenly) to the plan in 2012 year-to-date and there is no further contribution to be made in the rest of 2012.

The plan investments returned approximately 9.7% for the 12-months ended 8/31/2012. The fund assets are invested in: (a) passive equity indexed funds, and (b) actively managed fixed income funds – which have outperformed passive fixed income. The plan's 1-year return over-performed the portfolio benchmark passive index by 0.74%.

- PF Labs (Union) Plan - PF Labs has a smaller defined benefit plan - \$7.0 million in assets – covering ex-employees, the plan is well funded and small contributions are being made.

Defined Contribution Pension Plan

- Purdue Pharma LP also offers employees an optional 401(k) defined contribution savings plan. The company's contribution to this plan was \$5.9 million in 2011 and is defined as a certain limited percentage of the employee's contribution to the plan. The 401(k) plan funds' assets total \$265 million and \$305 million at the end of 2011 and Q3-2012, respectively. Purdue employees choose how these funds are invested from a diversified list of mutual funds that are vetted and monitored by the Committee, Fidelity and an outside consultant.
- The plan, offers employees a broad range of active, passive, and target-date investment options. The funds offered are generally very good performers in their classes. Marginal and poor performers are frozen to new investment and/or removed. Nearly all funds in Purdue's lineup are rated by Morningstar at 3-star or higher.

¹ Pension plan liability calculation above is calculated under ERISA/IRS guidance. Accounting guidance projects future benefits so liabilities are higher, but less relevant to our funding decisions.

MARKETING & SALES

The Department's goals are to assure 2012 sales and market share targets are met or exceeded. 2012 ex-factory net sales budget is \$2,351.5 mm. Operate within approved S&P budget of \$343.4 mm, with a target savings goal of \$7.9 mm.

Meet or exceed total prescriber call targets of 752,417 with Butrans in 83% primary position and OxyContin in 17% primary position. OxyContin will be in the second position in at least 90% of Butrans' primary calls and Butrans will be in the second position in at least 90% of OxyContin's primary calls. Senokot/Colace will be in third position on at least 35% of all primary calls.

Compliance with all relevant policies, government law and regulations will be closely monitored.

Gross Sales Budget: \$3,167.9MM

Net Sales Budget: \$2,351.5MM

2012 (\$MM)	Actual		Budget		Prior Year	
	Gross Sales	Net Sales	Gross Sales	Net Sales	Gross Sales	Net Sales
Q1	674.0	507.5	724.0	537.1	725.2	552.7
Q2	764.0	556.3	798.9	596.1	762.2	583.7
Q3	749.6	531.8	792.8	592.0	726.3	543.7
Q4			852.2	626.2	757.4	530.0
Total	2,187.6	1,595.7	3,167.9	2,351.5	2,971.2	2,210.1

Note: Net sales for all periods reported have been restated to include patient savings card discount expense and the proposed Medicaid rebate adjustment.

2012 year to date actual net sales of \$1,595.7 mm were lower than budget by \$129.6 mm or 7.5%. This variance was driven primarily by:

- OxyContin gross sales of \$2,026.2 mm that were \$94.3 mm or 4.4% below budget mainly due to lower Rx demand and lower trade inventory than forecast.
- OxyContin Returns Reserve of \$37.2 mm
- Butrans gross sales of \$77.7 mm that were \$16.6 mm or 17.6% below budget due to lower Rx demand.

2012 year to date actual net sales of \$1,595.7 mm were lower than 2011 by \$84.5 mm or 5.0%. This variance was driven by lower OxyContin net sales of \$102.2 mm and lower Ryzolt net sales of (\$8.4 mm), offset by higher Butrans sales of \$21.5 mm and higher Intermezzo sales of \$5.0 mm.

Operating Budget

The department will operate within the total 2012 S&P budget of \$343.4 mm, which is 14.6% of total net sales budget of \$2.4 billion.

2012	<i>Actual</i>		<i>Budget</i>		<i>Prior Year</i>	
	\$MM	% net sales	\$MM	% net sales	\$MM	% net sales
Q1	68.3	13.4%	78.4	14.6%	54.1	9.8%
Q2	78.1	14.0%	81.6	13.7%	55.4	9.5%
Q3	76.8	14.4%	83.6	14.1%	59.1	10.9%
Q4			99.7	15.9%	60.7	11.4%
Total	223.1	14.0%	343.4	14.6%	229.3	10.4%

Note: S&P expense has been restated to exclude patient savings card discount expense.

S&P expense of \$223.1 mm was \$20.5 mm lower than budget primarily due to lower salary and related expenses of \$9.6 mm (primarily bonus related), lower promotional spend of \$2.7 mm (detailed below), lower spend on Contract Sales Organization bonus of \$1.6 mm and all other of \$8.2 mm.

- Butrans promotional under-spend is due to lower special promotions due to timing of speaker programs.

S&P expense of \$223.1 mm was \$54.5 mm higher than prior year primarily due to the Intermezzo launch.

Business Unit Performance

Each Branded Business Unit will strive to maintain its budgeted contribution on net sales: OxyContin \$1,656.4 mm/ 78.5% of net sales, Butrans negative \$ 55.9 mm, Intermezzo negative \$70.5 mm, Laxatives \$ 19.4 mm/38.4 % of net sales. Full year targets and results are detailed below.

	2012 Target Gross (\$MM)	2012 Target Net (\$MM)	2012 Target Contribution (\$MM)	2012 Target Contribution (%)	YTD Actual Gross (\$MM)	YTD Actual Net (\$MM)	YTD Actual Contribution (\$MM)	YTD Actual Contribution (%)
OxyContin	\$2,877.4	\$2,108.7	\$1,656.4	78.5%	\$2,026.2	\$1,452.6	\$1,118.7	77.0%
Butrans	\$135.8	\$95.9	(\$55.9)	N/A	\$77.7	\$65.3	(\$35.0)	N/A
Intermezzo	\$49.2	\$43.4	(\$70.5)	N/A	\$14.1	\$5.0	(\$56.3)	N/A
Laxatives	\$51.9	\$50.6	\$19.4	38.4%	\$37.0	\$36.1	\$13.5	46.1%

OxyContin's product contribution of \$1,118.7 mm was lower than budget by \$87.1 mm. This variance is primarily driven by lower gross sales of \$94.3 mm and a higher returns reserve of \$37.2mm offset by lower variable expenses of \$29.0 mm and lower S&P expenses (promo/sales force) of \$7.5 mm.

Butrans' product contribution of (\$35.0 mm) was higher than budget by \$3.2 mm. This variance is primarily driven by lower gross sales of \$16.6 mm offset by lower variable expenses of \$5.6 mm and lower S&P and R&D expenses of \$13.6 mm.

Intermezzo's product contribution of (\$56.3 mm) was lower than budget by \$8.0 mm. This variance was primarily driven by lower gross sales of \$6.6 mm and a higher returns reserve of \$7.3 mm offset by lower variable expenses of \$3.7mm and lower S&P expenses of \$1.6 mm.

OTC's product contribution of \$13.5 mm was lower than budget by \$1.1 mm. This variance was primarily driven by lower gross sales of \$1.7 mm offset by S&P expenses of \$1.0 mm.

Purdue Analgesic Sales Force

In order to maximize the Analgesic Sales Force effectiveness, or a daily call average of 7.1 prescribers per day has been established for 2012. Budget calls per product are as follows:

- Butrans will be in the primary position in 83% of calls and second position in at least 15% of calls.
- OxyContin will be in primary position in 17% of calls and second position in at least 75% of calls.
- Senokot/Colace will be in third position in at least 35% of all calls.

Q3 YTD Performance by product detailed below:

	Sales Calls (YTD)				
Primary Calls	Actual	Budget	Var	Actual	Budget
Butrans	454,923	467,182	(12,259)	84%	83%
OxyContin	88,203	93,971	(5,768)	16%	17%
Total Primary Calls	543,126	561,153	(18,027)	100%	100%
Secondary Calls	Actual	Budget	Var	Actual	Budget
OxyContin	364,075	420,464	(56,389)	80%	90%
Butrans	80,346	84,574	(4,228)	91%	90%
Total Secondary Calls	444,421	505,037	(60,616)	82%	90%
Tertiary Calls	Actual	Budget	Var	Actual	Budget
Laxatives	237,885	196,403	41,482	44%	35%
Total Tertiary Calls	237,885	196,403	41,482	44%	35%
Total Presentations %	Actual	Budget	Var		
Butrans	99%	98%	0%		
OxyContin	83%	92%	-8%		
Laxatives	44%	35%	9%		

Result: 2012 YTD total calls are below goal due to vacancies and slightly lower calls per day offset by slightly higher days on territory per rep. During Q3, 79% of Primary calls went to Butrans. OxyContin received 21% of primary calls, which is 3 points up from Q2 and 7 points up from Q1.

2012	Call Goal	Calls Made	Difference	% to Goal	Butrans Total % of all	OxyContin Total % of all	Senokot/ Colace Total % of all
Q1	171,024	179,554	8,530	105%	99%	82%	41%
Q2	190,662	183,636	(7,026)	96%	98%	84%	45%
Q3	199,466	180,723	(18,743)	91%	98%	84%	47%
Q4	191,264						
Total	752,417	543,913	(17,240)	97%	99%	83%	44%

Source: Report Gallery - Metrics Report (weeks of 1/1 - 9/30/2012)

Result: The average physician calls per day for Q3 2012 is 7.0. This is slightly below the objective of 7.1 calls per day.

2012	Daily Average Call Target	Daily Call Average Actual	Prior Year
Q1	7.1	7.0	6.7
Q2	7.1	7.0	7.2
Q3	7.1	7.0	7.2
Q4	7.1		7.1

Intermezzo Sales Force

In order to maximize Intermezzo Sales Force effectiveness we will meet or exceed total prescriber call targets of 328,860 in 2012. A daily call average of 8.0 prescribers per day has been established for 2012.

Result: 2012 Q3 total sales calls are slightly below overall target due to vacancies and lower calls per day, offset by higher days on territory.

2012	Call Goal	Calls Made	Difference	% to Goal
Q1	0	0		0
Q2	112,505	112,120	(385)	100%
Q3	112,505	110,867	(1,638)	99%
Q4	103,850			
Total	328,860	222,987	(2,023)	99%

Source: Phoenix Territory Management System

Result: The average physician calls per day for Q3 2012 is 7.1 calls per day. This is below the objective of 8.0 calls per day.

2012	Daily Average Call Target	Daily Call Average Actual
Q1	N/A	N/A
Q2	8.0	6.8
Q3	8.0	7.1
Q4	8.0	

Marketing Department Key Initiatives

There are several key initiatives for each brand being implemented to support the activities of the sales force.

Butrans® Brand Team:

- In May we introduced a new initiative called “Butrans Experience Program”. The objective of this initiative is to increase number of physicians who “trial” Butrans by getting them to initiate Butrans therapy in up to five patients. This was a national pilot involving approximately 2,620 physicians. Each sales representative enrolled five healthcare professionals. The program is managed by InfoMedics, a company that specializes in providing physicians with direct feedback from their patients about their treatment experience and satisfaction levels with the therapy. The physician accomplishes this by enrolling patients into the “Experience Program”, which in turn allows the patients to communicate experiences via patient self-assessment tools that are provided to the physician between office visits. Each patient who enrolls in the program completes a survey at enrollment and again at 7, 15, 30, and 60 days to track their experience. This assists the physician in appropriate management of the patient, and increases involvement of the patient to better assess the Butrans “experience”. InfoMedics has implemented similar programs across various categories and demonstrated very positive results. To date, the program has exceeded expectations based on past programs launched. As of October 9th 2,756 HCPs have been enrolled versus a target of 2,620 and 1039 patients have been enrolled versus a projected enrollment of 375 patients at this same time point. An early analysis of ROI and TRx lift demonstrates that as of July cumulative incremental TRx lift over control is 0.76 TRx per enrolled HCP and incremental full cost ROI is \$2.60 (each invested program \$1.00 yields \$2.60 in return).
- Through September, 689 speaker programs were conducted out of 1050 speaker programs budgeted for 2012. An analysis of ROI and TRx lift demonstrates that as April (the most recent analysis) cumulative incremental TRx lift over control is 2.0 TRx per enrolled HCP, the incremental full cost ROI is \$0.46, and the incremental variable cost ROI is \$1.30.
- Educating on proper titration and use of supplemental analgesia with Butrans to address the 73% discontinuation rate seen with the 5 mcg/hour Butrans or 56% discontinuation across all strengths is a focal point of our promotion for the remainder of the year. For the third trimester we have introduced the Butrans Supplemental Analgesia and Titration Brochure. This sales piece will allow sales representatives to better facilitate discussions with HCPs on the importance of providing patients with an IR opioid or non-opioid for rescue medication when

prescribing Butrans. This piece will also emphasize the importance of titration as soon as 72 hours.

- In the 3rd quarter, we continued to implement the Butrans physician Relationship Marketing Program. It includes the interactivity of invitations, an eMail series on Butrans-related topics, the Initiations Case Study program, eDetails, as well as a Butrans Web portal and Web site that contains available materials (such as the Patient Education Brochure and the Butrans Initiation and Titration guide) for healthcare professionals to download and use to educate themselves, peers, and patients. This eMarketing initiative reinforces the branding, positioning, and key selling messages of Butrans. The most recent analysis of ROI and TRx lift demonstrates that cumulative incremental TRx lift over control is 0.4 TRx per enrolled HCP, the incremental ROI is \$1.60.

Recent data on achievement of goal for each of the various components of the Relationship Marketing Program can be seen in the below two charts:

Reach - 85% of the 73.5k HCPs		
Targeted Tactics¹	Goal	Achieved
Recruitment eMails	160 K	449 K Sent
	85% Delivery Rate	95% Delivery Rate
eDetail eMails	20 K	18.8 K Sent
Initiations	300 Starts	606 Starts
Invites	2,400 Invites	15,162 Invites
Open Tactics¹	Goal	Achieved
SEM	360 K Impressions	702.6 K Impressions
Portal	20 K Visits	59.2 K Visits
Display	TBD	57 K Impressions

Engagement - 16% of the 73.5k HCPs		
Targeted Tactics¹	Goal	Achieved
Recruitment eMails	3% Open Rate	3.5% Open Rate
eDetails	120 Unique Starts	31 Unique Starts
	200 Registrations (957 Total)	420 Registrations
Portal	20 Savings Cards	22 Savings Cards
Program eMails	20% Open Rate	20% Open Rate
Initiations	300 Starts	606 Starts
Invites	2,400 Invites	15,162 Invites
Open Tactics¹	Goal	Achieved
SEM	3.7 K Clicks	5.4 K Clicks
	1.0% CTR	0.8% CTR
		4 Fingertip
Portal	0; not live	Formulary
Display	70 Clicks	89 Clicks

- The implementation of the Patient Savings Program for Butrans continues to represent an important tactic to reduce the out of pocket costs for Patients when filling a Butrans prescription until we attain broader Tier II or Preferred Formulary Coverage. YTD, 40% of all prescriptions are filled using redemption of the Patient Savings Card, the Relay Health eVoucher, or the “Trial Offer” savings card. This Trial Offer is designed specifically for “new-to-brand” patients. It reduces the initial patient co-pay to \$0, with Purdue covering up to an additional \$75 of the first prescription. Refill prescriptions for these patients change to the original savings program which consists of \$15 co-pay, with Purdue covering up to an additional \$40. An analysis of ROI and TRx lift demonstrates that as April (the most recent analysis) cumulative incremental TRx lift over control for the Trial Card/ Savings Card is 1.1 TRx and for the E-Voucher is 2.0 TRx per enrolled HCP, the overall ROI of the program is \$1.20.
- For the third trimester, beginning in September, we introduced the Physicians Television Network, which provides “on demand” programming for Health Care Professionals. Each month, programs are aired that deliver promotional videos which may be viewed in the HCP’s home or office at their convenience. Butrans® is sponsoring a video – “Selecting Appropriate Patients and Initiating Therapy with an Opioid Transdermal System” This video is based on the Butrans promotional slide deck that is used at Speaker Programs, and stars Dr. Jeff Gudin, a national Key Opinion Leader (KOL) in Pain Management. This program will air on the network until it is viewed by 5,250 HCPs from our target list. After viewing, HCPs are encouraged to answer a brief survey. In mid-October, the names of the HCP viewers who have seen the program will be forwarded to the District Managers, and a final list will be sent once we complete the viewership goal. As of October 5, 717 HCPs have completed watching the program. We will conduct an ROI analysis at a future date.

OxyContin® Tablets Brand Team:

- Due to the REMS for ER/LA Opioid Analgesics approved by the FDA on July 9th, all OxyContin promotional materials needed to be updated by October 1, 2012 to reflect the language per the new OxyContin label. A REMS packet was provided to Sales Representatives to distribute to their targeted HCPs in an effort to inform their HCPs of the REMS and to help ensure the safe use and prescribing of Purdue’s ER analgesic products.
- The OxyContin Core Visual Aid, Slim Jim, and Reformulation Field Card was updated per the new OxyContin label and introduced to Sales Representatives in October. The Core Visual Aid and Slim Jim continue to reinforce the “Individualize the Dose” campaign with greater emphasis placed on the OxyContin Managed Care Status and Patient Savings Program. The Reformulation Field Card continues to

provide Sales Representatives with approved responses that will help answer any unsolicited questions their customer may have regarding the reformulation of OxyContin.

- The OxyContin Brand Team also developed and introduced new tools to support promotional efforts in line with the new label. In order to help sales representatives engage their HCPs in conversations regarding the appropriate patients and starting doses for OxyContin therapy, the brand team introduced the OxyContin Appropriate Patient Case Vignettes aligned with the “Individualize the Dose” campaign. In addition, the OxyContin Patient Savings Program Sell Sheet was introduced to raise awareness and to communicate information regarding the OxyContin Patient Savings Program in an effort to increase program utilization. This sell sheet will promote the enhanced access of the OxyContin co-pay cards via multiple channels (Sales Representatives, OxyContin website, and Relay Health).
- The OxyContin Relay Health eVoucher Program was initiated in March 2102 for new-to-brand patients for OxyContin. As of October 8, 2012, there have been 176,051 redemptions for this program. After only 60 days, the Relay Health Program is driving a positive ROI of \$1.16 and incremental revenue of \$1.77MM. The Patient Savings Card is currently driving a positive ROI of \$4.3 and a 14.6 TRx lift per HCP. Currently, 3% of prescriptions are redeemed with a Savings Card and 7% through Relay Health.
- The OxyContin Relationship Marketing Program continues from the January targeting of 57K HCPs:
 - In the third quarter, 536K emails were sent to targeted HCPs with an open rate of 3.4%, which was above our forecasted rate of 3.0% and 236% above our target for emails sent in Q3.
 - Targeted HCPs are sent branded OxyContin emails every two weeks.
 - The calls to action include Savings Card utilization, engaging in OxyContin eDetails, visiting PurdueHCP.com, participating in the OxyContin Conversion interactive experience, and the appropriate prescribing of OxyContin.
 - 337 eDetail starts with 179 completions were achieved YTD with the three existing eDetails:
 1. In the third quarter, 121 eDetail starts with 58 completions were achieved with the three existing eDetails.
 2. 30K emails were sent recruiting HCPs to engage with the eDetails in Q3, which is a 45% increase from Q2.
 3. As of September 30th, the eDetails were suspended due to OxyContin label changes.

- Online advertising continues for OxyContin on Google, Yahoo and Bing search engines and major HCP websites:
 1. Approximately 1MM search impressions in the Q3 lead to 11.6K visits to the website.
 2. There were 2.6MM search impressions YTD at a cost of \$4.87, below our forecast of \$5.18/visit.
- Display advertising started in May and has yielded 4.6MM impressions YTD leading to 9.0K clicks to the website at an average click thru rate of 0.2%, above the target rate of 0.10%.
 1. During the 3rd quarter, there were over 1.9MM impressions and over 4.8K clicks at a 0.24% click thru rate.
 2. During the 3rd quarter, we continue to place OxyContin Journal ads on a monthly basis.
- A “Medicare Part D” three wave direct mail and email campaign is being developed by the OxyContin Brand Team to reinforce the broad formulary coverage of OxyContin to HCPs. 70% of HCPs will receive the promotion via email and 30% via direct mail. Deployment is scheduled for October and will continue through December.

Intermezzo® Brand Team

- Patient Savings Programs were implemented in April. These include an eVoucher (at retail pharmacy) and Savings Card approach, similar to Butrans. Through September 29, 6,504 redemptions have been processed (4,670 for eVouchers and 1,834 for Savings Cards). YTD, 34% of prescriptions filled have been accompanied by either eVoucher or Savings Card.
- We implemented a sampling program, via mail directly to physician’s offices (those who request samples) and we are offering a “Trial Offer” sampling program which provides patients the ability to obtain three Intermezzo tablets free of cost. The patient receives a prescription for the “Trial Offer” and fills this at a retail pharmacy. YTD (through 9/29) we have 2,520 patients enrolled in the “Trial Offer” program and 41,691 sample orders have been received to ship to physician’s offices.
- The sales force continues to leverage the Core Visual Aid and patient assessment materials provided during their District Meetings in June. Additional sales tools will be introduced during District Meetings the week of October 8th, including materials targeted toward pharmacists, a clinical backgrounder that provides additional details regarding the two Intermezzo efficacy studies and a piece that reminds HCPs of the Intermezzo indication and how to write a prescription.

- Direct-to-consumer campaign preparations continued in the third quarter, including development of the media strategy (with the assistance of Kelly Scott Madison, our DTC media agency of record) and revisions to advertising content as requested by the FDA. Our consumer brochure and print advertisement were both revised according to FDA feedback and have received internal approval. Market research was conducted with consumers in September to confirm positive impact of our DTC website. We have revised the site according to insights gathered, and the final development is currently in review. Our television commercial has been revised according to FDA feedback (extended to 90-second ad) and is now awaiting final FDA feedback. We anticipate receiving results of consumer market research (to confirm commercial will inspire desired action) by October 15 and should receive final FDA feedback by early/mid-November.
- The Speakers Bureau began with nine national KOLs trained within FDA guidelines. We have now trained additional regional/local KOLs to a total of 92 speakers. To-date we have completed 69 speaker programs, with 321 confirmed HCP attendees. The Intermezzo Sales Force is continuing to schedule speaker programs through December. We have budgeted for 550 programs in 2012, and to-date including confirmed and pending programs we are at 237. We will be monitoring the impact of these programs to determine ROI.
- eMarketing initiatives continued in the 3rd quarter, with a series of email “blasts” designed to increase awareness of Intermezzo. These reinforce the messages/positioning seen in the new visual aids. These email initiatives are targeting approximately 100,000 HCPs. In addition, we are focusing efforts on 44,000 of the highest potential prescribers with a “Relationship Management” initiative. This initiative was implemented by the field force who are delivering invitations to HCPs to visit PurdueHCP.com. Once there the HCP can access additional information regarding the Intermezzo Patient Savings Programs. This program will continue in the 4th quarter with 4 new invitations. Additionally, a pharmacist-specific email “blast” campaign is underway to further increase awareness of Intermezzo.

Laxatives Brands

- Several promotions continued in the 3rd quarter:
 - National Consumer Sweepstakes Promotions
 - Print advertising in demographic specific magazines such as Women’s Day, Better Homes and Gardens, and Readers Digest
 - “At-shelf” purchase incentives such as instant redeemable coupons
 - Customer Relationship Marketing (CRM) to loyal customers
 - Facebook and Twitter campaign
 - Direct Mail to non-called on HCPs to facilitate brand recommendations

Managed Care

The Managed Care/Payer channel continues to evolve, with mergers and acquisitions of major health plans and pharmacy benefit managers leading the wave of activity. With the recent Supreme Court ruling certifying the Affordable Care Act, many of the anticipated changes in healthcare overall will continue at a quickened pace to accommodate mandated changes in U.S. healthcare coverage -- though many of these changes can be predicated in the upcoming Congressional and Presidential elections.

The tables below depict the formulary status of Purdue products in three major payer channels. Included in the tables are the percentages and number of lives in each formulary category/tier, and a brief summary follows each channel with major customers and developments/status changes in the 3rd quarter of 2012

Commercial Formulary Status ~ 215 Million lives in this channel

	OxyContin		Butrans		Intermezzo	
	Lives (mm)	%	Lives (mm)	%	Lives (mm)	%
Preferred/2nd tier	182.3	85.5	54.2	26	21.7	10.5
Preferred/3rd tier	4.7	3.5	107	50	92.3	38.8
Step Edit/Prior Auth	11	4.2	23.8	12	44.9	27.2
Not Covered	15.2	6.2	28.3	12	52.4	23.6

- OxyContin (Commercial)
 - OxyContin continues to maintain “best in class” access and is the only extended-release opioid brand in its market with more unrestricted access than restrictions.
 - OxyContin commercial national market share exceeds 26%.
 1. All major Pharmacy Benefit Managers and most national health plans cover OxyContin on their formularies.
 - There is increased commercial pressure:
 1. From payers to reduce utilization of the opioid class especially brands that increase overall pharmaceutical costs
 2. From health plans to limit quantities, promote alternative therapies to opioids, and reduce long term use of opioids
 3. From health plans to advocate and promote generic opioid alternatives
 4. As payers are reacting to negative press and articles in regards to negativity to long term use of opioids
- Butrans (Commercial)
 - Butrans continues to achieve improved formulary access (26% of commercial lives in a preferred position).

1. Recent formulary elevation to 2nd tier at Express Scripts and Medco have been followed by extensive national pull-through programs.
 2. Mayo, a health plan and integrated delivery system has moved Butrans to 2nd tier.
 - We anticipate a greater than 30% lift in prescriptions with 2nd tier formulary access.
 3. Aetna and Cigna are currently under contract negotiations for 2nd tier formulary status.
- **Intermezzo (Commercial)**
 - From launch, the commercial channel has been our focus for Intermezzo.
 1. While we have achieved our 2012 target of over 50% of commercial lives at 2nd tier or 3rd tier unrestricted access, we still have approximately 48% of commercial lives with some kind of restriction before the patient can receive Intermezzo.
 - Most of these restrictions are at the point of sale where the pharmacist verifies that the patient has received a prescription for generic zolpidem in the last 4-6 months.
 2. We are continuing our efforts to reverse the restrictions at some of the major health plans by:
 - implementing a rebate strategy for unrestricted access
 - increased focus on clinical presentations by our Medical team
 - **Medicare Part D ~ 30 Million lives in this channel**

	OxyContin		Butrans		Intermezzo	
	Lives (mm)	%	Lives (mm)	%	Lives (mm)	%
Preferred	17.8	57	0.3	1.1	0.009	0.3
Non-Preferred	1.7	6	2.7	8.9	0.012	5.7
Step Edit/Prior Auth	2.4	10	1.2	4	0.275	2.5
Not Covered	7.9	27.1	25	86	28.7	91.4

- **OxyContin (Med D)**
 - OxyContin continues favorable formulary status for 2012 Medicare Part D formularies with more than 56% of seniors having access to a preferred formulary position and the corresponding favorable copay.
 - OxyContin Medicare Part D national market share exceeds 21%.
 - There is continued pressure from the Med D health plans for increased brand rebates (both OxyContin and Butrans) to keep formulary position in this highly genericized market.
 1. Generic fentanyl patch (market share of 26.1%), generic extended-release morphine (market share of 29.4%), and methadone (market

share of 16%) all have market share increases in the last 12 months in this channel.

- 89% of all prescriptions filled in this channel are for generics
- Butrans (Med D)
 - Butrans has had a slow uptake in the Medicare Part D channel, due mostly to two factors:
 1. The payers advocating increased generic utilization and substitution of all brands
 2. The cost sensitivity of the senior citizen population with fixed incomes and increasing prescription utilization with high out-of-pocket costs
 - Currently, negotiations are on-going for inclusion on 2013 Medicare Part D formularies.
- Medicaid ~ 48 Million lives in this channel

	OxyContin		Butrans		Intermezzo	
	Lives (mm)	%	Lives (mm)	%	Lives (mm)	%
On PDL Formulary	1.5	3.1	7.9	11.7	2.3	5.2
Prior Auth Required	46.8	96.9	40.3	88.3	46	94.8

- Missouri Medicaid continued covering OxyContin on the Preferred Drug list in 3rd quarter; the only other products included were generic extended release morphine and transdermal fentanyl.
- The Medicaid market continues to be a channel dominated by the individual States' mandating use of generics. State budget shortfalls dominate the news and many States believe these shortfalls are accelerated by expenditures from their Medicaid recipients.
 1. In last 12-15 months many States have moved their Medicaid populations to Managed Medicaid, where private commercial health plans bid to the State a specified amount per patient per month to financially cover the total health care for a percentage of the States' Medicaid recipients.
 - If the health plan exceeds this monthly cost allotment, the health plan pays the excessive cost from their pocket, if the health plan's cost is lower than the State's per patient per month specified amount the health plan profits.

Forecasting, Analytics and Market Research

During the third quarter we concluded many market research and analytics projects while beginning many others -- all with the purpose of providing actionable insights to help drive the business. The projects below are a sample of some of our key undertakings.

INTERMEZZO Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Sales Force Effectiveness (1st wave completed 5-2012, 2nd wave completed 7-2012)</u></p> <p>- Quantitative study with physicians who have received Intermezzo sales calls to track sales rep performance/message delivery</p>	<p>- 47% of physicians report having written at least 1 Intermezzo Rx. Another 38% intend to begin writing in the next 3-6 months.</p>	<p>- Continue to work to remove managed care barriers, as this is the highest actionable objection to writing the brand</p>
<p>- Determine the influence that sales reps are having on physician behavior</p>	<p>- About 60% of physicians report that Intermezzo sales calls are the sole source of information they have on the brand</p>	<p>- Emphasize availability of savings cards / trial cards since these did not register as an often recalled message and can help overcome managed care objections</p>
	<p>- Of physicians not prescribing, the main reasons are (multiple answers allowed): 49% say lack of experience, 35% report managed care issues, 22% are satisfied with other brands, 20% do not have the right patients</p>	<p>- Must broaden the reach to physicians beyond the sales force via persistent e-marketing, DTC and other programs. There were 506K prescribers in the market from Apr-Jun 2012. Most physicians report that sales reps are their sole source of information so far and the reach of 275 representatives is limited.</p>
	<p>- 44% of physicians say that they have changed the way they discuss insomnia with their patients as a result of Intermezzo sales calls</p>	
	<p>- Intermezzo's indication is recalled as the main message by 65% of physicians. 49% of physicians find this message to be persuasive.</p>	

INTERMEZZO Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Sales Force Market Tracking Study (Completed 9-2012)</u></p> <p>- Measure awareness of Intermezzo in called on and non-called on insomnia prescribers to determine awareness, perceptions, and barriers to use and compare to other products in the market.</p>	<p>- Awareness of physicians who have not been called on by a Purdue representative is 7%. Overall market awareness of Intermezzo is 9%.</p>	<p>- Continued persistence in calls with physicians while being sure to emphasize efficacy and availability of savings cards/trial cards</p>
	<p>- Physicians report efficacy and patient satisfaction as the top 2 product attributes that influence prescribing. Ambien CR scores highest in the market on both of these with 44% and 41% of physicians giving it a top rating on these, respectively.</p>	<p>- Launch DTC and other marketing programs ASAP to broaden awareness.</p>
	<p>- Physicians report that about 25% of insomnia patients request a specific brand and about 65% of the time, these requests are granted. 84% of physicians report getting requests for Ambien, followed by 70% for Ambien CR and 61% for Lunesta.</p>	
<p>- Determine the influence that sales reps are having on physician behavior</p>	<p>- 79% of physicians say their preferred source of information (multiple answers allowed) about new products is a sales representative, followed by 70% stating medical conferences, and 66% saying peer reviewed journal articles</p>	

INTERMEZZO Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Intermezzo: 90 Ad Test Underway</u></p> <p>Compare revised commercial which includes a reference to Ambien and an additional: 30 seconds of fair balance to previous commercial and normative data to see the impact that these potential changes may have had on the commercial.</p>	TBD	Depending on results, either continue to focus on TV advertising as a key advertising medium or reallocate some of the spend towards another promotional medium.
<p><u>Intermezzo Non-Adoptors Study Completed 9-2012</u></p> <p>Understand why physicians, who have been detailed, have not prescribed Intermezzo to their patients and uncover what attributes, could be targeted to help improve Intermezzo's prescribing among physicians.</p>	<p>- Top reasons for not yet prescribing Intermezzo (multiple answers allowed): 63% say a generic could be easily substituted, 60% say Intermezzo co-pay too high, 60% report managed care requires a generic to be tried first, 53% say they personally always try a generic first, 38% are not familiar enough with the product yet.</p>	<p>Ensure sales representatives include messaging around the various programs for opportunities for patients' savings (savings cards / trial cards). Renewed emphasis on removing step edits for Intermezzo through IR zolpidem or other generics. Purdue is initiating HOPE studies and a Citizen's Petition to separate Intermezzo from IR zolpidem and to potentially have the FDA issue a warning for dosing IR zolpidem in the middle of the night.</p>
<p><u>Intermezzo Speaker Program Preliminary Impact Completed 8-2012</u></p> <p>To Determine if there are any incremental impact of Speaker Programs on HCP Rx behavior</p>	<p>- The Intermezzo Speaker Program appears to drive TRx lift, largely driven by one of the four measured cohorts</p> <p>- Overall lift of 178 attendees is 0.31 TRx/HCP</p> <p>- Psychiatry contributes majority of lift while comprising only 21% of attendees (June 22nd cohort)</p> <p>- High Market Decile HCPs have the greatest lift and they comprise 70% of attendees (June 22nd cohort)</p>	<p>- Have reps make all effort to enroll Psychiatry and high decile physicians to speaker programs</p>

BUTRANS Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Butrans Physician Level Titration Analysis Completed 8-2012</u></p> <p>- Determine how Butrans titration influences patient length of therapy (persistence) at the physician level</p>	<p>- Of 57K patients studied, 83% had not been titrated prior to discontinuing Butrans therapy, 16% were titrated up from their initial strength and 1% were titrated down</p>	<p>- At managers' meetings and district sales meetings, reinforce current training and direction around titration</p>
	<p>- At 98 days, 35% of titrate up patients are persistent, followed by 30% of titrate down patients, and just 6.8% no titrate patients.</p>	<p>- Set up additional workshops for the sales force around titration messages</p>
	<p>- For titrate up patients, those that ultimately titrate up to the 20mcg strength are the most persistent.</p>	<p>- The results have been shared with the districts and specific direction has been provided to reps around titration as a result of this research.</p>
	<p>- For the no titrate patients, those that started on the 20mcg strength are the most persistent, followed by the 10mcg, then the 5mcg strengths.</p>	
	<p>- Overall, 58% of patients switch to another opioid after leaving Butrans. The other 42% leave the market.</p> <p>Of those that switch, the majority (63% overall) switch to combo opioids, 14% to a SA IR opioid, 13% to an ERO and 10% to tramadol.</p>	

BUTRANS Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Physician Discontinuation Study (Quantitative)</u> <u>Ongoing - Estimated Completion 9- 2012</u></p> <p>To evaluate and quantify HCP's experience with Butrans. To gain insight as to why some patients remain on Butrans, why others leave and why others never try Butrans. To help explain the discontinuation rate after the first month trial of Butrans, especially the lowest strength (5mcg/hr patch). To determine prescribers willingness to titrate at the 72 hour time period. To understand clinician concerns over managed care coverage, how they prefer to be informed of the availability of Butrans and the easiest way to learn if a medication is covered. To evaluate use of supplemental analgesia.</p>	TBD	Adjust messages and promotional tactics to ensure prescribers are targeting the appropriate patient with the appropriate dose of Butrans and that prescribers are properly converting/titrating.
		Adjust messages and promotional tactics to ensure prescribers are aware of Butrans managed care coverage.
		Adjust messages and promotional tactics to ensure correct use of supplemental analgesics, especially during initiation of Butrans.
<p><u>Intermediate Dosage Strength Study (Qualitative)</u> <u>Ongoing - Estimated Completion 11-2012</u></p> <p>To understand the impact that availability of new strengths will have on prescribing Butrans. To determine which if any of the new strengths (7.5 and 15 mcg/hr) should be released into the market. To determine how healthcare professionals expect to incorporate the new strengths into their treatment. Will the new strengths impact current Butrans dosage strengths? Will it create opportunities for prescribing Butrans or cause confusion? Will the new strengths have any impact (favorable or unfavorable) on discontinuation rates?</p>	TBD	Incorporate findings with forecasts for a Yes/No decision on new strengths (7.5 and 15 mcg/hr) expected to be released in 2013. Based on findings from this research come up with appropriate messaging and promotional tactics around the new dosage strengths.

OXYCONTIN Objectives	Key results	Recommended Actions/Potential Actions
<p><u>OxyContin eVoucher Program</u></p> <p><u>Completed 9-2012</u></p> <p>To Determine the impact and ROI of eVoucher program on Patients and HCPs</p>	<ul style="list-style-type: none"> - Incremental Full Cost ROI: \$1.16 - Incremental Rx per patient is 0.21 TRx - Additional physician lift is 0.8 % - High proportion of patients were continuing rather than new patients 	<ul style="list-style-type: none"> - Continue with eVoucher program as this analysis shows that it is profitable. Make sure that reps message to HCP's about the program (this was communicated at the latest district meetings). <p>Have worked with Relay Health to change business rules to be stricter on new patient eligibility in order to minimize program spend while continuing with the positive return.</p>
<p><u>OxyContin Marketing Mix</u></p> <p><u>Completed 7-2012</u></p> <p>To measure the promotion impact of each marketing channel and ROI. This is a multiple regression analysis that allows us to control for all types of promotion and isolate the benefit of each channel. This also allows us to optimize our spend by channel.</p>	<ul style="list-style-type: none"> - Overall Full Cost ROI on our promotional spend: \$2.29 - Savings Card had the highest ROI : \$4.28 - Primary Calls had high lift at 3.2 TRx/HCP with ROI : \$1.45 - Secondary Calls had moderate lift at 1.5 TRx/HCP - PTN and RM are effective with high quintile HCPs - Speaker programs most effective with Primary Specialists - Trigger Mail, Direct Mail and Journal Ads had minimal impact 	<ul style="list-style-type: none"> - Implement more primary calls for OxyContin (we are planning this for 2013) - Savings Card distribution should be optimized based on by making sure that they are distributed to high decile specialists - Re-allocating some of the funds in the lower performing channels to higher performing areas. This should maximize the impact of our Marketing spend.

MANUFACTURING / SUPPLY CHAIN / PHARMACEUTICAL TECHNOLOGY

Sustain Compliance across operational areas by auditing, monitoring key metrics and planned system upgrades/improvements (FDA, DEA, OSHA and EPA, CIA and HR policy) without major disruption to supply. Maintain continuous supply of commercial and new products to all customers, on time across the major product lines. Ensure project milestones are met and product moves into commercialization. Attain operational and management efficiency, continuously improving and assuring cost effectiveness.

Key Metrics: Manufacturing, Supply Chain and Pharmaceutical Technology

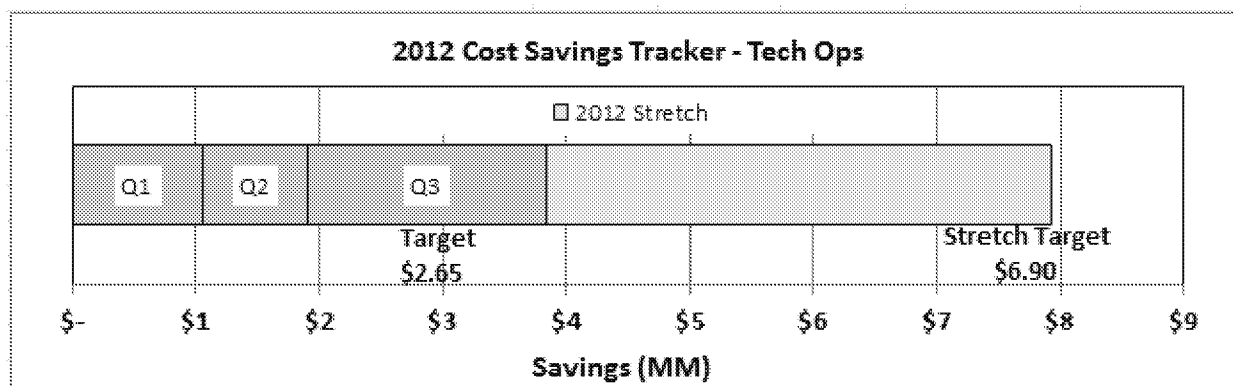
Manufacturing and Supply Chain	Q3 YTD			Full Year	
	Actual	Budget	Var	2012 Budget	2011 Actual
Tablets Manufactured (MM)	503	419	84	593	629
OxyContin	356	298	57	409	456
MS / MSER	139	121	18	163	165
Oxy APAP	-	-	-	21	-
Oxy Export	8	-	8	-	8
Export Packaging Bottles (000)					
Bottles Packed	244	-	244	-	308
Orders Shipped On-Time					
Wilson	100.0%	99.0%	1.0%	99.0%	99.8%
Rhodes	99.6%	99.0%	0.6%	99.0%	99.1%
3rd Party	99.0%	99.0%	0.0%	99.0%	99.7%
Orders Shipped In-Full					
Wilson	99.7%	99.0%	0.7%	99.0%	99.6%
Rhodes	99.7%	99.0%	0.7%	99.0%	99.9%
3rd Party	99.0%	99.0%	0.0%	99.0%	99.6%
Inventory On-Hand (Months)					
OxyContin	2.2	2.5	(0.3)	2.5	2.6
BuTrans	3.7	3.0	0.7	3.0	3.3
Intermezzo		TBD		TBD	

Pharmaceutical Technology	Q3 YTD			Full Year	
	Actual	Budget	Var	2012 Budget	2011 Actual
Research and Development Hours	22,911	36,615	(13,704)	40,633	29,784
Production Hours	2,603	5,834	(3,231)	6,474	4,289
Support Hours	20,308	30,781	(10,473)	34,159	25,495
Development Batches Manufactured	65	82	(17)	114	89

Comments on Key Metrics Table

- Higher actual number of commercial batches due to increase in MSER and OxyContin.
- Development hours reduced due to project reprioritization within R&D. Those development resources were then allocated to process improvement activities.

2012 Cost Savings



Infrastructure / Capital Projects

- The installation of the new packaging lines is on schedule with the first commercial line being taken out of service on October 7, 2012. This has resulted in a modification of our packaging shift schedule requiring two 10-hour shifts Monday – Thursday, and an additional shift on the weekend.

OTC / Rx Highlights

- Slow-Mag – Due to the DEM issue, 2013 supply will be supported by Timecaps (TCL) until we can re-start the CPC project. Distribution was reinitiated in July 2012, and we are planning a production campaign at TCL in 4Q12 / 1Q13.
- Dilaudid – Due to GMP issues in manufacturing, Hospira continues to have intermittent back orders that are expected to continue throughout 4Q12.
- Butrans – Final shipment of bulk patches from LTS Andernach is targeted to ship in October 2012 to Anderson Brecon. Butrans is expected to launch from West Caldwell in November 2012. The LTS Steering Committee proposed future BUP API supply from Rhodes Pharmaceuticals (RP) for LTS consideration.

Support to IAC's

- Ongoing support of Supply Chain Management for Dilaudid supplies from Halo.
- Wilson site continues to manufacture Oxy/NEO for Purdue Canada.
- Wilson site and Anderson will execute the packaging to provide ONF tablets to support stability / dissolution studies for MAP territories (Mundipharma, Asia Pacific) and Latin America.
- All Latin America labeling will be revised to include a new dyeline that will add a no vanish bar. This will be phased into production, and countries with greater forecast will be given priority (Brazil, Argentina, Colombia).

DEA Requirements / Compliance

- July 2012: Successful DEA Inspection of Manufacturing and Analytical Registrations resulted in no observations or violations. Inspection included an extensive review and approval of the Tablet Counting and Reconciliation process.
- DEA Procurement: DEA granted Purdue's request to increase our Morphine quota to support RP's 2012 MSER requirements.
- A significant increase in manufacturing activity on MsContin has led to some occupational workplace morphine sulfate exposure challenges and potential workplace-related health issues that are being evaluated and closely monitored. Immediate and long-term actions are underway to address the situation.
- Proposed Chicken Processing Plant in Wilson Region: Local Wilson businesses exchanged correspondence with Nash County to request an environmental study on the proposed new chicken processing facility. At this point, it is unlikely that a full environmental impact assessment will be undertaken.

QUALITY

Sustain compliance with all laws and regulations related to cGxP from drug development through commercialization. Support the accurate and timely release of approved quality product. Assure integrity and qualification of all new product development, technology transfer and regulatory filings.

Sustained Compliance

- ONF Support Activities:
 - As previously reported, a single stability lot of ONF 10 mg tablets (WBL51) showed Out of Trend (OOT) results for unknown degradants at the 3 month stability pull. Monthly monitoring of the lot was initiated at the six-month time interval, and the level of the degradant has plateaued and remained within specification up to the label expiration date. The degradants have now been identified and specifications established and filed to the NDA. The lot will be tested once more at its 24-month stability storage interval.
 1. A meeting with the FDA Atlanta District Office occurred on October 3, 2012, to communicate the results of *in vitro* genotoxicity on the degradants, Purdue plans for *in vivo* testing, and the status of studies to determine mitigation strategies. The FDA District Office was satisfied with the progress of Purdue activities in relation to the degradants.
 2. A Field Alert Update Report was filed on October 4, 2012, providing an official record of the status of the ONF degradant activities shared in the October 3, 2012, meeting.
- The final audit report for the Lachman Associates audit of Wilson performed for Rhodes Pharmaceuticals (RP) on May 29-31, 2012, was received. The Wilson response was provided on schedule and has been accepted by RP. Corrective action plans are in progress.
- Phase I of the Trackwise implementation project dealing with the handling of events (deviations, investigations, CAPAs) was successfully implemented on October 1, 2012. Phase II implementation for Complaints is in progress.

External Manufacturing

- FDA inspections of the following third party suppliers have occurred on the dates indicated: PLD which packages Colace (August 21-24, 2012); Aplicare which produces Betadine SwabAids (August 27 - September 6, 2012); and LTS West Caldwell (August 30 - September 10, 2012). Each company received FDA483

observations, but none associated with our products. Supplier Quality Assurance will perform an independent assessment to identify potential systems impact.

- The first Peri-Colace lots produced by Purdue Canada have been released to the US market.
- Butrans product complaints continue to be an order of magnitude greater than any other product including OxyContin. The largest complaint categories are lack of efficacy (52%) and physical defect (39%).
 - Lack of adhesion accounts for 89% of all physical defect complaints. This issue has been raised for consideration during the development of the next generation product.
- Investigations into the Slow-Mag and DEM issue continue, and to date no root cause has been determined. Product has been released based on levels below the established alert level observed in the most recent campaign produced. The *in vivo* genotoxicity tests are in progress. An update on our progress against commitments made in our June 2012 483 Response was sent to the FDA New England District Office in September 2012.
- Intermezzo Support:
 - The Intermezzo investigation into black particles referenced in the previous quarterly report has now been closed. The black particle discovered was identified as phenolic resin. A health hazard assessment was completed with no concerns identified for potential patient ingestion of the phenolic resin.
 - The CBE-30 supplement to expand the specification for Buffered Soda was filed.

Support for New Products

- Validation and stability testing of OxyAPAP lots produced to support the RP regulatory filing are on schedule for completion to support the identified filing date.
- The analytical work to support the CBE30 filing for the manufacture of Dilaudid Tablets in Wilson has been completed, including the development of a whole tablet assay method. The supplement will be filed in October 2012.
- The protocol for stability studies of ONF packaged in blisters and bottles to support filings in Latin America and the Asia Pacific regions has been finalized. A number of the studies will begin storage and testing before the end of the year.

RESEARCH & DEVELOPMENT

R&D's goal is to efficiently and effectively advance each pipeline project to and through the defined stage gates as described within each program's strategic development plan. R&D's objectives for 2012 are reflected in Purdue's Business Scorecard and focus on progress or completion of major milestones for each pipeline project. While there are many components within each program, emphasis is placed on those items whose progress, quality and outcome drive stage gate decisions and as a consequence, project progress to NDA submission, approval, or termination. Through 2Q2012, substantial progress has been made toward the budgeted plan.

Each of the following pipeline projects are addressed herein:

- Reformulated OxyContin® (OTR/ORF)
 - Butrans® (BTDS)
 - Targin® (ONU)
 - Hydrocodone QD (HYD)
 - TRPV-1 (VND)
 - ORL1 (OAG)
 - Intermezzo (INT)
 - AHI (FAAH)
 - Abuse Deterrent Immediate Release Oxycodone (ADIR)
 - Ryzolt
-

Reformulated OxyContin (OTR/ORF)

Corporate Scorecard Milestones for OTR/ORF are on or ahead of schedule.

ORF Messaging

The ORF Messaging Group continues to progress its plan to ensure that the in vitro, abuse potential, and epidemiology data collected to date are communicated to appropriate audiences in a time frame supportive of Purdue's business and public health objectives.

- To date, 36/44 abstracts submitted were presented to various association meeting venues.
- Plans are to submit 15 manuscripts by February 2013 (in vitro, abuse potential, and epidemiology). The first manuscript to be accepted will appear in the October or November edition of the Journal of Pain and is entitled:

“Abuse rates and routes of administration of reformulated extended release oxycodone: initial findings from a sentinel surveillance sample of individuals assessed for substance abuse treatment”

Pediatric Program

- The enrollment target for the final study required for pediatric exclusivity has been met six months ahead of schedule (July 2012), with the sNDA for this pediatric exclusivity research program on-track for sNDA submission January 2016.
- External pediatric meetings were conducted with (1) the Senate Finance Committee to address an inquiry on media surrounding OxyContin pediatric clinical trials, specifics of trials, and level of involvement from FDA—all questions were successfully addressed; and (2) the FDA to discuss Purdue’s experience conducting pediatric trials of chronic opioid therapies. FDA are receptive to hear and act on how to conduct pediatric clinical trials more effectively at both operational and policy levels.

Japanese sNDA for OxyContin in Non-malignant Pain

- The Japanese sNDA (non-malignant pain) remains on track for 2Q2016 submission to Japan’s Pharmaceuticals and Medical Devices Agency (PMDA).
 - Substantial Clinical and Non-clinical support of Shionogi/MPKK continues

Support for Independent Associated Companies

- Purdue assistance continues with Independent Associated Companies for ORF approval: Australia filed August 2012 with the Asia Pacific Region filings targeted 4Q2012 – 4Q2013 (first filing: South Korea September 2012).

10 mg ORF - Degradant

- As a follow up commitment to the meeting with FDA’s Atlanta District Office, held on April 25, 2012, another meeting was successfully completed with the Atlanta District Office on October 03, 2012. Topics for the District Office meeting were: updates to specifications, in vitro genotoxicity results, and mitigation efforts related to degradant accumulation.

Prix Galien-USA

- ORF was named a “Final Candidate” in the awards category of “Best Pharmaceutical Product” from the Prix Galien-USA foundation, an organization that recognizes outstanding achievement in improving the human condition through the development of innovative medical treatments and drug therapies (winners will be announced at the Awards Ceremony on October 16, 2012 in New York City).
Note: ORF wasn’t selected as the “Best Pharmaceutical Product,” the award went to Merck’s Victrelis – for treatment of chronic Hepatitis C. Nevertheless, it was an honor for ORF to be selected as a finalist.

Butrans® (BTDS)

Corporate Scorecard Milestones for Butrans are on or ahead of schedule.

- The follow-up Second Generation BTDS pilot PK study (BUP1504) sponsored by Mundipharma initiated (FPFV) on plan, August 23.
- Dosing of thorough QTc trial (BUP1025) to support higher doses is proceeding ahead of schedule, with top-line results available by end-October, 2012. Results from this study, alongside PK data from BUP1504 will inform our decision to proceed with the pivotal study program for higher strengths (BUP3027 and BUP3028) in 2013.

Other Butrans Updates

Commercial production at LTS’ West Caldwell site is on schedule to initiate 4Q2012.

- Development of the intermediate dose program (7.5 mcg/hr & 15 mcg/hr) is proceeding to plan. The LTS West Caldwell site is scheduled to initiate manufacturing/stability programs of 7.5mcg/hr. strength the week-of September 24. Submission of the Prior Approval Supplement is targeted for January 2013.

ONU

All corporate scorecard milestones for ONU are on schedule.

- The NDA submission (for the indication of Pain with abuse deterrent properties) planned for 2Q2013 is on track with all submission elements on or ahead of established timelines.
 - A successful pre-NDA meeting with FDA was conducted on September 13, 2012.

- The sNDA submission for label expansion (Opioid Induced Constipation) planned for 2Q2014 remains on track, with continued efforts being made to stimulate enrollment in each of the two required pivotal (OIC) studies.
 - Data to support ONU's benefit in alleviating signs and symptoms of Opioid Bowel Dysfunction (vs. OIC) are being collected in pivotal trials and will also be addressed through additional means.

Hydrocodone QD (HYD)

All corporate scorecard milestones for HYD are on schedule.

- NDA filing in 2Q2014 and 3Q2015 launch dates remain on track.
- Enrollment in the HYD Phase 3 program (pivotal study and open-label safety study) is on schedule and supportive of an on-time NDA submission.

TRPV1 (VND)

All corporate scorecard milestones for TRPV-1 are on schedule.

- Two human Proof-of-Concept studies (Osteoarthritis and Post -Herpetic Neuralgia) initiated in September, 2012; this is the first time a Purdue new chemical entity will have reached this stage of development.

ORL1 (OAG)

The First-in-Human, single ascending dose study (OAG1001) has completed 3 cohorts.

- The study was paused to allow for thorough analysis of adverse event (somnolence) and pharmacokinetic (low bioavailability) data. A forward plan of nonclinical experiments designed to better understand the cause of these adverse events has been agreed with Shionogi and will be executed in 2H 2012. The next decision point will be in 1Q2013 when the nonclinical results are available.

Intermezzo (INT)

All corporate scorecard milestones for Intermezzo are on schedule.

- Progress continues on the publication plan of previously completed studies, including new analyses that explain gender-specific dosing.

AHI (IPI-940)

- IND was transferred back to Infinity Pharmaceuticals, Inc. effective September 14, 2012.

Abuse Deterrent Immediate Release Oxycodone /ADIR - (OCI)

- Multiple formulation variants have been tested in the clinic (pilot PK and abuse potential endpoints).
- Selection of a final formulation (Purdue or Rhodes variant) for definitive testing is planned to occur within 4Q2012.

DISCOVERY RESEARCH

TRPV1 Back-up Antagonist Program (VAN)

- The main objective of the TRPV1 back-up program is to identify and develop a compound that has similar or better efficacy with V116517, but reduced risk for effects on body temperature and thermal sensation. We are also investigating mechanisms associated with pharyngeal pain and dysesthesia.
- IND filing for V120083 was approved in August 2012 by both partners in the collaboration, Purdue and Shionogi. The Joint Steering Committee ratified the go decision for filing in September 2012. The IND was filed in Japan at the end of September 2012 with FTIH is planned to start in November 2012. Both events trigger separate \$2 million milestone payments from Shionogi to Purdue. An IND is expected to be filed in the US in Q4 2013.

Purdue-Only TRPV1 Antagonist Program (517)

- In collaboration with the Medical School at the University of Wisconsin, we are evaluating the mechanistic role and possible clinical utility of TRPV1 channel blockers in pain associated with sickle cell disease. Our collaborators have established a translatable animal model of this condition, we have completed all legal agreements, and the studies have begun with results expected in Q4.

Purdue-Shionogi Collaboration ORL-1 Agonist Back-up Program

- The main goal of the ORL-1 back-up program is to identify compounds with similar or better efficacy, ADME profiles and low risk for kidney toxicity issues, as well as reduced side effects (fatigue/somnolence) compared to V117957.
- Although the team has identified one potent and selective peripheral ORL-1 compound (V120063), a no-go decision was made based on the result of monkey cardiovascular system study, which showed a less than 10 fold safety margin.

- Due to an unexpected adverse event (somnolence) in the Phase 1 clinical trial of V117957, a work plan to evaluate the issue has been established and carried out. The primary purpose of these studies is to determine the mechanism underlying the clinical observations and to provide data to inform a go/no-go decision for further clinical studies on V117957. A secondary purpose is to inform the back-up strategy to ensure a lower risk molecule with differentiation from V117957. The preliminary results from the work plan regarding the studies of behavior and brain regional exposure have been evaluated and will be applied to identify backup compounds.

Sodium Channel (Nav) Blocker

- The peripherally-restricted Nav antagonist, V121241, was assessed for cardiovascular (CV) risk in the anesthetized dog model. Intravenous administration of V121241 achieved plasma concentrations that were 11 – 20 fold of the plasma concentration at the ED80 in rat pain models. At these plasma levels there was no evidence of QTc prolongation or substantial ECG, blood pressure or heart rate changes. The lack of significant findings in this study suggests that peripheral Nav antagonist can have a reasonable CV safety margin and that V121241 in particular should be considered as having a low CV risk.
- Presently, the Nav team is completing pre-bridging studies with V121241. These results will allow a decision to be made in early 2013 on whether or not to progress this compound to bridging studies. The major challenge with V121241 is its low oral bioavailability. The team is currently exploring various formulation methods to achieve sufficient exposure in the plasma so that toxicological assessment can be made.

Exploration of Signal-Biased Opiates

- Many new experimental systems are now in place in Cranbury enabling a dissection of the various signal pathways associated with the mu and kappa opiate receptors. New patent applications have been filed (or are in process) based on new insights including a possible elimination of dysphoria from kappa agonism, and a new treatment approach to L-DOPA induced dyskinesia in Parkinson's patients.
- Real time cellular imaging is now available enabling a more detailed assessment of these opiate pathways. Chemistry optimization of several early lead molecules is underway with limited animal testing expected by end of year 2012.

LICENSING AND BUSINESS DEVELOPMENT

Advance Purdue's portfolio diversification strategy through in-licensing or acquisition, through an organized, systematic and strategic licensing review process. Champion the establishment of the new R&D Innovation effort, in the form of screening, business analysis, deal structuring and contract negotiation. Support Intellectual Property efforts related to new or existing products by acquiring and strengthening our IP portfolio as it applies to our in-line Rx products or new products and platforms. Continue to coordinate worldwide business development efforts, supporting Purdue Board-driven potential investment opportunities, by making strategic or financial investments in new companies, as directed by Purdue Board members.

Q3 2012 Results

	Declined in Level 1	Referred to R&D Innovation	Declined in Level 2	Declined in Level 3	Awaiting Screening	Active with BDC	On Hold Pending Data	Total
Q3 Existing opportunities Active with BDC	2	0	3	2	0	4	0	11
Q3 Existing Opportunities on hold pending data	2	0	0	0	0	0	3	5
New Opportunities Screened Q3	21	2	0	0	0	0	0	23
Total	25	2	3	2	0	4	3	39

Status at end of Q3 2012

Active with BDC	Spinifex, Convergence, Flexion, Rhythm
Declined in Level 3	Tarsa, Theravance
Declined in Level 2	Array, Cara, Regeneron
Declined in Level 1	ImmuPharma, ReNew
Opportunities on Hold	Remain on Hold: Xenoport, Afferent, Theravance TD-9855 Declined: Synergy- plecanatide, Zalicus-Synavive

ACTIVE LBD PROJECTS END OF Q3 2012

Company	Product	Indication	Status	Resp. Party	Screening Date
Spinifex	EMA-401, Angiotensin II Type 2 (AT2) Receptor Antagonist, oral capsule	Neuropathic Pain	Positive results reported from the 154 patient Phase 2 PHN trial dosing the drug BID for 28 days in Australia. Presentation of Ph2 data in Stamford on 10-12-2012.		1/10/2012
Convergence	CNV-1014802 (GSK-1014802), a voltage-gated sodium channel inhibitor (Nav 1.7)	neuropathic pain, oral treatment	Meeting with Convergence in Cambridge, UK on 9-26-2012 reviewed preclinical programs and clinical update. Ph2a trial in LSR did not meet primary endpoint. MINT leading project as a potential acquisition. Next discussion was at London IPR meeting.		4/5/2012
Flexion	FX-005, IA sustained release p38 MAP kinase inhibitor	2nd line therapy for treatment of moderate OA of the knee	Phase 2 POC data released. Mundipharma meeting with Flexion in middle of September. Mike R and Christian to assess the value proposition of FX-005 relative to hyaluronic acid.		6/10/2012
Rhythm Therapeutics	RM-131 Ghrelin Agonist Peptide	Diabetic Gastroparesis	Currently conducting Phase 2 trial.		6/18/2012

CORPORATE COMPLIANCE

Assure compliance with Purdue's Corporate Integrity Agreement (CIA) and all Federal and State laws and regulations, as well as the PhRMA Code. Conduct risk assessments and audit and monitor business operations. Respond as required to all inquiries and conduct investigations of Company operations when appropriate. Assure that all ethics and compliance training requirements are met.

Corporate Integrity Agreement

The Fifth (and final) Annual Report under Purdue's CIA was submitted on time to the Office of Inspector General on September 27, including IRO Review Report and Management Response, Compliance Officer Certifications of the Report and all underlying CIA requirements, with summaries of compliance investigations during year five. We can expect OIG to begin its review of the Report, ask further questions and, ultimately, send Purdue a letter confirming the successful closure of the CIA. This may well take a further about six months.

The Final Independent Review Organization (IRO) Report under Purdue's CIA was successfully concluded, with reviews of Medical Information Request Forms ("MIRFs") from Health Care Professionals (two Findings and two Observations); and reviews of Promotion Monitoring Forms (four Observations). All findings and observations are minor, but highlight the continued importance of adherence to departmental SOPs, which we continue to address.

Update On Physician Payments Sunshine Act

Implementation of Federal Physician Payments Sunshine Act has been delayed by lack of final government regulations:

- An HHS administrator testified at a Senate Committee in September that they "hope" some data would begin to be captured for 2013.
- There are still many unanswered questions as to requirements for formatting of data, treatment of clinical trial related expenses, and coverage of certain ownership interests and it appears the government is just beginning to understand the significant challenge of implementing a new and large public database.
- Industry is seeking 180 days to implement final regulations when issued in view of complexity.

(FYI, through July 2012, the maximum spend by Purdue on an individual HCP was \$29,000, a relatively modest sum).

Overall

Through the Third Quarter, the Company continues to maintain a state of effective compliance, with all components of the Annual Compliance Scorecard above the established standards, including Sales and Marketing, Manufacturing and Quality, and R&D, with no significant compliance violations to report for the third quarter.

EXTERNAL AFFAIRS

Build support for appropriate pain care through policy development and implementation. Take appropriate action on external threats to optimal pain care. Promote Purdue's reputation in academic, community and scientific venues. Address proposed legislation and regulation that may affect the Company and its products. Develop and support innovative programs that safeguard public health and address abuse and diversion of prescription medication.

Build Support For Appropriate Pain Care Through Policy Development And Implementation

- A group of U. S. Senators have now written to the Centers for Medicaid & Medicare Services (CMS) expressing their belief that CMS has misinterpreted the intent of the law by including abuse deterrent formulations in the definition of "line extension." Earlier in the year the Food and Drug Administration (FDA), Office of National Drug Control Policy (ONDCP) and several members of Congress have contacted the Centers for Medicaid & Medicare Services (CMS) seeking a carve-out for abuse deterrent formulations from the line extension proposed regulation. Twenty-two organizations from the Pain Care Forum have commented on the CMS regulations. The White House has expressed concerns to CMS as well.
- Members of Congress introduced legislation, (H.R. 6160), that would prevent FDA from approving a non-deterrent controlled substance where a deterrent formulation of the same drug is already approved. The legislation has received considerable comment from FDA and it seems that FDA's positions are consistent with that of Purdue.

Take Appropriate Action On External Threats To Optimal Pain Care

- A company response regarding the company's pediatric clinical trials and the filing of the PROP Citizen's Petition was developed and media relations were conducted to communicate the company position to the media.

- The Pain Care Forum hosted Dr. Andrew Kolodny, President of Physicians for Responsible Opioid Prescribing as a guest speaker at the meeting this quarter.

Promote Purdue's Reputation In Academic, Community And Scientific Venues

- Ten states are now operational with the National Association of Boards of Pharmacy (NABP) Interconnect Hub program which allows state prescription monitoring programs to share data across state lines. Purdue supported this initiative. Twenty five states have signed agreements to participate and other states are currently in discussion.
- Scientific communications support was conducted for data presentations on Intermezzo at the annual meetings of the American Psychiatric Association and the Associated Professionals Sleep Societies (APSS). An article was secured in the Sleep Diagnosis & Therapy publication and a radio media tour with a key opinion leader resulted in eight radio interviews on Intermezzo.
- A press release was issued announcing Purdue's PERFORM module to help clinicians recognize and deter prescription drug abuse in their practice.
- Materials were developed under the Research and Development Advocacy Network (RADAN) to help recruit clinical investigators and facilitate patient enrollment in Purdue's clinical trials and was distributed to several associations.
- While media outreach was limited due to concern over the DTC moratorium, stories were secured in Health and Allure, which are two influential women's magazines. In preparation for the consumer launch, Public Affairs recruited a group of healthcare professionals who will serve as media spokespeople for the brand.

Address Proposed Legislation And Regulation That May Affect The Company And Its Products.

- Rules to implement the Massachusetts approved budget bill that allows the use of copay coupons and allows for physician dinner/speaker programs are being finalized.

Develop And Support Innovative Programs That Safeguard Public Health And Address Abuse And Diversion Of Prescription Medication.

- SafeGuardMeds.org implemented a national awareness program to educate the public about proper storage and disposal of prescription medications. This included

a continued partnership with the US Conference of Mayors. The Public Service Announcement campaign initiated in September 2011 has secured 12,395 airings, 271 million impressions and \$6,644,654 in media values.

- Proactive media relations were conducted to promote RxPATROL and the Law Enforcement Liaison & Education program. Public Affairs achieved positive delivery of Purdue's anti-diversion/anti-abuse messages by garnering more than 85 stories to an estimated 2 million readers/views for both RxPATROL and LELE.
- The COSHAR Foundation, Inc. launched an online tool kit surrounding prescription drug abuse for members in July. As of August 31, 203 Safe Meds Sundays events were held and 31,775 requests for tool kits and more information received.
- The National Council of Patient Education and Information (NCPIE) held a one day summit on prescription drug abuse which brought together Purdue grantees as well as the Drug Enforcement Agency (DEA), Food and Drug Administration (FDA), Office of National Drug Control Policy (ONDCP), Substance Abuse and Mental Health Services Administration (SAMSHA), and Centers for Disease Control (CDC). The event was very favorably received by the attending federal agencies.
- The National Governors Association has selected the seven states that were awarded grants to provide prescription drug abuse programs in their state. Purdue has been an active participant in this initiative.

HEALTH POLICY

The objective of the Health Policy Group is to help shape the public face of Purdue, enhance corporate visibility and provide a supportive environment - by communication and other external activities. The group also supports Medical Education initiatives providing high-quality, relevant education resources that meet clinical needs and increases awareness of non-drug value of Purdue Pharma as a compliment to the portfolio of drug products. Provide accurate and timely medical review of Materials that educate external customers (healthcare professionals, patients, general public, etc.) and the Sales Force on the safe and appropriate use of Purdue products.

Policy-related

- Communication & External Affairs Committee
 - Creating/assembling resources responsive to potential further inquiries from Senate Finance Committee, including a comparison of national opioid prescribing guidelines, information on PROP, etc.
 - Assisting State Government Affairs with regulatory issues affecting PPLP in multiple States, especially WV, OH, & WA; REMS update during Managers' Meeting
- Sales and Marketing support
 - Sales Training – with Medical Services, created examinations on Butrans Clinical Trials and Portfolio Product Knowledge; revised four examinations making content consistent with new FPIs approved as part of the REMS.
 - Made major revisions to Partners Against Pain Spine Poster; secured permission to add a novel dermatome map to spark interest in customers
 - Direct education of sales representatives (Low Back Pain, etc.)
- Risk Management-related
 - # Redacted
 - With The Ohio State University:
PAINWeek: Using PhotoVOICE to Chronicle the Daily Experiences of Primary Care Patients Living with Chronic Pain- one of 12 abstracts selected for oral presentations
- Other PPLP Collaborations
 - Assisted Drug Safety & Pharmacovigilance in interpretation of urine drug testing (co-created reference, lecture, analyzed several cases as examples)

- Consulted with Medical Affairs in the creation of a Medical Research Rapid Response Team
- Regulatory Affairs and Law – working to clarify parameters for what constitutes “branded” Materials (affecting Med Ed & Marketing)

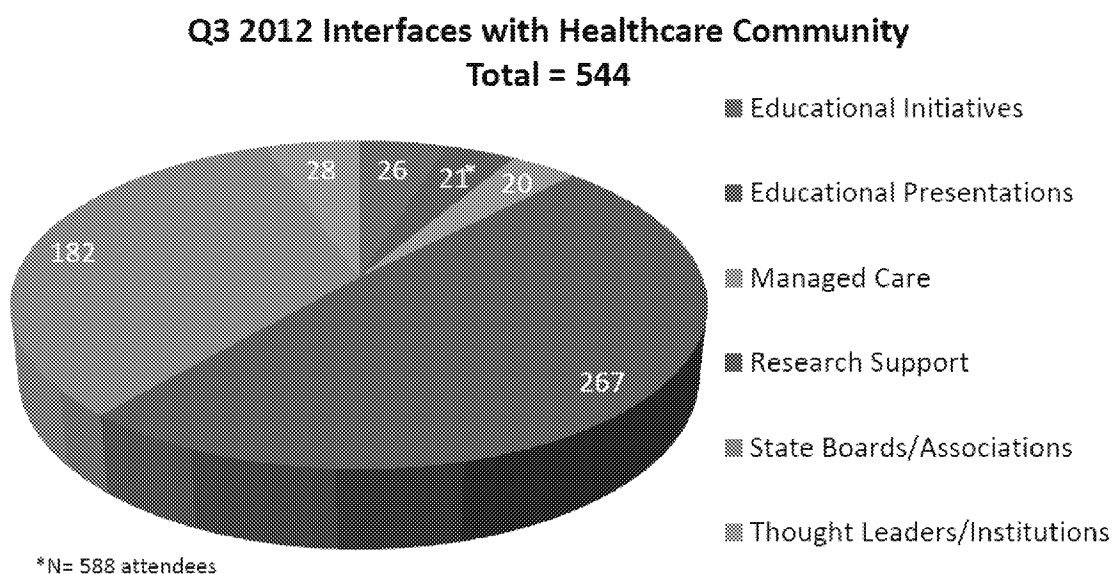
Healthcare Grants and Giving

- 223 grant applications (healthcare educational and non-educational) reviewed
 - Ninety (40%) were approved for a total \$1,740,555, and
- Major interface between grant software and SAP to automate the grant payment process completed.

Medical Liaisons

(Managed Health Systems, Alliance Outreach, Strategic Education Initiatives, and Research Support)

- Nearly half of interactions with Healthcare Community related to PPLP Research

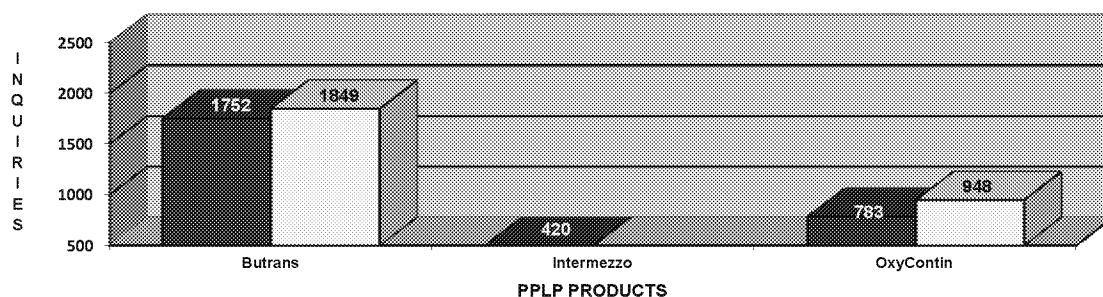
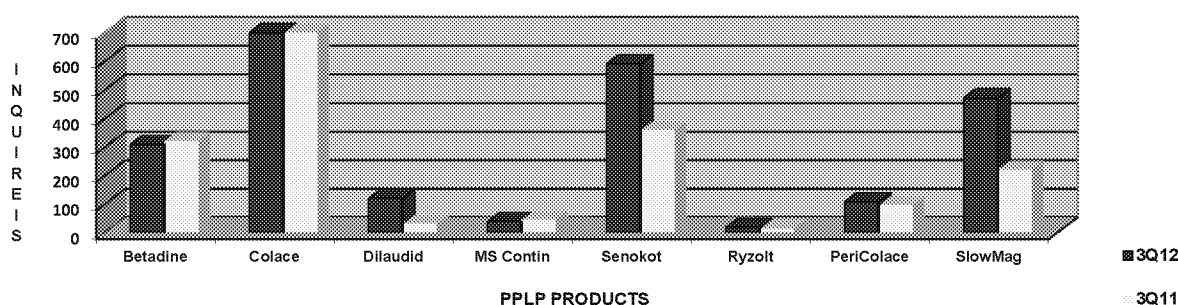


- With Medical Services and Risk Management & Epidemiology, presented interim results of ORF epidemiology studies to Cigna. Well-received; Cigna’s suggestions for additional studies addressing misuse/abuse costs to payers referred to Medical Affairs and Outcomes Research.

Medical Services

- 3Q12 Inquiries

- 5,836 total inquiries.
 - 1. 17% increase from 3Q11 and a 1% increase from 2Q12
 - 2. 83% answered within one business day
 - 3. 98.6% answered within 10 business days



- Specific Products (detail for above)

- Butrans = 1,752 inquiries.
 - 18% physicians, 63% consumers
 - Adhesion (152), Lack of Effect (85), Application site reaction (79), AE Management (37), Nausea/vomiting (36), Withdrawal (27), Cardiovascular (22)
 - Intermezzo = 420 inquiries
 - 69% physicians, 13% consumers
 - Complex behaviors (16), Driving Study (14), Oral Administration (10), Lack of Effect (7)
 - OxyContin = 783 inquiries
 - 10% physicians, 67% consumers
 - Lack of Effect (51), Abuse (23), Withdrawal (18), GI issues-other than constipation (14)

HUMAN RESOURCES

Design, communicate and implement rewards programs that drive alignment and achievement of corporate and individual performance objectives. Staff positions with highly capable talent and assure employee engagement and retention. Develop employees through relevant and meaningful programs and assignments while providing for future succession requirements. Assure program and management compliance with all regulatory and legal requirements.

Staffing, Employee Engagement, Relations and Retention

- 176 employees have been recruited to Purdue YTD 2012. Turnover in 2012 is 6.7% YTD compared to 5.0% at the same time in 2011. This is largely driven by turnover in the Field Sales Force, which is 9.8% YTD.
- [REDACTED] has joined Medical Research as Director, Clinical Pharmacology Membership Administrator and Managed Care, reporting to Dr. Stephen Harris.
- [REDACTED] is the new Director, Outsourcing & Vendor Alliance Management in Medical Research Operations, reporting to Dr. [REDACTED]
- [REDACTED] Executive Director, Plant Manager reporting to David Lundie began his employment in September.
- Human Resources collaborated with Sales Management to implement a Military Recruiting program, offered to the seven branches of the military, in concert with the Department of Defense "Heroes 2 Hire" program. The program will offer the Company a pipeline of readily accessible candidates of commissioned officers with college degrees, technical proficiency, leadership skills and awards on performance, while providing jobs to returning heroes, with an added benefit of significant tax advantages for Purdue. There will be a hyperlink to Purdue's career website on the Heroes 2 Hire website and plans are to expand the program to include other functional areas outside of Field Sales. The Military Recruiting program will be announced at the 4th Quarter Sales Meeting and an amended training program is being developed, appropriate for new Sales Representatives with no prior pharmaceutical experience, to be launched in the 1st Quarter of 2013.

Training & Development

- Executive Coaching continues for a number of leaders including one-on-one coaching of managers on motivating subordinates, improving relationships with managers, leading change and improving team effectiveness.

- The initial Mentoring Program with 64 participants was an unqualified success. The Mentoring Program will again be offered in 2013 and will be expanded to include non-exempt employees as well as exempt employees.

Environment, Facility and Regulatory Compliance

- EHS has provided significant support and is working closely with Cranbury Facilities, Engineering and a chemical engineering firm contracted to develop formal User Specification documents detailing key equipment, engineering issues, material handling procedures and user needs for three high priority projects: a new Highly Potent Compound Synthesis laboratory, a Hydrogenation laboratory and an enlarged Scale-Up Kilo laboratory. Each of these projects has significant safety and environmental aspects which require close collaboration among the groups.

Community Relations

Assistance was provided to a number of Stamford organizations in their application process for receiving grant money for projects such as air conditioning installation and new heating by representatives of our Facilities Department. The Executive Director of Taxation also served as a resource for several of these companies, explaining the details of the program more fully.

Facilities and Engineering

One Stamford Forum capital projects are proceeding as planned. All approved HVAC projects have been completed, as well as replacement of three 1973 vintage air handlers serving the Lobby Level and conversion of the Lobby Level heating source from electric to gas. An extensive engineering study of the parking garage has been completed and Phase 1 work, including lead abatement, is in progress. Planning for cafeteria kitchen and server area upgrades have been completed with start date pending approval of Stamford health inspector.

Travel & Meeting Planning

Purdue's average domestic air ticket price is \$518 vs. national industry standard of \$552. YTD we have processed 5,772 transactions, an increase of 15% over 2011. Our total domestic air spend is \$2,557,900, an increase of 29% over 2011 and international air spend of \$1,094,000 is an increase of 7% over 2012.

Full-Time Turnover Projection

September YTD 2012

	Begin Count	End Count	Ave # EE's	Termina- tions	% Term EE's	Retired	% Retired EE's	Resigna- tions	% Resigned	Total # T/O	YTD T/O % Rate	Prior YE Turnover
S&P												
SALES	631	622	627	11	1.7%	2	0.3%	49	7.8%	62	9.8%	
MARKETING	45	46	46	3	6.7%	0	0.0%	3	6.7%	6	13.3%	
SALES SUPPORT	23	28	26	0	0.0%	1	4.3%	2	8.7%	3	13.0%	
FIELD OPS, SUPPORT & ADMIN	15	15	15	0	0.0%	0	0.0%	3	20.0%	3	20.0%	
Total S&P	714	711	713	14	2.0%	3	0.4%	57	8.0%	74	10.4%	9.2%
% of X-FTE's				18.9%		4.1%		77.0%				
G&A												
ADMINISTRATIVE SERVICES	34	34	34	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
BUSINESS DEVELOPMENT	7	7	7	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
CORPORATE COMPLIANCE	9	11	10	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
ENVIRONMENT, HEALTH & SAFETY	5	6	6	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
EXECUTIVE	11	13	12	0	0.0%	0	0.0%	1	9.1%	1	9.1%	
EXTERNAL AFFAIRS	18	18	18	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
FINANCE	60	61	61	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
HUMAN RESOURCES	23	23	23	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
IT	92	96	94	0	0.0%	0	0.0%	2	2.2%	2	2.2%	
PROCUREMENT	13	13	13	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
QA	24	31	28	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
SECURITY	16	15	16	1	6.3%	1	6.3%	0	0.0%	2	12.5%	
Total G&A	359	372	366	2	0.6%	1	0.3%	3	0.8%	6	1.7%	2.8%
% of X-FTE's				33.3%		16.7%		50.0%				
IRD/US												
DISCOVERY	46	49	48	1	2.2%	0	0.0%	0	0.0%	1	2.2%	
CRANBURY SUPPORT	10	14	12	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
DRUG SAFETY & PHARMACOVIGILANCE	36	33	35	0	0.0%	0	0.0%	3	8.3%	3	8.3%	
HEALTH POLICY	38	40	39	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
MEDICAL RESEARCH	75	90	83	1	1.3%	0	0.0%	3	4.0%	4	5.3%	
NONCLINICAL R&D	47	50	49	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
PROGRAM MGMT	22	26	24	0	0.0%	0	0.0%	1	4.5%	1	4.5%	
REGULATORY AFFAIRS	23	24	24	0	0.0%	0	0.0%	1	4.3%	1	4.3%	
Total IRD/US	297	326	312	2	0.7%	0	0.0%	8	2.7%	10	3.4%	3.0%
% of X-FTE's				20.0%		0.0%		80.0%				
MFG/OPERATIONS												
PF LABS, SALARIED	17	18	18	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
M&SC	55	57	56	0	0.0%	0	0.0%	1	1.8%	1	1.8%	
WILSON NC	189	186	188	2	1.1%	1	0.5%	15	7.9%	18	9.5%	
Total MFG/OPERATIONS	261	261	261	2	0.8%	1	0.4%	16	6.1%	19	7.3%	5.0%
% of X-FTE's				10.5%		5.3%		84.2%				
Total PURDUE	1,631	1,670	1,651	20	1.2%	5	0.3%	84	5.2%	109	6.7%	5.0%
RHODES TECHNOLOGIES	145	148	147	1	0.7%	1	0.7%	1	0.7%	3	2.1%	
RHODES PHARMA	22	28	25	0	0.0%	0	0.0%	1	4.5%	1	4.5%	
Total MFG/OPERATIONS	167	176	172	1	0.6%	1	0.6%	2	1.2%	4	2.4%	7.9%
				25.0%		25.0%		50.0%				
Total Miami	4	5	5	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
% of X-FTE's				0.0%		0.0%		0.0%				
Grand Total	1,802	1,851	1,827	21	1.2%	6	0.3%	86	4.8%	113	6.3%	6.1%
% of X-FTE's				18.6%		5.3%		76.1%				
INTERMEZZO CONTRACT SALES	303	273	288							75	24.8%	
Total QUINTILES	303	273	288							75	24.8%	N/A
% of X-FTE's												

INFORMATION TECHNOLOGY

Deliver technology solutions and provide pre and post launch support for approved products and for existing business functions, such as Sales and Marketing, Manufacturing and Supply Chain. Develop technology capabilities and maintain support activities for products and business functions which support portfolio diversification, such as R&D. Ensure continued and uninterrupted general IT service across the organization. Reduce cost, time or defects, by driving operational efficiency across the company via technology and process. Support business functions such as Finance, HR, Legal, IT and improvements for talent development, communications, information sharing, and collaboration between IT groups and teams.

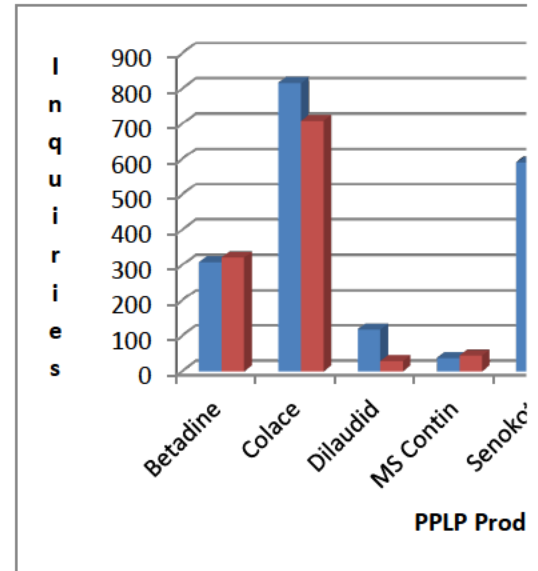
- Effective September, AmerisourceBergen joins two other major wholesalers, McKesson and Cardinal, using the electronic Controlled Substance Ordering system (CSOS). Prior to this migration AmerisourceBergen's decentralized distribution was responsible for 20-30 individual sales orders and deliveries per week versus one single order for McKesson and Cardinal. Purdue now processes approximately 60%, up from 30%, of total Class-II product orders electronically reducing the amount of manual data entry and mailing costs.
- Delivered early and under budget, the Electronic Material Safety Data Sheet (eMSDS) system, formalized the creation, workflow review, versioning, and archival of MSDS documents reducing the current request backlog. Efficiencies attained using this system's template methodology increases throughput by 70% while also increasing reliability and consistency in the authoring process without increasing head count specific to generating these documents. The system has assured conformance to hazard communication regulatory requirements reducing compliance risk. The MSDS content information is gathered in an automated manner reducing the effort needed for manual searches further increasing overall efficiency.
- A pilot Nurse Educator Sales Force was launched in August with new contract sales force of nine Nurse Educators and one director. A customized Phoenix Territory Management System was developed with features such as loading the target facilities for the pilot regions and mapping those facilities to their affiliated HCPs and pharmacies. This mapping links the Nurse Educator customers to other sales forces including Analgesic Sales Force and Managed Care.

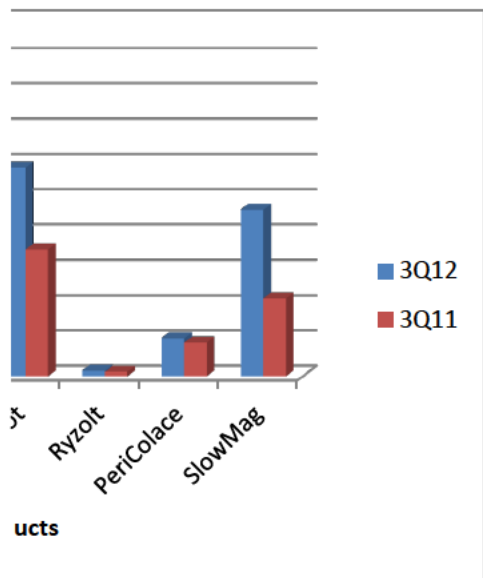
Produced Natively

	Butrans	Intermezz	OxyContin
3Q12	1752	420	783
3Q11	1849		948

Produced Natively

	Betadine	Colace	Dilaudid	MS Contir	Senokot	Ryzolt	PeriColac	SlowMag
3Q12	309	817	119	38	591	17	108	472
3Q11	322	709	30	45	359	14	96	221





Produced Natively

Message

From: [REDACTED]
on behalf of Mahony, Edward [REDACTED]
Sent: 11/2/2012 8:38:52 AM
To: Sackler, Dr Kathe [REDACTED]
Subject: Today's Budge Presentations
Attachments: Agenda 2012 11-2-12 Update.docx; 8. Human Resources.pptx; 9. Finance - Budget Proposal.pptx; 9 Finance - Capital.pptx

Dr. Kathe,

Please find attached an agenda for today's meeting and the Human Resources and Finance presentations which will be covered.

Regards,

Ed Mahony

BUDGET PRESENTATION - 2013

Stamford, CT

Friday, November 2, 2012

Human Resources – Pension Update	David Long	1000h-1030h
Finance – 2012 Budget Proposal	Ed Mahony/John Stewart	1030h-1200h
Other	John Stewart	1200h-1230h

End of Purdue Budget Presentation

Lunch – 9 th Floor Atrium	1230h-1330h
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Board Meeting	1330h-1730h
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Produced Natively

Retirement Plan Review & Request For Board Decision

David E. Long
Edward B. Mahony



Purdue Retirement Plan

- Management is proposing the creation of a new Defined Contribution Savings Plan that over the long term will have a lower and more predictable cost structure than the current pension plan.
 - Proposal revised after October 5 meeting based on comments from Board members
 - Revised eligibility for maintaining Pension Plan participation to include age + service requirement
 - Current proposal provides both short-term and long-term savings while addressing funding volatility.
- Management requests a Board Decision to proceed.

Discussion Agenda

- Overview of current retirement plans
- Competitive prevalence and value among pharmaceutical companies
- Recommendation to transition to new defined contribution Savings Plan in place of current defined benefit Pension Plan
- Comparison of projected benefits - current Pension to new Savings Plan
- 20-year funding projection for new Savings Plan and current Pension Plan

Current Retirement Plans Overview

Pension Plan (Defined Benefit)

- Provides benefit at retirement based upon formula linked to annual compensation (i.e. not a final average pay based formula)
 - 1.2% of annual compensation up to \$31,200
 - 1.5% of annual compensation above \$31,200 to maximum of \$250,000 (IRS limitation)
 - Maximum benefit accrued for each year of service is \$3,656 per year in retirement.
 - This benefit may be paid as a lump-sum amount or one of several forms of annuity payments.

401(k) Savings Plan (Defined Contribution)

- Provides opportunity for pre-tax savings
 - Up to 6% of compensation matched \$0.50 per dollar saved
 - The maximum Purdue paid amount for the year is \$7,500 in 2012
 - Maximum employee directed savings of \$17,000 per year
 - Non-matched additional catch-up contribution of \$5,500 allowed for employees age 50 and above

Competitive Prevalence and Value

- Using Aon Hewitt's Benefit Index Survey, we compared Purdue's overall retirement income benefits to plans offered by a broad range of 15 pharmaceutical companies.
- 14 of the other 15 companies offer one or more savings plans while only one company offers both an active pension plan and a savings plan.
- Purdue's retirement income value ranking is 10th of the 16 companies in this survey group.
- Looking more broadly, this ranking is consistent with Purdue's competitive position of overall benefit value when compared to the pharmaceutical industry norm.

Competitive Prevalence and Value

Retirement Program Value Illustration – Employee with \$100,000 compensation covered by retirement program

- For all companies, “Annual Value” includes company paid 401(k) matching contributions

Company	Company Matching Contributions to 401(k) Plan	Additional Retirement Program Type	Annual Value
Novartis	Yes	Defined Contribution	\$13,250
Alcon	Yes	Defined Contribution	\$12,000
Takeda	Yes	Defined Contribution	\$11,500
Eisai	Yes	Defined Contribution	\$11,000
Eli Lilly	Yes	Final average pay pension (DB)	\$10,800
Bristol-Myers Squibb	Yes	Defined Contribution	\$10,500
Mylan Labs	Yes	DC Profit Sharing	\$10,200
Amgen	Yes	Defined Contribution	\$10,000
Allergan	Yes	DC Profit Sharing	\$8,000
Purdue-Current	Yes	Career average pay pension (DB)	\$6,850
BiogenIdec	Yes	None	\$6,000
Genzyme	Yes	None	\$6,000
Gilead Sciences	Yes	None	\$5,000
Quintiles	Yes	None	\$4,500
Par	Yes	None	\$3,000
Valeant	Yes	None	\$3,000



Summary of Revised Recommendation

- Employees 45 or older whose age+service on January 1, 2013 is equal to or greater than 50 will continue participation in the current defined benefits pension plan.
 - Recognizes that those closer to retirement age have less time to plan and save for providing retirement income.
- Create a new additional savings plan with 3 year vesting and 100% participation.
- This newly created savings plan for benefits based upon future service will apply to:
 - Current employees under age 45
 - Employees age 45-49 who do not meet age+service ≥ 50
 - New hires
- Defined benefit pension related to prior service continues to be maintained under the current pension plan.
- Current 401(k) Savings Plan benefit levels are not modified.

Purdue Proposed Defined Contribution Retirement Savings Plan

New Savings Plan Design for Included Current Employees & New Hires	
Age + Service	Employer Contributions - % of Eligible Compensation*
< 35	2.00%
35-44	3.00%
45-54	4.00%
55+	5.00%

* Eligible Compensation is defined as base salary, bonus, overtime and shift premiums. The total amount is capped at \$250,000 in 2012 and subject to increases in future years based on cost-of-living adjustments announced by the IRS.



Purdue Defined Contribution Retirement Savings Plan

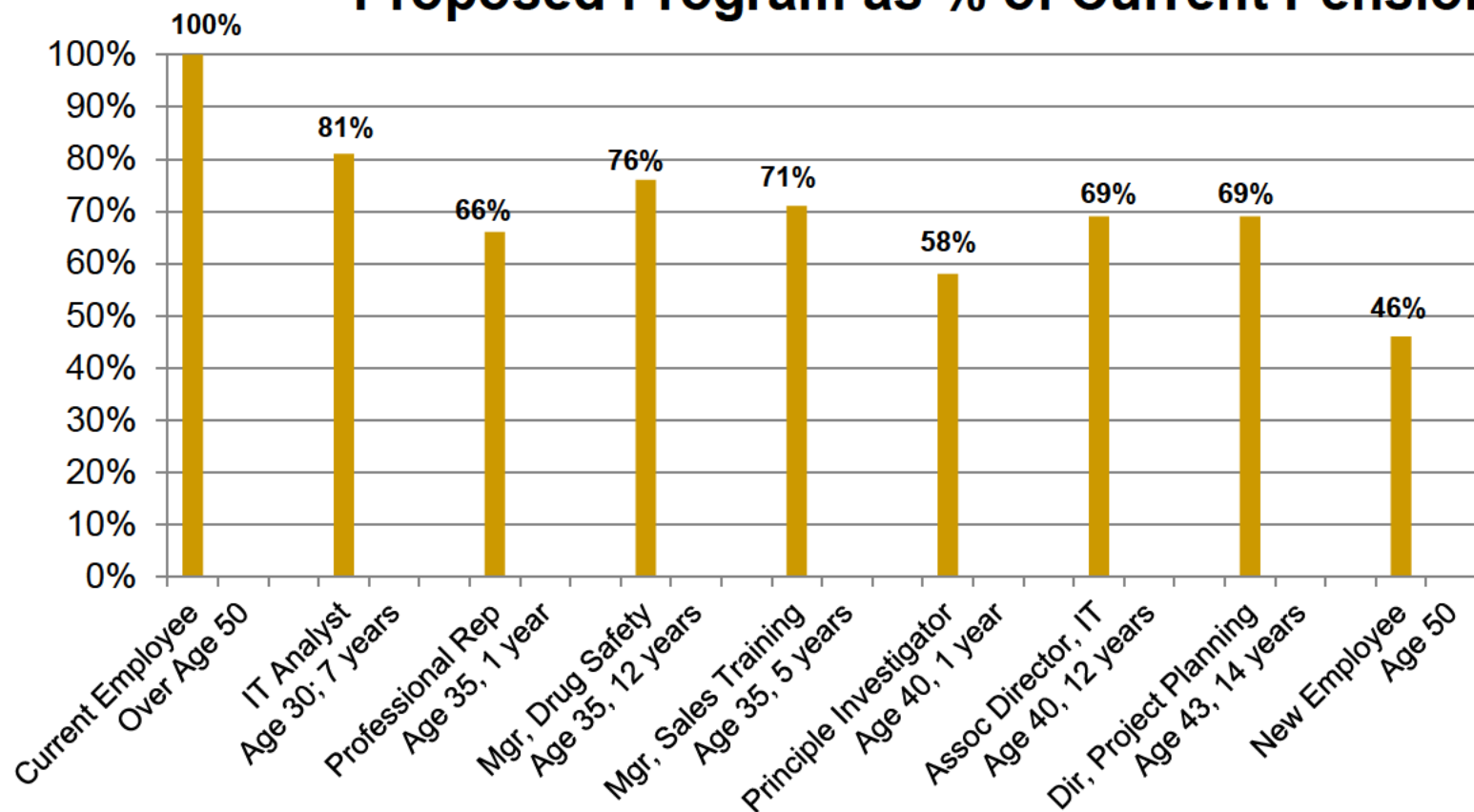
- Projected benefit as a percent of Current Pension Benefit

Employee Group	Number of Current Pension Plan Participants	Benefit as a % of Current Benefit for <u>Current Employees</u>
Under Age 45, Age 45-49 with age+service <50	961	65%
Age 50 to 64, Age 45-49 with age+service >=50	825	100%

- Benefit for new hires is projected to be 40% to 65% of current pension value depending on number of years until retirement age

Sample Benefit Impact – Proposed Program vs. Current Program

Proposed Program as % of Current Pension



Program value reduction is greatest during years participant is approaching retirement.

Projected Twenty-Year Funding Cost Illustrations

		Twenty-Year Estimated Funding Cost				
		2012 to 2016	2017 to 2021	2022 to 2026	2027 to 2031	Total
Ongoing Pension Plan*		\$95m (\$19m / year)	\$120m (\$24m / year)	\$145m (\$29m / year)	\$180m (\$36m / year)	\$540m
Proposed New Program	<i>Basic DC Plan Design ** (2%/3%/4%/5%)</i>	\$60m	\$75m	\$95m	\$105m	\$335m
	<i>Additional Cost of Pension Grandfathering for Age 45+</i>	\$55m	\$40m	\$20m	\$5m	\$120m
	Total New Plan	\$115m (\$23m / year)	\$115m (\$23m / year)	\$115m (\$23m / year)	\$110m (\$22m / year)	\$455m
	Savings**	-\$20m	\$5m	\$30m	\$70m	\$85m

* Does not reflect potential volatility due to investment return or interest rate fluctuation.

** DB Pension plan costs increase as participants near retirement age so savings from program transition will be realized as DC Plan participants near retirement in future years.

Cost estimates prepared by Deloitte actuary consultants.

Purdue Defined Contribution Retirement Savings Plan

Evaluation of Recommendation

Key Points to Consider

- Proposed program maintains value for those employees closest to retirement
- Proposed program has lower value than current Pension Plan for nearly 54% of employee population and all new hires
 - Further weakens competitive position of retirement program versus industry competitors; Depending on age and service, benefit ranks 10th to 12th among 15 competitor programs
 - Potentially reduced morale associated with loss of traditional pension plan
 - Potentially need to periodically adjust DC Plan contribution levels for competitive reasons
- Shift to lower cost program for employees under age 45 and new hires provides a lower cost program for Purdue
 - Lower volatility of funding
 - Less flexible funding for Defined Contribution population
- For employees / new hires in Savings Program
 - Greater employee understanding leads to greater employee appreciation
 - Portability of benefits
 - Shifts investment risk to Savings Plan participants who are responsible for investment choice

Purdue Defined Contribution Retirement Savings Plan

Proposed Board Decision

- ❑ Maintain current defined benefit pension for employees 45 or older whose age+service is at least 50.
- ❑ Authorize the creation of a new defined contribution savings plan with 100% participation and 3 year vesting for current employees not maintained in Pension Plan and newly hired employees.

This proposal provides an overall projected funding level \$85 million below expected level for current retirement benefits over the 20 year planning period.

- As pension program participation ends, program will have a lower cost structure than current plan.

2013 Budget Proposal



1

2013 Budget Proposal Highlights Index

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8. Assumptions	50-60



2013 Budget P&L

(\$MM's)	2010 Actual	2011 Actual	2012 Budget	2012 November Latest Estimate	2013 Budget Proposal	2013 Budget vs 2012 November LE
Gross Branded Product Sales	\$3,127,873	\$2,971,161	\$3,167,870	\$2,999,667	\$3,176,003	\$176,336
Fee for Service	(79,237)	(74,507)	(79,412)	(76,779)	(64,319)	12,460
Discounts and Allowances	(48,792)	(56,222)	(73,499)	(100,925)	(81,902)	19,023
Patient Savings Card Discounts	(15,691)	(15,572)	(30,411)	(27,137)	(31,700)	(4,569)
Rebates on Branded Sales	(621,633)	(545,891)	(557,024)	(524,436)	(594,204)	(39,768)
Proposed regulation adj for Medicaid rebates	(40,041)	(68,854)	(74,656)	(62,506)	(65,584)	(3,078)
Other	27,611	12,380	1,325	2,558	1,651	(907)
Rabates as % of Gross Branded Product Sales	21.2%	20.7%	20.0%	19.6%	19.8%	
NET REVENUES	2,360,090	2,222,486	2,352,813	2,210,442	2,369,939	159,497
Cost of Goods Sold	(161,090)	(166,670)	(178,569)	(151,673)	(158,401)	(6,726)
COGS as % of Gross Branded Product Sales	5.2%	5.6%	5.0%	5.1%	5.0%	
Royalty Expense	(53,342)	(115,272)	(130,146)	(118,864)	(125,512)	(6,646)
Shipping and Warehousing	(11,182)	(11,831)	(10,956)	(12,020)	(10,807)	1,213
GROSS PROFIT	2,124,476	1,928,522	2,053,140	1,927,885	2,075,219	147,334
G&A (incl. Legal Department but excl. Legal Fees)	(137,631)	(146,857)	(159,472)	(153,417)	(159,126)	(5,709)
G&A as % of Net Revenues	5.9%	6.6%	6.8%	6.9%	6.7%	
R&D	(164,783)	(250,517)	(239,527)	(206,705)	(377,347)	(48,642)
R&D Other - Milestone and Alliances	(8,699)	(604)	(3,160)	(2,419)	(6,092)	(4,273)
R&D as % of Net Revenues	7.4%	12.2%	10.2%	9.0%	16.2%	
Sales and Promotion	(194,735)	(229,317)	(143,769)	(318,103)	(265,684)	(52,419)
S&P as % of Net Revenues	8.3%	10.3%	6.1%	14.4%	11.2%	
Health Care Reform Fee	0	(26,543)	(26,604)	(31,251)	(31,800)	(549)
Other - US	16,544	(3,055)	(8,091)	(18,110)	(4,039)	14,071
OPERATING EXPENSES	(640,272)	(733,245)	(519,513)	(608,665)	(805,213)	(73,652)
Operating Expenses as % of Net Revenues	23.0%	33.0%	22.1%	27.5%	33.8%	
OPERATING MARGIN BEFORE INCENTIVE & SETTLEMENT	\$1,684,203	\$1,195,277	\$1,533,627	\$1,019,020	\$1,180,006	\$160,986
Operating margin as % of Net Revenues	67.4%	53.8%	65.2%	46.1%	49.8%	
Incentive Bonus	(38,744)	(33,054)	(41,652)	(30,818)	(42,618)	(11,800)
INDICATED INCENTIVE	(38,744)	(33,054)	(41,652)	(30,818)	(42,618)	(11,800)
TOTAL INCENTIVES AND SETTLEMENTS	(40,316)	(9,188)	(79,487)	(27,054)	(39,665)	(11,966)
OPERATING MARGIN AFTER INCENTIVES AND SETTLEMENT	1,643,888	1,186,089	1,094,218	991,927	1,140,946	149,019
Operating margin as % of Net Revenues	65.7%	53.4%	46.5%	44.9%	48.1%	
Other Items	84,789	91,367	(61,462)	78,865	40,692	(36,173)
Royalty Income - ex US	(132,648)	(129,506)	(136,738)	(93,705)	(127,600)	(33,835)
Ex US Expenses	(24,477)	(2,482)	(2,863)	(2,222)	(2,956)	(734)
One Time Charges/Other Items	535	356	(1,051)	1,212	172	(1,040)
Interest Income / (Expense), net						
TOTAL OTHER ITEMS	(71,801)	(40,265)	(56,134)	(15,910)	(89,692)	(73,782)
PROFIT/LOSS BEFORE TAX	\$1,472,087	\$1,146,824	1,028,084	976,017	1,051,254	76,237



See footnote explanations on pages 4-5

Highlights of 2013 P&L Budget Proposal

1. Net Sales are budgeted to increase \$159 mm or 7% over 2012. Changes by product include:

OxyContin	+6.4% (price +6.9% / volume -0.5%)
Butrans	+48.0% (price +10.1% / volume +37.9%)
Intermezzo	TBD
2. G&A spending is budgeted to be up \$5.7 mm or 4% primarily due to compensation increases.
3.

Redacted
4. R&D investment is budgeted to grow by \$49 mm or 15% to \$377 mm as projects move into the Phase 2 and 3 development (Butrans +\$13 mm, ONU +\$18 mm, TRPV1 +\$10 mm), innovation projects such as WELL DOC, El-Minda and Psychomedics are added (\$3 mm) and Medical Affairs / Health Outcomes spend on OxyContin, Butrans, HYD and ONU across investigator initiated studies, advisory board meetings, health outcomes studies and more are increased (\$5 mm).
5. S&P spending is budgeted to decrease \$52 mm or 16% primarily due to Intermezzo.
6. Incentive bonus assumes company performance is at 100% in 2013 and 75% in 2012.
7. Operating margins are budgeted to increase by \$149 mm or 15% primarily due to higher sales and lower S&P offset by higher R&D.
8. Ex US royalties are budgeted to decrease by \$38 mm or 48% due to expected generic competition.
9. Ex US expenses are budgeted to increase by \$34 mm or 36% due to higher fundings of Europe, Japan and Brazil.



Highlights of 2012 P&L Latest Estimate vs. Budget

10. Net sales are lower than budget by \$142 mm due to lower OxyContin (\$91 mm)^(a), Intermezzo (\$39 mm), and Butrans (\$10 mm).
11. R&D spending is \$7.8 mm higher than budget largely due to spend on the Oxycodone IR TR formulation (\$5.2 mm) approved mid year (offset by savings elsewhere).
12. S&P spending is lower than budget due to Intermezzo (\$14.4 mm), and lower analgesic sales force bonus (\$5 mm) both due to lower sales.
13. "Other US" expense is higher due to the write off of \$20 mm of Intermezzo patent related milestone payments – which were previously capitalized.
14. Incentive bonus is projected to be 75% of target - subject to final results and Compensation Committee approval.
15. Ex US expenses are favorable due to lower funding requirements.

(a) Includes an increase in the reserve for OxyContin returns of \$52 mm. Current OxyContin (24 month dating) returns are forecasted to be about 1% of gross sales vs. old OxyContin (36 month dating) at <0.4%. Supply Chain is working to return dating to 36 months.



P&L ratios

	2010 Actual	2011 Actual	2012 Budget	2012 November Latest Estimate	2013 Budget Proposal
GROSS BRANDED PRODUCT SALES	100%	100%	100%	100%	100%
Fee for Service	-2.5%	-2.5%	-2.5%	-2.6%	-2.4% (1)
Discounts and Allowances	-1.6%	-1.6%	-2.7%	-3.4%	-2.6% (2)
Patient Savings Card Discount	-0.5%	-0.5%	1.0%	-0.9%	-1.0%
Rebates on Branded Sales	-19.9%	-18.4%	-17.6%	-17.5%	-17.8% (3)
Proposed Regulation Adjustment for Medicaid Rebates	-1.3%	-2.3%	-2.4%	-2.1%	-2.1% (3)
Other	0.9%	0.4%	0.0%	0.1%	0.1% (4)
NET BRANDED REVENUES	75.1%	74.8%	74.2%	73.7%	74.6%
Cost of Goods Sold	-5.2%	-5.6%	-5.1%	-5.1%	-5.0%
Royalty Expense	-1.7%	-3.9%	4.1%	-4.0%	-4.0% (5)
Shipping and Warehousing	-0.4%	-0.4%	0.0%	-0.4%	-0.3%
TOTAL COST OF GOODS SOLD	-7.2%	-9.9%	-1.1%	-9.4%	-9.3%
GROSS PROFIT	67.9%	64.9%	64.8%	64.3%	65.3%
General and Administrative (incl. Legal Costs, excl. Legal Fees)	-5.6%	-6.6%	-6.0%	-6.9%	-6.7% (6)
Research and Development	-7.0%	-12.1%	-13.6%	-14.9%	-15.9% (8)
Research and Development Other - Milestones and Allowances	-0.4%	0.0%	0.2%	-0.1%	-0.3%
Sales and Promotion	-8.3%	-10.3%	-14.6%	-14.4%	-11.2% (9)
Health Care Reform Fee	0.0%	-1.2%	1.1%	-1.4%	-1.3%
Other US	0.7%	-0.1%	-0.2%	-0.9%	-0.2%
OPERATING EXPENSES	-23.0%	-33.0%	-33.2%	-41.1%	-37.6%
OPERATING MARGIN BEFORE INCENTIVES AND SETTLEMENTS	67.4%	53.8%	48.2%	46.1%	49.8%
Incentive Bonus	-1.6%	-1.5%	1.0%	-1.4%	-1.8%
Insurance Income	0.7%	1.4%	0.0%	0.2%	0.2%
TOTAL INCENTIVES AND SETTLEMENTS	-1.7%	-0.3%	1.0%	-1.2%	-1.6%
OPERATING MARGIN AFTER INCENTIVES AND SETTLEMENTS	65.7%	53.4%	48.5%	44.9%	48.1% (10)
Royalty Income - ex US	3.6%	4.1%	3.5%	3.6%	1.7%
Ex US Expenses	-5.0%	-5.8%	-5.0%	-4.2%	-5.4%
One Time Charges / Other Items	-1.0%	-0.1%	0.1%	-0.1%	-0.1%
Interest Income (Expense), net	0.0%	0.0%	0.1%	0.1%	0.0%
TOTAL OTHER ITEMS	-3.1%	-1.6%	2.4%	-0.7%	-3.8%
PROFIT BEFORE TAX	62.6%	51.6%	44.1%	44.2%	44.4%

Income statement line items as a percent of gross sales

Income statement line items as a percent of net sales



See footnote explanations on page 7

Highlights - P&L ratios

1. Fee for service (to wholesalers) down from 2.6% to 2.4%, \$5 mm due to lower rates negotiated in 2012.
2. Discounts and allowances higher in 2012 due to an increase in the OxyContin returns reserve of \$32 mm vs. prior year. 2013 is higher than 2010 and 2011 due to going forward OxyContin returns estimation of 1% of sales vs. 0.4% of sales historically – due to shorter dating.
3. Combined rebates in 2013 (19.8%) slightly higher than 2010 (19.6%). Note: 2010 rebate percentage is restated to exclude the impact of the pharmacy inventory adjustment.
4. Other revenue includes royalty earned on AG sales in 2010.
5. Royalty expense as a % of sales is consistent with 2012.
6. G&A down from 6.9% to 6.7% due to increase over 2012 of 3.7% vs. net sales increase of 7.2%.
7. **Redacted**
8. R&D increases from 15.0% to 16.2% as projects move into Phase 2 and 3 development, innovation projects such as WELL DOC, El-Minda and Psychomedics are added and Medical Affairs / Health Outcomes spend on OxyContin, Butrans, HYD and ONU across investigator initiated studies, advisory board meetings, health outcomes studies and more are increased.
9. S&P decreases from 14.4% to 11.2% due to reduction in Intermezzo spending.
10. Operating margin after incentives and settlements increases from 44.9% to 48.1% due to lower operating expenses.



P&L Ratios Compared to Other Pharma Companies

Annual Data

As % of Net Sales

		Pretax Profit	R&D	SG&A
Purdue US	2011A	51.6%	12.2%	⁽¹⁾ 20.8%
	2012LE	44.2%	15.0%	26.1%
	2013B	44.4%	16.2%	21.6%
Endo	2011	12.9%	6.7%	29.4%
Allergan	2011	24.0%	16.7%	41.1%
Forest	2011/3	27.1%	17.5%	34.0%
Abbott	2011	13.4%	10.5%	28.8%
Pfizer	2011	18.9%	12.5%	28.7%
Eli Lilly	2011	22.0%	20.7%	32.4%
AstraZeneca	2011	36.8%	13.4%	32.1%
J&J	2011	19.0%	11.6%	32.2%
Peers (17) Median	2011	20.5%	15.9%	29.8%



(1) Includes Legal fees.

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2013 Budget Balance Sheet Proposal

(\$ MM's)

	2010 Actual	2011 Actual	2012 Budget	2012 Latest Estimate	2013 Budget Proposal
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 437.1	\$ 606.5	\$ 771.2	\$ 716.3	\$ 600.0 (1)
Restricted cash	52.9	16.0	-	27.0	- (2)
Accounts and other receivable					
Trade (net)	212.9	218.8	255.2	146.2 (7)	150.6
Associated companies	24.7	27.8	22.9	20.5	13.7 (3)
Other receivables	26.5	10.1	6.4	6.5	8.4
Total accounts and other receivable	264.1	256.7	284.5	173.2	172.7
Inventories	57.3	44.2	43.7	44.3	42.9
Prepaid expenses and other assets	39.2	32.7	35.6	26.0 (8)	28.7
Total current assets	850.6	956.1	* 1,135.2	986.8	844.3
Property, plant and equipment - net					
Investments	140.2	143.2	152.9	153.8	163.4
Due from associated companies	31.8	19.8	6.7	9.0	14.9 (4)
Intangible assets, net	3.4	3.2	3.4	3.2	3.3
Other assets	190.1	191.6	208.5	196.2 (9)	189.4
Deferred income taxes - long-term	24.0	73.3	71.9	22.7 (10)	21.2
Investment in Infinity stock	12.9	17.2	16.2	17.4	17.4
Restricted cash	18.5	42.4	18.9	17.2	21.7 (2)
Total assets	\$ 1,271.5	\$ 1,446.8	\$ * 1,613.7	\$ 1,545.1	\$ 1,414.3
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable	\$ 63.9	\$ 87.4	\$ 103.1	\$ 88.8	\$ 94.1
Accrued expenses and taxes	485.4	632.8	613.6	570.7	360.6 (5)
Due to associated companies	12.1	11.3	12.1	13.0	13.0
Total current liabilities	561.4	731.5	728.8	672.5	467.7
Other long-term obligations	133.0	223.6	223.6	221.4 (12)	241.4
Total liabilities	694.4	955.1	952.4	893.9	709.1
Equity					
Capital stock - Common	-	-	-	-	-
Additional paid in capital	2.0	2.0	2.0	2.0	2.0
Retained earnings and partners capital	659.7	635.8	602.6	724.3	772.4
Minimum pension liability adjustment	(88.1)	(149.6)	(146.8)	(138.9)	(132.8)
Unrealized gain / loss on Infinity stock	-	-	-	60.2 (11)	60.2
Foreign currency translation	4.5	4.5	4.5	4.5	4.5
Subscription receivable	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total stockholders' equity	577.1	481.7	664.3	651.1	705.2 (6)
Total liabilities and stockholders' equity	\$ 1,271.5	\$ 1,446.8	\$ * 1,613.7	\$ 1,545.1	\$ 1,414.3



See footnote explanations on pages 10-11

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Highlights of 2012 Balance Sheet Latest Estimate vs. the 2013 Proposed Budget

- 2013 cash is planned to achieve the higher of bank group equity of \$600 mm or 3 months net sales.
- Restricted cash represents the balance of the Qualified Settlement Trust ("QST") and cash collateralized letters of credit. The reduction in the balance of the QST reflects the payout of Antitrust settlements, with the balance of \$27 mm expected to be returned to Purdue in mid-2013. The increase in the long term restricted cash is due to the assumption that Purdue Pharma Technology is required to post a \$4.5 mm letter of credit related to the environmental clean up in Q1 2013.

	2010 Actual	2011 Actual	2012 Mid Year Update	2012 Latest Estimate	2013 Budget Proposal
Qualified Settlement Trust	\$ 62.9	\$ 43.0	\$ 26.3	\$ 27.0	\$ -
Cash Collateralized Letters of Credit	18.5	15.5	17.2	17.2	21.7
Total	71.4	58.5	43.5	44.2	21.7
Short Term	12.9	16.0	26.3	27.0	-
Long Term	58.5	42.5	17.2	17.2	21.7
	\$ 71.4	\$ 58.5	\$ 43.5	\$ 44.2	\$ 21.7

- The reduction in accounts receivable associated companies is due to the reduction in projected Targin and OxyContin ex USA royalties as a result of assumed generic competition and lower royalty rates when patents expire or the new formulation of OxyContin is launched.
- Increase due to expected funding of Germany of \$10 mm offset by expected losses of \$4 mm.
- Decrease of \$210 mm assumes (1) the CMS rebate rules are finalized in Q3 2013 with the additional rebates paid (or distributed) of \$217 mm in Q4 2013 (net reduction in accrual of \$151 mm) and, (2) a reduction in Medicaid rebates of \$48 mm largely due to Medicaid Managed Care utilization being invoiced and paid in 2013.
- Bank Group and Internal Reporting Group equity are projected to be \$705 mm and \$666 mm at 12/31/2013, respectively. The difference of \$39 mm represents ex-US investments that are held outside of the bank group but within internal reporting. Bank equity is \$66 mm higher than the \$600 mm equity target because of a distribution limit to maintain cash as 3 months net sales.



Highlights of 2012 Balance Sheet Latest Estimate vs. Budget

7. The reduction in accounts receivable is due to lower sales and an increase in the returns reserve largely due to higher returns experienced for OxyContin.
8. The reduction in prepaid expenses and other assets is due to the return of the German Injunction Bond of \$10.2 mm in 2012.
9. Intangible assets includes goodwill and payments made to acquire certain intellectual property and assumes intangibles related to Intermezzo are written off (\$20 mm):

(\$MMs)

December 31, 2011 balance	\$ 191.6	The balance consists of:	
Intermezzo milestone payment	10.0	Goodwill	\$ 23.4
Write off - Intermezzo	(20.0)	Shire assets	64.9
Grunenthal - Broad Claim	13.4	Dilaudid product rights	86.8
Grunenthal - Further Claim	6.4	Abbott / McGinity patent	2.6
Amortization	(5.2)	Butrans	0.6
December 31, 2012 balance	196.2	Grunenthal - Broad Claim	11.7
Amortization	(6.8)	Grunenthal - Further Claim	6.2
December 31, 2013 balance	\$ 189.4	December 31, 2012 balance	\$ 196.2

10. The reduction in long term other assets is primarily due to the pay off of the Infinity line of credit of \$51 mm, through the issuance of Infinity shares (see note 11). Other assets consists primarily of UBS lease upfronts being amortized (\$14.6 mm) and deposits/refunds (\$6.5 mm).
11. Infinity stock will be valued at closing market price after the lock out period expires, starting the quarter ended 12/31/2012. The Budget Proposal values the shares using the closing market price as of 10/4/12 with the gain of \$60 mm being credited to the equity line of the balance sheet.
12. Balance at 12/31/2012 is primarily accrued and unfunded pension (\$112 mm) and post-retirement health benefits (\$71 mm).



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2013 Budget Cash Flow Proposal

(\$ MM's)	2010 Actual	2011 Actual	2012 Budget	2012 November Latest Estimate	2013 Budget Proposal
Operating activities					
Net income	\$ 1,463.4	\$ 1,144.5	\$ 1,033.7	\$ 971.7	\$ 1,046.6
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	33.6	28.3	33.9	29.6	32.1
Impairment of intangible asset	0.0	4.0	0.0	20.0	0.0
Deferred income taxes	(6.3)	(4.3)	1.0	(0.2)	0.0
Loss on unconsolidated, associated companies	117.1	112.4	131.4	107.0	128.6 (1)
(Gain) loss on disposal of assets	0.3	0.1	0.0	0.0	0.0
Changes to working capital	142.3	162.0	(31.0)	22.1	(212.3) (2)
Long-term assets and liabilities	0.0	29.8	7.0	8.0	27.4
Changes to extraordinary item	(0.8)	(1.0)	0.0	0.0	0.0
Total cash provided by operating activities	\$ 1,749.5	\$ 1,475.8	\$ 1,176.1	\$ 1,158.1	\$ 1,022.5 (3)
Investing activities					
Capital expenditures	(30.4)	(26.8)	(35.5)	(35.0)	(35.0)
Purchase of product marketing rights and other intangible assets	(10.1)	(10.0)	(21.1)	(29.8)	0.0
Restricted cash, net	18.8	12.9	39.6	14.3	22.5 (4)
Investments in associated companies, net	(119.1)	(100.3)	(118.4)	(96.2)	(134.6) (5)
Acquisition of Infinity common stock	0.0	0.0	0.0	(27.5)	0.0
Funding of Infinity LOC	0.0	(50.0)	0.0	0.0	0.0
Total cash used in investing activities	\$ (140.8)	\$ (174.2)	\$ (135.4)	\$ (174.2)	\$ (147.1)
Financing activities					
Payments (to) from associates, net	(9.1)	(3.8)	5.7	9.0	6.8
Capital contributions	4.1	0.3	0.0	0.0	0.0
Distributions to partners for required tax payments	(651.4)	(553.4)	(449.2)	(421.7)	(451.7) (6)
Distributions to partners non-tax	(889.8)	(575.2)	(448.0)	(461.5)	(546.7) (7)
Total cash used in financing activities	\$ (1,546.2)	\$ (1,132.2)	\$ (891.5)	\$ (874.1)	\$ (991.6)
Increase in cash and cash equivalents	62.5	169.4	149.2	109.8	(116.3)
Cash and cash equivalents:					
Unrestricted cash at the beginning of the period	374.6	437.1	622.0	606.5	716.3
Unrestricted cash at the end of the period	\$ 437.1	\$ 606.5	\$ 771.2	\$ 716.3	\$ 600.0 (8)

PURDUE

See footnote explanations on page 13

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2013 Budget Cash Flow Highlights

1. Represents P&L impact of investments in Europe, Japan and Brazil.
2. Change in working capital primarily due to reduction in rebate accruals.
3. Cash generated from operations of \$1,022.5 mm which is net of the potential payment of additional rebates on new rules of \$217 mm in Q4 2013.
4. Change in restricted cash is due to the return of the Qualified Settlement Trust of \$27 mm.
5. Funding of Europe (\$67 mm), Japan (\$26 mm), Germany (\$10 mm) and all other (\$31 mm of which Brazil is \$20 mm).
6. Tax distributions assume a tax rate of 43.4%.
7. Non-tax distributions of \$546.7 mm.
8. Ending unrestricted cash of \$600 mm.



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Net Sales

(\$MMs)

Product	2010 ACT	2011 ACT	2012 Budget	2012 Latest Estimate	2013 Budget Proposal	\$ Variance 2013 Budget vs 2012 LE	% Variance 2013 Budget vs 2012 LE
OxyContin - 10MG	\$ 121.3	\$ 149.5	\$ 156.9	\$ 150.8	\$ 157.0	\$ 6.2	4.1%
OxyContin - 15MG	23.6	27.1	26.0	34.2	27.8	3.6	10.6%
OxyContin - 20MG	381.3	404.1	408.9	402.1	419.9	17.9	4.4%
OxyContin - 30MG	181.0	171.7	174.8	226.8	227.4	30.7	14.0%
OxyContin - 40MG	683.0	633.7	648.8	617.6	622.3	4.7	0.8%
OxyContin - 60MG	315.7	300.7	319.9	344.5	388.8	44.3	12.9%
OxyContin - 80MG	1,331.8	1,095.6	1,140.9	1,017.7	1,053.1	35.4	3.5%
OxyContin	\$ 2,997.8	\$ 2,781.0	\$ 2,814.4	\$ 2,773.7	\$ 2,916.5	\$ 142.8	5.1%
Butrans	-	73.5	139.8	117.3	160.0	42.7	36.4%
Intermezzo	-	-	49.2	14.6	5.2	(9.6)	-65.1%
Dilaudid	35.1	24.6	23.7	21.3	17.0	(4.4)	-20.4%
MS Contin	15.1	13.3	13.6	12.6	11.6	(1.0)	-7.9%
Laxatives	48.1	51.1	51.9	50.5	48.3	(1.5)	-3.0%
Besdine/Bessept	10.9	11.1	11.0	11.2	11.1	(0.1)	-0.9%
Slow Mag	4.6	5.4	4.9	5.0	5.3	0.3	5.6%
Ryzolt	16.5	11.2	0.4	(7.1)	-	7.1	-100.0%
All Other	(0.2)	(0.3)	-	(0.0)	-	0.0	-100.0%
Total Gross Sales	\$ 3,127.9	\$ 2,971.2	\$ 3,167.9	\$ 2,969.7	\$ 3,176.0	\$ 176.3	5.9%
Fee for Service	\$ (79.2)	\$ (74.5)	\$ (79.8)	\$ (76.5)	\$ (64.3)	\$ 12.5	-16.3%
Sales Discounts & Allowances	(48.8)	(60.2)	(73.5)	(101.0)	(81.9)	19.1	-18.9%
Patient Savings Card Discounts	(15.7)	(15.6)	(20.4)	(27.1)	(31.7)	(4.6)	-17.0%
Rebates on Branded Sales	(621.6)	(545.9)	(557.9)	(524.4)	(504.2)	(39.8)	7.6%
Proposed regulation adj for Medicaid rebates	(40.0)	(66.8)	(74.8)	(62.5)	(66.6)	(3.1)	4.9%
All Other	27.6	12.4	2.6	2.6	1.7	(0.9)	-34.0%
Total Rebates & Deductions \$	\$ (777.8)	\$ (748.7)	\$ (813.1)	\$ (763.3)	\$ (686.0)	\$ (157.7)	-21.7%
Rebates and Deductions %	24.9%	25.2%	25.7%	25.3%	21.4%	9.5%	36.0%
Total Net Sales	\$ 2,350.1	\$ 2,222.5	\$ 2,354.8	\$ 2,210.4	\$ 2,389.9	\$ 159.5	7.2%

Net Sales Variance	\$ Variance	% Variance
2012 LE Vs 2011	(12.1)	-0.5%
2012 LE Vs 2012B	(142.4)	-6.1%
2012B Vs 2012 LE	159.5	7.2%

2012 November Latest Estimate Net Sales	\$ 2,210.4
OxyContin Volume	(10.4)
OxyContin Price & Rate Changes	139.1
Butrans Volume	32.5
Butrans Price & Rate Changes	8.7
Intermezzo Volume	(1.2)
Intermezzo Price & Rate Changes	0.2
Other Products Volume	(6.5)
Other Products Price & Rate Changes	3.6
All Other	(9.8)
2013 Budget Proposal Net Sales	\$ 2,389.9



Rebates by Payer

(\$MMs)	2010 ACT	% of Sales	2011 ACT	% of Sales	2012 Budget	% of Sales	2012 Latest Estimate	% of Sales	2013 Budget Proposal	% of Sales
Gross Sales	\$ 3,127.9	100.0%	\$ 2,971.2	100.0%	\$ 3,167.9	100.0%	\$ 2,999.7	100.0%	\$ 3,176.0	100.0%
Variable Deductions (FFS, SD&A, Savings Card):	143.7	4.6%	146.3	4.9%	163.7	5.2%	204.8	6.8%	177.9	5.6%
Rebates:										
Commercial	242.6		221.4		229.3		213.2		216.7	
Medicare Part D	151.4		143.2		174.5		177.3		192.0	
Medicare Part D - Coverage Gap	-		42.4		34.7		44.8		45.4	
Medicaid	151.9		105.0		93.3		89.5		95.8	
Impact of Proposed Regulation	40.0		68.9		74.8		62.5		65.6	
Tricare	16.8		32.2		15.6		22.5		26.5	
Hospice	0.5		0.5		0.5		0.5		0.5	
Trade Inventory	58.5		1.2		10.6		(23.4)		(12.6)	
Total Rebates	661.7	21.2%	614.8	20.7%	632.7	20.0%	586.9	19.6%	629.8	19.8%
Other	27.6	0.9%	12.4	0.4%	1.3	0.0%	2.5	0.1%	1.6	0.1%
Net Sales	<u>\$ 2,350.1</u>	<u>75.1%</u>	<u>\$ 2,222.5</u>	<u>74.8%</u>	<u>\$ 2,352.8</u>	<u>74.3%</u>	<u>\$ 2,210.4</u>	<u>73.7%</u>	<u>\$ 2,369.9</u>	<u>74.6%</u>

- 2012 Latest Estimate and 2013 Budget Proposal based on 10/19/2012 sales forecast.
- Variable Deductions remain around 5% - 6% with the exception of 2012 Latest Estimate driven by higher returns reserve for OxyContin new formula.
- Commercial business relatively flat impacted by Managed Medicaid shift and generic competition for OxyContin.
- Medicare Part D business increasing due to improved OxyContin formulary position and higher rebate rates.
- Medicare Part D Coverage Gap (i.e., donut hole) relatively flat.
- Medicaid business reflects decreasing utilization despite Managed Medicaid shift offset by higher OxyContin rebate rates.
- Trade Inventory reflects adjustment for changes in trade inventory levels.
- Total Rebate % to Gross Sales relatively flat since 2010.

Rollforward to 2013 Budget:	2010 Actual	\$ 661.7
	Trade Inventory Adjustment	(50.0)
	Change in Rates and Rebate Eligible Sales	(27.3)
	Medicare Part D - Coverage Gap	45.4
	2013 Budget	<u>\$ 629.8</u>



Purdue P&L By Brand Business Unit



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OxyContin P&L

(\$MMs)	2010 ACT	% Sales	2011 ACT	% Sales	2012 Budget	% Sales	2012 Latest Estimate	% Sales	2013 Budget Proposal	% Sales	Growth
Gross Sales ⁽¹⁾	\$2,997.8		\$2,781.0		\$2,877.4		\$2,773.8		\$2,916.5		
Fee for Service	(76.9)		(71.0)		(73.6)		(72.5)		(59.9)		
Sales Disc. & Allowances/Savings Cards Disc.	(56.8)		(69.9)		(78.1)		(107.4)		(95.7)		
Rebates	(619.4)		(540.4)		(542.1)	27%	(513.9)	27%	(547.9)	26%	
Proposed regulation adj. for Medicaid Rebates ⁽²⁾	(40.0)		(68.9)		(74.8)		(62.5)		(65.6)		
Net Sales	\$2,204.6		\$2,030.9		\$2,108.7		\$2,017.5		\$2,147.4		+6%
3rd Party Royalty Income - Auth. Generic Licenses	12.5		-		-		-		-		
COGS ⁽³⁾	(\$154.5)	7.0%	(\$192.5)	9.5%	(\$191.7)	9.1%	(\$180.9)	9.0%	(\$190.1)	8.9%	
COGS/Shipping & Warehousing	(104.6)		(81.7)		(77.4)		(72.9)		(77.6)		
Royalty Expense/Amort. of Milestone Pymts.	(49.9)		(110.8)		(114.3)		(108.0)		(112.5)		
Gross Profit	\$2,062.6		\$1,838.4		\$1,917.0		\$1,836.6		\$1,957.3		
Product Spending	(\$98.1)	4.4%	(\$50.8)	2.5%	(\$71.2)	3.4%	(\$70.8)	3.5%	(\$100.2)	4.7%	+42%
Marketing Expense	(20.6)		(15.1)		(15.0)		(14.8)		(23.6)		
Sales Force Expense ⁽⁴⁾	(77.5)		(35.7)		(56.2)		(56.0)		(76.7)		
Other Expenses											
G & A Allocation ⁽⁵⁾	(68.9)		(73.1)		(79.7)		(76.7)		(79.6)		
R&D Market Support	(60.9)		(66.9)		(62.5)		(54.6)		(52.9)		
Insurance Income/Settlement Expense ⁽⁶⁾	(3.7)		30.0		2.2		4.0		0.8		
Health Care Reform Fee	0.0		(23.3)		(25.4)		(30.0)		(30.1)		
Product Contribution	\$1,813.7	82.9%	\$1,613.9	79.5%	\$1,656.4	78.5%	\$1,581.0	78.4%	\$1,672.4	77.9%	+6%

Notes:

(1) Assumes price increase of 5.5% on February 1, 2013.

(2) The Proposed Rule was issued in Q1 2012, which resulted in a higher rebate rate on the new formulation of OxyContin. The impact on 2011 and 2010 was fully accrued in December 2011. To better reflect the economics of our earnings, we have re-allocated the adjustment between all periods in 2010 and 2011 to show the impact of the higher rebates as if we had started accruing at the higher rate when the new formulation of OxyContin was launched. Because of these restatements, net sales reports and P&L statements will not be to previously issued reports.

(3) COGS reflects units at standard cost, inventory adjustments, and Other COGS (i.e. annual stability).

(4) Sales force allocation based on call positions by per call. (2011 includes a shift from primary position to secondary call position due to Butrans launch. 2012 Budget includes 18% primary calls, 2012 Nov. LE includes 22% overall primary calls. 2013 Budget Proposal includes 50% primary calls).

(5) 50% of consolidated G&A allocated to Oxy P&L.

(6) \$52.9 mm comprises cost of pediatric studies (\$14.7 mm), health outcomes studies in support of payor initiatives (\$0.5 mm), OxyContin Risk Management Plan (\$2.8 mm), PDUFA fees (\$1.8 mm), product complaints/adverse events (\$3.4 mm), allocated non-branded Medical Education, RADARS etc (\$16.2 mm), and allocated people costs (\$11.5 mm).

(8) 2011 actual reflects the XL/Winterthur insurance settlement.



Third Party Royalty Expense – US: OxyContin

(\$MMs)

	2009 ACT	2010 ACT	2011 ACT	2012 Budget	2012 Latest Estimate	2013 Budget Proposal
Grunenthal:						
Net Sales	\$ -	\$ 604.5	\$ 2,153.4	\$ 2,168.5	\$ 2,075.6	\$ 2,212.1
Royalty Calculated:	\$ -	\$ 24.2	\$ 73.1	\$ 73.4	\$ 71.5	\$ 74.2
Royalty Due⁽¹⁾:	\$ 6.8	\$ 27.4	\$ 69.8	\$ 66.7	\$ 64.1	\$ 64.1
McGinity:						
Net Sales	\$ -	\$ 1,011.2	\$ 2,021.8	\$ 2,168.5	\$ 2,078.1	\$ 2,216.4
Royalty Due⁽²⁾	\$ -	\$ 22.3	\$ 40.4	\$ 43.4	\$ 41.6	\$ 44.3
Total ORF Royalty Expense⁽³⁾⁽⁴⁾	\$ 6.8	\$ 49.6	\$ 110.2	\$ 110.1	\$ 105.7	\$ 108.4

(1) 2009 royalty represents pre-launch contractual minimum. Post-launch royalty due based on contractual minimum and maximum (EUR 20 mm and EUR 50 mm, respectively).

(2) McGinity royalty equals 2.5% of Net Sales prior to commencement of Grunenthal royalty payments (Sept. 2010) and 2% of Net Sales thereafter.

(3) 2011 net sales calculations vary between Grunenthal and McGinity due to timing of decision to include incremental Medicaid rebate line extension expense. Life-to-date net sales is consistent between the two.

(4) Above does not include amortization of milestones.



Third Party Milestones Expense – US: OxyContin

(\$/MMs)

ORF Milestones	2009 & Prior ACT	2010 ACT	2011 ACT	2012 Budget	2012 Latest Estimate	2013 Budget Proposal	Cumulative Payment
Grunenthal:							
Contract Execution	\$ 23.8	\$ -	\$ -	\$ -	\$ -	\$ -	
Broad Claim Patent (assumes patent issued)	-	-	-	13.9	13.2	-	
Further Claim Patent (assumes patent issued)	-	-	-	6.7	6.4	-	
McGinity:							
License Fee	5.0	-	-	-	-	-	
NDA Filing in U.S.	1.0	-	-	-	-	-	
NDA Approval in U.S.	-	4.0	-	-	-	-	
Total Milestones Paid⁽¹⁾	\$ 29.8	\$ 4.0	\$ -	\$ 20.0	\$ 19.6	\$ -	\$ 53.4
Milestone Amortization Expense⁽²⁾	\$ 23.8	\$ 0.3	\$ 0.6	\$ 4.2	\$ 2.6	\$ 4.2	

(1) Ex-US milestones paid or to be paid by the end of 2013 total \$25.9 mm. (Grunenthal) are not included above.

(2) Milestones incurred prior to FDA approval are expensed immediately (100%). Milestones incurred at or subsequent to FDA approval are amortized through 2017 (over their expected useful life).



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Butrans P&L

(\$MMs)

	2010 ACT	% Sales	2011 ACT	% Sales	2012 Budget	% Sales	2012 Latest Estimate	% Sales	2013 Budget Proposal	% Sales	Growth
Gross Sales	\$0.0		\$73.5		\$175.8		\$117.3		\$160.0		
Fee for Service	-		(1.8)		(3.1)		(3.0)		(3.4)		
Sales Discounts & Allowances/Savings Cards Discounts ⁽¹⁾	-	N/A	(12.6)	24%	(25.3)	25%	(20.6)	27%	(15.3)	21%	
Rebates	-		(3.1)		(10.4)		(7.9)		(14.3)		
Net Sales	\$0.0		\$55.9		\$95.9		\$85.8		\$127.0		+48%
COGS	(\$0.5)	N/A	(\$10.2)	18.3%	(\$12.0)	12.5%	(\$11.7)	13.7%	(\$14.4)	11.3%	
COGS/Shipping & Warehousing ⁽²⁾	(0.9)		(6.9)		6.3		(6.9)		(7.3)		
Royalty Expense/Amortization of Milestone Payments	-		(3.4)		(5.6)		(4.9)		(7.1)		
COGS % of Net Sales	N/A		18.3%		12.5%		13.7%		11.3%		
Gross Profit	(\$0.5)		\$45.7		\$84.0		\$74.0		\$112.6		
Product Spending	(\$6.7)	N/A	(\$120.5)	215.5%	(\$116.0)	120.9%	(\$109.3)	127.4%	(\$100.5)	79.1%	-8%
Marketing Expense ⁽³⁾	(6.7)		(28.1)		(21.9)		(22.3)		(23.8)		
Sales Force Expense ⁽⁴⁾	0.0		(92.4)		(94.1)		(86.9)		(76.7)		
Product Spending as a % of Net Sales (Includes Sales Force Expense)	N/A		215.5%		120.9%		127.4%		79.1%		
Other Expenses	0.0		(3.4)		(5.5)		(5.1)		(7.6)		
G & A Allocation ⁽⁵⁾	0.0		(3.4)		(5.5)		(5.1)		(7.6)		
R&D Market Support ⁽⁶⁾	(8.9)		(22.2)		(14.9)		(19.2)		(24.7)		
Health Care Reform Fee	0.0		0.0		(1.2)		(1.3)		(1.7)		
Product Contribution	(\$16.8)	N/A	(\$101.1)	-180.8%	(\$58.2)	-58.7%	(\$42.5)	-72.8%	(\$24.2)	-19.1%	+61%

Notes:

(1) Reflects estimated return rates of 10% of Gross Sales for 2011 and 2012 and 8% for 2013. The 2012 Latest estimate also includes \$0.6MM to account for higher returns as a result of initial stocking. The 2012 Latest Estimate and 2013 Budget also reflect reductions in the return reserve of \$8.4MM and \$10.5MM, respectively, to offset returns included in Gross Sales.

(2) Includes Standard COGS, Inventory Adjustments and Product Commercial Stability expenses.

(3) Marketing expenses include Journal/Advertising & Agency Fee, e-Marketing, Marketing Education, Patient Savings Card Admin costs and managed care support.

(4) Sales Force Allocation based on call position/cost per call (2012 Budget includes 82% primary calls, 2012 Nov. LE includes 78% overall primary calls, 2013 Budget Proposal includes 50% primary calls).

(5) G & A Allocation Based on Net Sales.

(6) R&D Market Support includes: R&D Market Support (\$1.7 million), publication (\$0.3 million), PDUFA fees (\$0.9 million), product complaints/adverse events (\$7.8 million), allocated non-branded Medical Education, RADARS, etc. (\$0.9 million), phase 4 (\$2.5 million) and allocated people costs (\$4.2 million).



Laxatives P&L

(\$MM/%)

	2010 ACT	% Sales	2011 ACT	% Sales	2012 Budget	% Sales	2012 Latest Estimate	% Sales	2013 Budget Proposal	% Sales	Growth
Gross Sales ⁽¹⁾	\$48.1		\$51.1		\$51.9		\$50.8		\$49.3		
Sales Discounts & Allowances	(1.2)	2.5%	(1.1)	2.1%	(1.3)	2.4%	(0.8)	1.5%	(0.6)	1.3%	
Net Sales	\$46.9		\$50.0		\$50.6		\$50.0		\$48.7		-3%
COGS	(\$11.0)	23.5%	(\$12.8)	25.6%	(\$10.0)	19.9%	(\$10.6)	21.1%	(\$10.9)	22.4%	
COGS/Shipping & Warehousing ⁽²⁾	(11.0)		(12.8)		(10.0)		(10.6)		(10.9)		
COGS % of Net Sales	23.5%		25.6%		19.9%		21.1%		22.4%		
Gross Profit	\$35.9		\$37.2		\$40.5		\$39.5		\$37.8		
Product Spending	(\$21.7)	46.3%	(\$17.7)	35.4%	(\$19.8)	39.1%	(\$19.5)	39.0%	(\$19.3)	39.8%	-1%
Marketing Expense ⁽³⁾	(15.5)		(13.8)		(15.5)		(15.3)		(15.0)		
Sales Force Expense ⁽⁴⁾	(6.3)		(3.9)		(4.4)		(4.2)		(4.4)		
Product Spending as a % of Net Sales (Includes Sales Force Expense)	46.3%		35.4%		39.1%		39.0%		39.8%		
Other Expenses											
R&D Market Support ⁽⁵⁾	(1.2)		(1.3)		(1.3)		(1.3)		(1.3)		
Product Contribution	\$13.0	27.6%	\$18.3	36.5%	\$19.4	38.4%	\$18.7	37.3%	\$17.1	35.2%	-8%

Notes:

- (1) Laxatives includes Senokot[®], Senokot-S[®], Colace[®], and Peri-Colace brands. The Gross Sales impact of product diversion for 2012 LE and 2013 Budget is (\$1.0mm) and (\$2.8mm), respectively.
(2) COGS reflects units at Standard Costs, Inventory Adjustments, and Other Costs (Annual Commercial Stability). 2012 LE and 2013 include shift of production to Canada.
(3) Marketing expenses include Consumer Advertising, Coop Advertising, Advertising & Agency Fees, Samples, and Coupons.
(4) Sales Force Allocation assumes Laxatives has tertiary position and also includes cost of Sales Agents.
(5) Includes estimated R&D support across Medical Services, Drug Safety, Regulatory and other support functions.



Purdue P&L By Cost Center



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Cost of Goods Sold Financial Overview

(\$Mn)	2010 Actual	2011 Actual	2012 Budget	2012 Latest Estimate	2013 Budget Proposal	Change
Net Sales	\$ 2,350.1	\$ 2,222.5	\$ 2,352.8	\$ 2,210.4	\$ 2,369.9	
Material	\$ 86.5	\$ 89.6	\$ 88.6	\$ 83.6	\$ 88.2	
as a % of net sales	3.7%	4.0%	3.8%	3.8%	3.7%	
Labor & Overhead	\$ 65.0	\$ 67.5	\$ 68.2	\$ 70.7	\$ 75.9	
as a % of net sales	2.8%	3.0%	2.9%	3.2%	3.2%	
Inventory Variances	9.6	9.1	4.5	4.5	\$ 3.0	
Rhodes Pharmaceuticals Recovery	-	0.7	(7.7)	(7.2)	(8.7)	
Total Cost of Goods Sold	\$ 161.1	\$ 166.9	\$ 158.6	\$ 151.7	\$ 158.4	\$ 6.7
as a % of net sales	6.9%	7.5%	6.7%	6.9%	6.7%	(1)
Headcount	261	263	274	274	279	5

(1) For comparison to other Pharma companies we would add royalty expense of 15.3% of net sales for a total 2013 COGS % of net sales of 12.0%. Benchmark companies (Merck, Pfizer, Glaxo SmithKline, Allergan and Forest) COGS range from 14% to 34% of net sales.

2012 Budget vs. 2012 Latest Estimate:		2012 Latest Estimate vs. 2013 Budget Proposal:	
2012 Budget	\$ 158.6	2012 Latest Estimate	\$ 151.7
Material	(5.0)	Material	4.6
Volume/Mix related to OxyContin (\$4.5 mm)		Price increases for Rhodes Oxycodone \$3.6 mm and Dilaudid liquids \$1.2 mm coupled with higher Butrans sales \$1.1 mm.	
Rhodes Pharmaceuticals Recovery	(4.5)	Wages and Fringe	2.9
Overhead recovery for manufacturing and distribution of Rhodes products primarily due to M/SER increased production. Recovery is 100% variable and small portion of fixed overhead.		Increased merit and fringe (\$1.7 mm), new positions (5) (\$0.8 mm) and open 2012 positions (\$0.4 mm).	
Headcount Related Expenses	1.5	Supply Chain 3rd Party Activities/Product Development	1.0
Employee turnover resulting in higher recruiting, relocation and temporary labor.		Quality second source APIs, new packaging development and OTC site transfer.	
Tech Transfer and Product Development	1.2	Rhodes Pharmaceuticals Recovery	(1.5)
Decrease in activity billed to R&D.		Increase in overhead recovery for manufacturing and distribution of Rhodes products driven by M/SER and forecasted Oxy/APAP launch. Recovery is 100% variable and small portion of fixed overhead.	
Other	(0.1)	Other	(0.4)
2012 Latest Estimate	\$ 151.7	2013 Budget Proposal	\$ 158.4

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Selling and Promotion

	2010 ACT	2011 ACT	2012 Budget	2012 Latest Estimate ⁽¹⁾	2013 Budget Proposal ⁽¹⁾	Variance
Operating Expenses (\$MMs):						
Marketing	\$ 56.2	\$ 75.6	\$ 113.5	\$ 99.3	\$ 79.4	\$ (19.9)
Field Sales	123.2	137.9	208.5	208.5	168.1	(40.4)
Sales Support	10.8	10.7	15.5	15.0	13.7	(1.4)
Occupancy & Depreciation	4.4	5.2	5.9	(4.8) ⁽²⁾	4.5	9.3
Total S&P	\$ 194.7	\$ 229.3	\$ 343.4	\$ 318.1	\$ 265.7	\$ (52.4)

Net Sales - \$MMs	\$ 2,350.1	\$ 2,222.5	\$ 2,352.8	\$ 2,210.4	\$ 2,369.9
S&P as a % of Net Sales	8.3%	10.3%	14.6%	14.4%	11.2%

	2010 ACT	2011 ACT	2012 Budget	2012 Latest Estimate	2013 Budget Proposal	Variance
Headcount						
Marketing	44	45	53	53	55	2
Field Sales	605	646	671	671	673	2
Sales Support	18	23	32	32	32	-
Total S&P	667	714	756	756	760	4

Sales Representatives:

ASF Sales Representatives	474	508	525	525	525	-
ISF Sales Representatives ⁽³⁾	-	-	275	275	-	(275)

Note:

(1) Intermezzo S&P spend above in 2012 & 2013 is \$90.2 mm and \$0.3 mm, respectively.

(2) Savings Target of \$10.7 mm included here.

(3) CSO Reps not included in Purdue Headcount.



S&P – Reasons for Decrease – 2012 LE to 2013 Budget

\$MMs

2012 Latest Estimate S&P Expense	\$	318.1
Salary annualization and compensation increases		5.7
Increase of headcount		0.8
Sales bonus budgeted at target		5.2
Contract Sales Organization		(51.3)
Promotional/Product Spending:		
Butrans	1.5	
OxyContin	8.8	
Intermezzo	(34.0)	
Laxatives/All Other	(0.6)	
		(24.4)
T&E/Fleet		2.1
All Other		9.4
2013 Budget S&P Expense	\$	265.7



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G&A up 3.7% 2013 over 2012

(\$MM)

	2011 Actual	2012 Budget	2012 Latest Estimate	2013 Budget Proposal	Change
G&A Expenses	\$146.9	\$159.5	\$153.4	\$159.1	+ \$5.7
As a % of Net Sales	6.6%	6.8%	6.9%	6.7%	
Headcount	363	385	385	381	- (4)

2012 LE vs. 2012 Budget

2012 Budget:		\$159.5
External Affairs	Lower consulting costs related to Intermex and Partners Against Pain initiatives of \$0.8 mm and lower annual PAMA dues of \$0.2 mm	(1.0)
Quality	Timing of hiring open positions of \$0.4 mm and lower Intermex product complaints of \$0.3 mm	(0.7)
Executive Admin	\$0.3 mm lower due to Ohio eliminating commercial activity taxes, Michigan replacing a franchise tax with an income tax of \$0.3 mm and \$0.1 mm reduced bank fees.	(0.7)
Other	Closing of 8 positions, lower patient enrollment in IPAP and other underspend	(3.7)
2012 Latest Estimate:		\$153.4

2013 vs. 2012 LE:

2012 Latest Estimate		\$153.4
IT	1 proposed position, compensation increase and full year impact of hiring open positions of \$1.6 mm, \$1.2 mm for software and hardware maintenance to support growth and new capital purchases and all other reductions of \$0.2 mm.	2.6
Quality/G&A	Full year impact of 2012 hires and compensation increase of \$0.8 mm and all other 0.3 mm	1.1
Legal	2 proposed positions and compensation increases of \$0.8 mm, software fee increase for Intellectual Property database, legal invoicing, e-mail archive and records management systems of \$0.2 mm, and all other \$0.2 mm	1.2
Other	Full year impact of 2012 hires and compensation increase across all other areas of G&A	0.8
2013 Budget:		\$159.1



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By Major Group	2004 Approved	2005 Approved	2011 Approved	2012 Budget	2012 Latest Estimate	2013 Budget Proposal	Positions Eliminated in 2012	Positions Eliminated in 2013 Budget Proposal	2012 Transfers	2013 Proposed
Finance	106	63	62	63	63	62	-	(1)	-	-
Information Technology	184	84	93	101	101	102	-	-	-	1
Corporate Procurement	19	9	13	13	14	14	-	-	1	-
External Affairs	29	13	18	18	18	18	-	-	-	-
DEA Compliance	5	2	2	2	1	1	-	(1)	-	-
Human Resources	48	21	23	24	24	24	-	(1)	-	1
Environmental Health & Safety	3	4	5	5	6	6	-	-	-	-
Administration / Building	63	32	34	34	34	34	-	-	-	-
Business Development	8	6	7	8	7	7	(1)	-	-	-
Corporate Compliance	4	6	13	13	12	12	-	-	(1)	-
Security	13	15	15	15	15	15	-	-	-	-
Executive Administration	24	9	7	7	7	7	-	-	-	-
Quality	64	20	23	34	34	34	-	-	-	-
IAF	-	-	2	2	2	2	-	-	-	-
Law Department	44	47	46	45	43	43	(3)	(1)	-	2
Total G&A	601	331	363	385	381	381	(4)	(4)	-	4

Net Decrease = (4)

Headcount Reconciliation

2012 Budget 385

Proposed Positions

Information Technology	1	1 position for IT security, increasing the staff from 3 to 4.
Human Resources	1	Replace contract recruiter with permanent headcount position.
Law Department	2	A Senior Patent Attorney and a Patent Paralegal
sub-total	4	

Transfers Positions

Corporate Procurement	1	1 transferred from Corporate Compliance to Corporate Procurement. Position is to on-board health care providers including R&D consultants, speaker program and more. Work will include ensuring rates paid are supported by fair market value analysis.
Corporate Compliance	(1)	

Positions closed

Law Department	(4)	4 litigation support position were eliminated related to the reduction in product liability activities.
DEA Compliance	(1)	One position was transferred to Internal Audit and is not being replaced.
Business Development	(1)	One position was eliminated in Licensing and Business Development.
Human Resources	(1)	Eliminate intermezzo sales support position
Finance	(1)	Full time position replaced with part time position

Net Decrease in G&A headcount (4)

2013 Budget 381

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Information Technology – up 5.9% 2013 vs. 2012 driven by full year costs of positions hired during 2012 and adding 1 headcount to support IT security

(\$MM)	2011 Actual	2012 Original Budget	2012 Latest Estimate	2013 Budget	\$ Var 2013 Bud vs. 2012 LE	% Var 2013 Bud vs. 2012 LE
People Costs	\$21.5	\$24.6	\$24.4	\$26.7	\$2.3	9.3%
Non People Costs	17.1	18.2	18.5	18.7	0.2	1.3%
Total (includes MFG and R&D)	\$38.5	\$42.8	\$42.9	\$45.4	\$2.5	5.9%
Headcount	118	130	130	131	+ 1	0.8%
% of Net Sales *	1.7%	1.8%	1.9%	1.9%		

2012 LE vs. 2012 Budget Reconciliation:

2012 Budget:	\$42.8
Positions open for part of 2012	(0.2)
All other	0.3
2012 Latest Estimate:	\$42.9

2013 increase vs. 2012 LE Reconciliation

2012 Latest Estimate:	\$42.9
Compensation increase and full year people costs for positions that were open for part of 2012, and one new position proposed for 2013	2.3
Additional software maintenance, licenses and hardware support	0.7
Reduced consulting and outside services	(0.6)
All other	0.1
2013 Budget:	\$45.4

* Industry average for IT spend as a % of sales is 2.9%.

(Source: PISA)



Note: Includes total Purdue IT spend, some of which is reflected in the COGS line

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External Affairs

(MMs)

	2011	2012	2012	2013		
	Actual	Budget	Latest Estimate	Budget Proposal	\$ Variance 2013 vs. 2012	% Variance 2013 vs. 2012
State Government Affairs (SGA)	\$8.3	\$10.9	\$10.9	\$11.3	\$0.4	4.1%
Federal Government Affairs (FGA)	3.6	3.7	3.6	3.5	(0.1)	(2.0%)
Public Affairs (PA)	5.9	8.3	7.6	6.0	(1.5)	(20.2%)
Total: External Affairs	\$17.8	\$23.0	\$22.0	\$20.8	(\$1.2)	(5.2%)
Headcount	18	18	18	18		
% of Net Sales *	0.8%	1.0%	1.0%	0.9%		

2012 Latest Estimate vs. 2012 Budget:

2012 Budget	\$23.0
Transfer annual BIO dues from Licensing & Business Development (\$0.3 mm) offset by lower organizational dues (\$0.3 mm)	(0.0)
Lower PhRMA dues than estimated	(0.2)
Lower Interm ez zo (\$0.4 mm) and Partners Against Pain (\$0.4 mm) spend	(0.8)
2012 Latest Estimate:	\$22.0

2013 Budget vs. 2012 Latest Estimate:

2012 Latest Estimate:	\$22.0
Compensation increase	0.2
Changes in organizational dues/support and educational materials	(0.9)
Reduced Partners Against Pain spokesperson program costs	(0.4)
Lower estimated PhRMA dues	(0.1)
2013 Budget:	\$20.8



Redacted

Redacted

Legal Fees

Redacted

R&D - Pipeline

	2011	2012	2012	2013	
(SMM)	Actual	Budget	Latest Estimate	Budget Proposal	Change
R&D Spend	\$ 269.9	\$ 321.1	\$ 328.8	\$ 377.4	\$ 48.6
R&D as % of Net Sales	12.1%	13.6%	14.9%	15.9%	1.0%
Headcount (end of year Budget)	315	359	359	360	1

2012 Budget	\$ 321.1		2012 Latest Estimate	\$ 328.8
	Increase / (Decrease)			Increase / (Decrease)
HYD - primarily due to spend shifts from 2012 to 2013 as a result of placing study on enrollment hold pending audiology assessments	(6.7)		Hydrocodone - enrollment of phase 3 studies completes in Q3 2013	(12.7)
Targin - (1) increase in total costs of ISS/ISE across both filings from \$15 mm to \$20 mm, of which \$4.3 mm is in 2012; (2) phasing of pain only spend into 2012 due to timing of enrollment (\$1.9 mm); and (3) timing of clinical packaging spend between 2011 and 2012 and expiration of supplies due to delays in initiating study waiting for FDA comments from end of phase 2 meeting (\$6.2 mm) offset by underspend in the pain + OIC studies due to timing of enrollment (\$9 mm) despite the fact that the total cost of these studies is expected to increase by \$15.6 mm as a result of adding 165 unique sites to drive enrollment	6.8		Phase 3b/4 studies (HYD - \$2.5 mm and Butrans - \$2.5 mm)	5.0
TRPV1 - timing of initiating the proof of concept studies shifted from May to September	(6.2)		Targin - pain plus OIC phase 3 studies ramp up and complete enrollment in Q3 2013	17.4
Oxycodone IR TR formulation - project requested after Budget (2012 cost is \$5.2 mm and total cost is \$17.4 mm)	5.2		Butrans - initiate FDA required pediatric study (PREA) (\$1.5 mm); initiate spend higher strength efficacy studies through mid-year stage gate net of lower spend on QTC study that completes enrollment in 2012 (\$4.8 mm) and the site transfer of the 2nd generation to West Caldwell (\$3.5 mm)	10.8
Reduction in underspend estimate from \$34.6 mm to \$17.8 mm. The \$17.8 mm covers delays in hiring/positions on hold \$3.0 mm, delays in initiating classwide REMs and other risk management studies (\$3.0 mm), timing of investigator initiated studies (\$1.0 mm), timing of exploratory outsourcing (\$1.0 mm) and all other (\$8.8 mm)	16.8		TRPV1 progression of proof of concept pain studies	4.6
All Other	(8.2)		TRPV1 burn indication proof of concept study and formulation development	5.5
Subtotal	7.7		Regulatory - NDA filing fees and document processing costs for ONJ and oxycodone IR TR formulation submissions and consulting support for ONJ Advisory Committee meeting	4.0
2012 Latest Estimate	\$ 328.8		Medical Affairs / Health Outcomes - continue to build capabilities including performing investigator initiated studies, conducting advisory board meetings, health outcomes studies and more	4.9
			R&D Innovations - spend on WELL DOC, EH-Minda and Psychomedics	2.9
			Increase underspend estimate	(7.6)
			Other	13.8
			Subtotal	48.6
			2013 Proposed Budget	\$ 377.4



R&D Project Plan (5)

SMM

	2012 Latest Estimate	2013 Budget Proposal	2014 Estimate	2015 Estimate	2016 Estimate	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate	Total
BUP - Existing Strengths	\$ 11.9	\$ 17.0	\$ 11.4	\$ 4.2							\$ 44.5
BUP - Add'l Strengths (6)	20.5	25.0									45.5
BUP - 2G	2.6	8.3	12.1	2.8							25.8
Total BuTrans	35.1	50.2	23.5	7.0	-	-	-	-	-	-	115.8
OxyContin	32.9	31.6	17.7	7.4							89.6
Targin	93.3	119.6	27.3	6.8	6.6	6.2					259.9
HYD	68.8	63.8	41.5	17.2	8.0	-	-				199.4
TRPV1 - Purdue	13.0	26.8	55.9	98.5	83.6	47.0	11.8				336.6
TRPV1 - Shionogi (1)	9.5	9.0									18.4
ORL-1 (2)	2.1	0.5									2.6
FAAH	1.6										1.6
Oxycodone IR TR	8.4	13.9	8.1								30.4
Intermexzo	3.2	0.3									3.5
Total Development Projects	\$ 268.0	\$ 315.7	\$ 174.0	\$ 136.9	\$ 98.2	\$ 53.2	\$ 11.8	\$ -	\$ -	\$ -	\$ 1,057.8
Discovery (4)	21.8	24.5	25.6	26.8	28.0	29.2	30.6	31.9	33.4		251.8
Other (3)	56.8	62.5	65.4	68.3	71.4	74.6	77.9	81.5	85.1		643.5
Total R&D (before timing adjustment)	\$ 346.6	\$ 402.8	\$ 265.0	\$ 232.0	\$ 197.5	\$ 157.0	\$ 120.3	\$ 113.4	\$ 118.5	\$ -	\$ 1,953.1
Underspend Estimate	(17.8)	(25.4)	43.2								-
Total R&D	\$ 328.8	\$ 377.4	\$ 308.2	\$ 232.0	\$ 197.5	\$ 157.0	\$ 120.3	\$ 113.4	\$ 118.5	\$ -	\$ 1,953.1

Memo

(1) TRPV1 back-up is being developed jointly with Shionogi. Costs represent Purdue's 50% share of cost per collaboration agreement. The budget assumes that we progress the TRPV1 back-up program to IND filing in late Q3 2013 in USA and then a decision is made on which program is progressed for USA development. The IND filing for Japan development was in September 2012 with enrollment in the phase 1 safety studies commencing in December 2012. For the 10 year plan we assumed that the lead compound being developed by Purdue is progressed and Purdue opts out of the back-up at the end of 2013.

(2) ORL-1 is being developed jointly with Shionogi. Costs represent Purdue's 50% share of cost per collaboration agreement. The budget assumes that development of the ORL-1 lead does not continue.

(3) Other spend comprises costs not allocated to projects such as classwide REMS and RADARs subscription, R&D Innovations, Drug Safety support of marketed products, Medical Education, Medical Services, Library, etc.

(4) Discovery and Other are assumed to increase by 4.5% per year from 2014 onwards.

(5) Represents spend through filing including completion of Phase 3b or pediatric studies initiated before filing.

(6) Represents spend incurred through the mid year 2013 stage gate when an assessment will be made as to the commercial viability of the project in light of results of the 2nd generation pilot study and data from the thorough QTC study and the impact on phase 3 study design.

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R&D – Reasons for Increase - 2012 LE to 2013 Budget

2012 Latest Estimate		\$	328.8
	Increase / (Decrease)		
Hydrocodone - enrollment of phase 3 studies completes in Q3 2013	(12.7)		
Phase 3b/4 studies (HYD - \$2.5 mm and Butrans - \$2.5 mm)	5.0		
Targin - pain plus OIC phase 3 studies ramp up and complete enrollment in Q3 2013	17.4		
Butrans - initiate FDA required pediatric study (PREA) (\$1.5 mm), initiate spend higher strength efficacy studies through mid-year stage gate net of lower spend on QTC study that completes enrollment in 2012 (\$4.8 mm) and the site transfer of the 2nd generation to West Caldwell (\$3.5 mm)	10.8		
TRPV1 progression of proof of concept pain studies	4.6		
TRPV1 burn indication proof of concept study and formulation development	5.5		
Regulatory - NDA filing fees and document processing costs for ONU and oxycodone IT TR formulation submissions and consulting support for ONU Advisory Committee meeting	4.0		
Medical Affairs / Health Outcomes - continue to build capabilities including performing investigator initiated studies, conducting advisory board meetings, health outcomes studies and more	4.9		
R&D Innovations - spend on WELL DOC, El-Minda and Psychomedics	2.9		
Increase underspend estimate	(7.6)		
Other	13.8		
Subtotal			48.6
2013 Proposed Budget		\$	377.4



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Headcount



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2013 Headcount Proposal is 2 positions (19 new and 17 positions eliminated)

	2004 Approved	2006 Approved	2011 Approved	2012 Approved	2013 Budget Proposal	Net Increase in Headcount			
						Positions Eliminated in 2012	Positions Eliminated in 2013	2013 Proposed	Total Net Increase / (Decrease)
Note 1									
G&A	601	309	363	385	381	(4)	(4)	4	(4)
S&P	1,126	366	740	756	760	-	-	4	4
R&D	944	177	315	359	360	-	(5)	6	1
Totowa	466	73	17	18	18	-	-	-	-
Manufacturing & Supply Chain	95	61	63	57	57	-	-	-	-
Wilson	173	128	197	199	204	-	-	5	5
Other / President's Reserve	80	-	4	8	4	-	(4)	-	(4)
TOTAL	3,485	1,114	1,699	1,782	1,784	(4)	(13)	19	2
Net increase = 2					Positions Eliminated = 17				

Note 1 - During the course of each year, the President critically reviews headcount needs. During the course of 2012 and as part of the 2013 Budget Proposal, we will be eliminating 17 approved positions.



G&A- 4 new and eliminating (8) positions, net decrease of 4

	2012 Approved	2013 Proposed Budget	Increase / (Decrease)	Comments
General Counsel	45	43	(2)	1 - Patent Prosecution Attorney: as the Company's R&D efforts have grown, so have the expectations that we will be filing more patent applications over the next several years. 1 - IP Paralegal: position will enable the Patent group to maximize benefits from the new IP Asset Management system currently being implemented and bring more patent filings and related prosecution paperwork in-house. (4) - eliminate litigation support positions due to reduction in product liability activities
IT	101	102	1	1 - Sr. IT Lead, Security: the group relies heavily on an outside contractor. Increasing the group from 3 to 4 is necessary to support current business demands.
Human Resources	24	24	-	1 - Recruiting Specialist: Convert a current <i>staff extender</i> to an FTE. The average cost for an employment search conducted by a firm is \$28,000 per filled position. Assuming that this position completes at least one search per month (a conservative estimate), this totals in excess of \$350,000 per year in search firm fees which are avoided by Purdue. (1) - Interim open position eliminated
CSA Compliance	2	1	(1)	(1) (1) - position eliminated
Business Development	8	7	(1)	(1) (1) - position eliminated
Finance	63	62	(1)	(1) (1) - Retirement replaced by part time position
All Other Functions	142	142	-	
TOTAL G&A	385	381	(4)	



S&P – 4 new positions

	2012 Approved	2013 Proposed Budget	Increase / (Decrease)	Comments
Creative Services	8	10	2	<p>1 - Medical, Regulatory & Legal (MRL) Facilitator: the position is expected to be able to drive a 15% drop in agency hours / billings via :</p> <ul style="list-style-type: none"> • Efficiently impose the new meeting structure • Keep meeting on-track • Drive the MRL team and the product management team to come up with actionable direction • Fairly and impartially resolve disputes between meeting participants • Rigorously apply submission standards to materials placed to pre-Aprimo meetings and Aprimo itself
Creative Services				<p>1 - Art Manager: adding this position will make the ratio of copywriters to designer/art managers 2:2 eliminating the current bottleneck on the art side which is being addressed by use of costly freelancers.</p>
Managed Mkts Contracting & Ops	17	19	2	<p>1 - GPO Contract Specialist: create a dedicated resource to support the Group Purchasing Organizations to:</p> <ul style="list-style-type: none"> • perform analysis of our contracts, trends and performance • better meet the needs of this market and our internal and external customers • improve communications, relationships, reporting and analysis across the 20 institutional agreements and 8,000 institutions currently eligible for discounts on Purdue products. <p>1 - Chargeback Assistant: managing the increased workflow (83% increased resubmissions and 24% increase in eligibility requests from last year) and provide increased quality customer service and support to our wholesalers and medical surgical distributors, our Credit Department, the National Accounts Group and our institutional and government customers, as well as build and manage customer relationships in order to reduce deductions</p>
All Other Functions	731	731		
TOTAL S&P	756	760	4	



R&D - 6 new and eliminating (5) positions, net increase of 1

	2012 Approved	2013 Proposed Budget	Increase / (Decrease)	Comments
Non-Clinical	53	54	1	1 - Technician, Pharmaceuticals: This a requirement based on an ongoing workstream. There is an ongoing need for a technician to maintain the pilot plant facility in Cranbury; and to assist the scientists with equipment set-up, cleaning, and batch manufacture. This requirement increased in 2012, in part the result of an increase in use of the facility, and also because of the preparation of the use of the facility for phase 1 GMP manufacture. This means that some of the routine maintenance activities will be required by procedure and not be just good practice. 1 - Analyst, Analytical Sciences: The position is required to achieve two goals, (1) manage the stability program now estimated at 1.5 FTEs, and 0.5 FTE of this new position would be to support the incumbent managing this business critical program and (2) increased workload in Analytical Sciences e.g. pulled samples, which the remaining 0.5 FTE of this position would be to assist Analysts working on test samples.
Medical Research	76	78	2	(1) Elimination of open position. 2 - Quality Analyst, Process Management: Purdue is ultimately responsible for the trial master file. As a sponsor it is our role to assure all documentation required by regulation and to support the clinical study is available for submission and for inspection. As we submit old studies and in-license products we are responsible to make sure we have the proper documentation complete. This new FTE position will be responsible for working with the TMF vendor and CROs to ensure files are complete and that we have any necessary information for our submissions or inspections. Additionally, this position would aid Medical Research Ready Room in obtaining and verifying the proper documentation during and FDA inspection.
Health Outcomes	4	5	1	1 - Executive Director: Conversion from staff extender to FTE of Eduardo Rodenas, whom is support pediatric programs
Health Policy	40	41	1	1 - Administrative Assistant - Provide administration support to the Health Outcomes and Pharmacoeconomic group.
				1 - Coordinator III, Medical Services: The answering, documentation, and triaging incoming calls from the Medical Services toll free number is critical for the effectiveness of the department and the caller's image of the company. Many times the Medical Services Coordinator is the only person that the caller will interact with at Purdue. Currently we only have one Coordinator employee and one temporary Administrative Assistant. The department handles on average 20,000 - 30,000 inquiries per year. We also handle product inquiries for Rhodes Pharmaceuticals as well as SVC. A new company responsibility for Medical Services is answering and triaging inquiries regarding Purdue's clinical trial investigator recruitment initiative and recruitment for pediatric patients for the pediatric program. The Medical Services toll free number is on all Purdue initiated recruitment advertisements and outreach. This workload is consider permanent and will increase with increase outreach and advertisements, e.g. Intermezzo. Since the launch of the ER/LA Opioid Classwide REMS additional calls need to be triage or responded to. Additionally Purdue receives escalated calls from the ER/LA Opioid Call Center when the REMS Call Center operators receives a product specific question. This workload is considered permanent.
				While Medical Services CIA obligations have ended the recent FDA draft guidance on responding to unsolicited requests (December 2011) has specific requirements for medical inquiry documentation and fulfillment. One Admin/Coordinator for a group of 10 Pharms as well as triaging and on average 60 phone calls per day and processing 15-30 sales representative facilitated written inquiries per day is not manageable. Some incoming calls the Admin/Coordinator can respond to however with only one person this will cause other callers to wait longer on hold which reflects poor customer service.
Risk Mgmt	15	14	(1)	(1) (1) Elimination of open position.
Outsource Mgmt	7	6	(1)	(1) (1) Elimination of open position.
Drug Safety	41	40	(1)	(1) (1) Elimination of open position.
Discovery	55	54	(1)	(1) (1) Elimination of open position.
All Other Functions	68	68		
TOTAL R&D	359	360	1	

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Technical Ops – 5 new positions

	2007 Approved	2012 Approved	2013 Proposed Budget	Increase / (Decrease)	Comments
Totowa	90	18	18	-	
Supply Chain	50	57	57	-	
Wilson	135	199	204	5	<p>4 - Quality Specialist II: Driven by 1) two positions will be required to support the QC Development Group work in 2013, which is expect to increase by 46%. This equates to 119 planned development batches and 2) two additional positions are needed for projects related to methods enhancement, troubleshooting, method development and robotic method development are a priority to support QC goals for efficiency improvements, and new product support activities for HYD and ONU will increase in 2013 & 2014 base on current project timelines.</p> <p>1 - EHS Specialist: Increased site complexity with growing product mix brings additional EHS involvement and regulatory demands. Each new product & pilot plant introduction requires careful EHS oversight on combustible dusts, IH, environmental permits, safety reviews, etc. Additional staff needed to meet on-going regulatory requirements in order to free up senior EHS staff for this higher level professional analysis and support.</p>
TOTAL	275	274	279	5	



Conclusion - Financials



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Strengths/Opportunities and Challenges



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Strengths/Opportunities and Challenges

Strengths/Opportunities

Challenges

OxyContin

- Gold standard, very high brand recognition
- Managed Care coverage
- Incremental promotional activity
- Tamper resistant formula
- Medicaid line extension rebate rule resolved in our favor
- Demographics and under treatment of pain support market growth

- Managed Care pressure
- Abuse of opioid medicines as a class lead regulators to limit patient access --- for example, monthly tablet or mg. limits
- Growth of government as payer and related price pressure
- Patent challenges
- Patent litigation settlements are assumed to impact post 2013 sales

Butrans

- Safe, effective and convenient
- Base of prescribers and formulary wins established and growing
- Class III convenience
- Steady increase in Managed Care coverage
- Titration education underway

- Perception that Butrans is not covered/high cost
- Reduction in primary sales presentations
- Dose limited to 20 mcg/hour
- Titration challenge



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Strengths/Opportunities and Challenges

Strengths/Opportunities

Challenges

Pipeline

- Hydrocodone IR TR may be to market before other products in development
- Typical industry risks such as timelines, safety and efficacy -
-- Purdue's pipeline should generally be less risky than standard

Overall

- Cost reduction/efficiency initiatives continue
- US economic recovery could result in further growth in overall market.
- Future opportunities, licenses and acquisition would be funded outside the budget



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2013 Budget P&L

(\$MM's)	2010 Actual	2011 Actual	2012 Budget	2012 November Latest Estimate	2013 Budget Proposal	2013 Budget vs 2012 November LE
Gross Branded Product Sales	\$3,127,873	\$2,971,161	\$3,167,870	\$2,999,667	\$3,176,003	\$176,336
Fee for Service	(79,237)	(74,507)	(79,412)	(76,779)	(64,319)	12,460
Discounts and Allowances	(48,792)	(56,222)	(73,494)	(100,925)	(81,902)	19,023
Patient Savings Card Discounts	(15,691)	(15,572)	(30,411)	(27,137)	(31,700)	(4,569)
Rebates on Branded Sales	(621,633)	(545,891)	(557,024)	(524,436)	(594,204)	(39,768)
Proposed regulation adj for Medicaid rebates	(40,041)	(68,854)	(74,656)	(62,506)	(65,584)	(3,078)
Other	27,631	12,380	1,321	2,558	1,651	(907)
Rabates as % of Gross Branded Product Sales	21.2%	20.7%	20.0%	19.8%	19.8%	
NET REVENUES	2,360,090	2,222,486	2,352,813	2,210,442	2,369,939	159,497
Cost of Goods Sold	(161,090)	(166,870)	(158,569)	(151,673)	(158,401)	(6,726)
COGS as % of Gross Branded Product Sales	5.2%	5.6%	5.0%	5.1%	5.0%	
Royalty Expense	(53,342)	(115,272)	(130,146)	(118,864)	(125,512)	(6,646)
Shipping and Warehousing	(11,182)	(11,831)	(10,956)	(12,020)	(10,807)	1,213
GROSS PROFIT	2,124,476	1,928,522	2,053,140	1,927,885	2,075,219	147,334
G&A (incl. Legal Department but excl. Legal Fees)	(137,631)	(146,857)	(159,422)	(153,417)	(159,126)	(5,709)
Redacted						
R&D	(152,194)	(209,917)	(223,978)	(207,180)	(377,347)	(160,167)
R&D Other - Milestone and Alliances	(8,699)	(604)	(4,161)	(2,419)	(6,092)	(4,273)
R&D as % of Net Revenues	7.4%	12.2%	13.8%	15.0%	16.2%	
Sales and Promotion	(194,735)	(229,317)	(143,769)	(318,103)	(265,684)	(52,419)
S&P as % of Net Revenues	8.3%	10.3%	14.6%	14.4%	11.2%	
Health Care Reform Fee	0	(26,543)	(26,640)	(31,251)	(31,800)	(549)
Other - US	16,544	(3,055)	(8,091)	(18,110)	(4,039)	14,071
OPERATING EXPENSES	(640,272)	(733,245)	(519,573)	(608,865)	(895,213)	(73,652)
Operating Expenses as % of Net Revenues	23.0%	33.0%	39.1%	41.1%	37.8%	
OPERATING MARGIN BEFORE INCENTIVE & SETTLEMENT	\$1,684,203	\$1,195,277	\$1,733,627	\$1,019,020	\$1,180,006	\$160,986
Operating margin as % of Net Revenues	67.4%	53.8%	48.2%	46.1%	49.8%	
Incentive Bonus	(38,744)	(33,054)	(41,652)	(30,818)	(42,618)	(11,800)
Insurance Income	15,863	30,639	74,111	3,558	3,558	
TOTAL INCENTIVES AND SETTLEMENTS	(40,316)	(9,188)	(29,409)	(27,054)	(39,060)	(11,966)
OPERATING MARGIN AFTER INCENTIVES AND SETTLEMENT	1,643,888	1,186,089	1,694,218	991,927	1,140,946	149,019
Operating margin as % of Net Revenues	65.7%	53.4%	46.5%	44.9%	48.1%	
Other Items						
Royalty Income - ex US	84,789	91,367	61,462	78,865	40,692	(38,173)
Ex US Expenses	(132,648)	(129,506)	(136,738)	(93,705)	(127,600)	(33,835)
One Time Charges/Other Items	(24,477)	(2,482)	(2,863)	(2,222)	(2,956)	(734)
Interest Income / (Expense), net	535	356	1,881	1,212	172	(1,040)
TOTAL OTHER ITEMS	(71,801)	(40,265)	(76,258)	(15,810)	(89,692)	(73,782)
PROFIT/LOSS BEFORE TAX	\$1,472,087	\$1,145,824	1,617,960	976,017	1,051,254	76,237



See footnote explanations on pages 4-5

2013 Budget Balance Sheet Proposal

(\$ MM's)

	2010 Actual	2011 Actual	2012 Budget	2012 Latest Estimate	2013 Budget Proposal
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 437.1	\$ 606.5	\$ 771.2	\$ 716.3	\$ 600.0 (1)
Restricted cash	52.9	16.0	-	27.0	- (2)
Accounts and other receivable					
Trade (net)	212.9	218.8	255.2	146.2 (7)	150.6
Associated companies	24.7	27.8	22.9	20.5	13.7 (3)
Other receivables	26.5	10.1	6.4	6.5	8.4
Total accounts and other receivable	264.1	256.7	284.5	173.2	172.7
Inventories	57.3	44.2	43.7	44.3	42.9
Prepaid expenses and other assets	39.2	32.7	35.6	26.0 (8)	28.7
Total current assets	850.6	956.1	* 1,135.2	986.8	844.3
Property, plant and equipment - net					
Investments	140.2	143.2	152.9	153.8	163.4
Due from associated companies	31.8	19.8	6.7	9.0	14.9 (4)
Intangible assets, net	3.4	3.2	3.4	3.2	3.3
Other assets	190.1	191.6	208.5	196.2 (9)	189.4
Deferred income taxes - long-term	24.0	73.3	71.9	22.7 (10)	21.2
Investment in Infinity stock	12.9	17.2	16.2	17.4	17.4
Restricted cash	18.5	42.4	18.9	17.2	21.7 (2)
Total assets	\$ 1,271.5	\$ 1,446.8	\$ * 1,613.7	\$ 1,545.1	\$ 1,414.3
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable	\$ 63.9	\$ 87.4	\$ 103.1	\$ 88.8	\$ 94.1
Accrued expenses and taxes	485.4	632.8	613.6	570.7	360.6 (5)
Due to associated companies	12.1	11.3	12.1	13.0	13.0
Total current liabilities	561.4	731.5	728.8	672.5	467.7
Other long-term obligations	133.0	223.6	223.6	221.4 (12)	241.4
Total liabilities	694.4	955.1	952.4	893.9	709.1
Equity					
Capital stock - Common	-	-	-	-	-
Additional paid in capital	2.0	2.0	2.0	2.0	2.0
Retained earnings and partners capital	659.7	635.8	602.6	724.3	772.4
Minimum pension liability adjustment	(88.1)	(149.6)	(146.8)	(138.9)	(132.8)
Unrealized gain / loss on Infinity stock	-	-	-	60.2 (11)	60.2
Foreign currency translation	4.5	4.5	4.5	4.5	4.5
Subscription receivable	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Total stockholders' equity	577.1	481.7	664.3	651.1	705.2 (6)
Total liabilities and stockholders' equity	\$ 1,271.5	\$ 1,446.8	\$ * 1,613.7	\$ 1,545.1	\$ 1,414.3



See footnote explanations on pages 10-11

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2013 Budget Cash Flow Proposal

(\$ MM's)	2010 Actual	2011 Actual	2012 Budget	2012 November Latest Estimate	2013 Budget Proposal
Operating activities					
Net income	\$ 1,463.4	\$ 1,144.5	\$ 1,033.7	\$ 971.7	\$ 1,046.6
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	33.6	28.3	33.9	29.6	32.1
Impairment of intangible asset	0.0	4.0	0.0	20.0	0.0
Deferred income taxes	(6.3)	(4.3)	1.0	(0.2)	0.0
Loss on unconsolidated, associated companies	117.1	112.4	131.4	107.0	128.6 (1)
(Gain) loss on disposal of assets	0.3	0.1	0.0	0.0	0.0
Changes to working capital	142.3	162.0	(31.0)	22.1	(212.3) (2)
Long-term assets and liabilities	0.0	29.8	7.0	8.0	27.4
Changes to extraordinary item	(0.8)	(1.0)	0.0	0.0	0.0
Total cash provided by operating activities	\$ 1,749.5	\$ 1,475.8	\$ 1,176.1	\$ 1,158.1	\$ 1,022.5 (3)
Investing activities					
Capital expenditures	(30.4)	(26.8)	(35.5)	(35.0)	(35.0)
Purchase of product marketing rights and other intangible assets	(10.1)	(10.0)	(21.1)	(29.8)	0.0
Restricted cash, net	18.8	12.9	39.6	14.3	22.5 (4)
Investments in associated companies, net	(119.1)	(100.3)	(118.4)	(96.2)	(134.6) (5)
Acquisition of Infinity common stock	0.0	0.0	0.0	(27.5)	0.0
Funding of Infinity LOC	0.0	(50.0)	0.0	0.0	0.0
Total cash used in investing activities	\$ (140.8)	\$ (174.2)	\$ (135.4)	\$ (174.2)	\$ (147.1)
Financing activities					
Payments (to) from associates, net	(9.1)	(3.8)	5.7	9.0	6.8
Capital contributions	4.1	0.3	0.0	0.0	0.0
Distributions to partners for required tax payments	(651.4)	(553.4)	(449.2)	(421.7)	(451.7) (6)
Distributions to partners non-tax	(889.8)	(575.2)	(448.0)	(461.5)	(546.7) (7)
Total cash used in financing activities	\$ (1,546.2)	\$ (1,132.2)	\$ (891.5)	\$ (874.1)	\$ (991.6)
Increase in cash and cash equivalents	62.5	169.4	149.2	109.8	(116.3)
Cash and cash equivalents:					
Unrestricted cash at the beginning of the period	374.6	437.1	622.0	606.5	716.3
Unrestricted cash at the end of the period	\$ 437.1	\$ 606.5	\$ 771.2	\$ 716.3	\$ 600.0 (8)



See footnote explanations on page 13

P&L – Year 2004 to 2013 Budget Proposal

	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2013 Budget
(\$000's)										
Gross Branded Product Sales	\$1,194,629	\$1,305,214	\$250,663	\$1,184,980	\$2,508,475	\$3,012,143	\$3,427,873	\$2,791,161	\$2,791,161	\$3,116,003
Fee for Service	(11,754)	(10,742)	(10,742)	(10,742)	(10,742)	(10,742)	(10,742)	(10,742)	(10,742)	(10,742)
Discounts and Allowances	(52,762)	(21,889)	(13,284)	(13,284)	(13,284)	(13,284)	(13,284)	(13,284)	(13,284)	(13,284)
Patient Savings Card Discounts										
Additional Dry Rebates on Final Proposed Rules (3)										
Rebates on Branded Sales	(750,498)	(229,581)	(88,843)	(740,937)	(142,153)	(155,092)	(167,612)	(167,612)	(167,612)	(167,612)
NET BRANDED REVENUES	1,391,677	1,041,393	686,171	979,484	2,086,117	2,408,142	2,322,479	2,210,115	2,210,115	2,268,288
AG Income	90,110	149,580	20,810	20,810	12,236	26,805	16,746	2,548	2,548	1,651
3rd Party Royalty Income	-	-	-	-	-	-	-	-	-	-
NET BRANDED REVENUES + AG & PROFIT SHARE INCOME	1,391,677	1,141,163	686,166	1,000,294	2,104,245	2,444,947	2,360,090	2,222,496	2,222,496	2,269,939
Cost of Goods Sold	(221,432)	(124,267)	(92,865)	(101,603)	(150,545)	(147,382)	(161,046)	(168,876)	(168,876)	(168,876)
3rd Party Royalty Expense	(12,374)	9,774	12,374	8,574	5,974	5,974	5,974	5,974	5,974	5,974
Royalty Expense	(1,264)	(1,588)	(2,767)	(6,307)	(2,414)	(2,595)	(3,105)	(1,870)	(1,870)	(1,870)
Shipping and Warehousing	(10,784)	(8,729)	(8,807)	(8,807)	(10,727)	(11,142)	(11,142)	(11,142)	(11,142)	(11,142)
GROSS PROFIT	1,146,087	1,006,653	571,487	889,387	1,845,831	2,258,794	2,144,474	1,938,522	1,938,522	1,938,522
O&A (incl Legal Dept but excl Legal Fees)	(181,808)	(117,672)	(108,308)	(134,130)	(125,143)	(129,386)	(137,815)	(145,857)	(145,857)	(145,857)
R&D	(74,774)	(12,074)	(12,074)	(12,074)	(12,074)	(12,074)	(12,074)	(12,074)	(12,074)	(12,074)
R&D Other - Milestones and Alliances (2)	(1,146,087)	(1,006,653)	(571,487)	(889,387)	(1,845,831)	(2,258,794)	(2,144,474)	(1,938,522)	(1,938,522)	(1,938,522)
Abbott Commission	(19,774)	(10,374)	8,574	11,074	5,974	5,974	5,974	5,974	5,974	5,974
Sales and Promotion	(1,146,087)	(1,006,653)	(571,487)	(889,387)	(1,845,831)	(2,258,794)	(2,144,474)	(1,938,522)	(1,938,522)	(1,938,522)
Pharma Fee	(15,806)	(2,752)	(11,554)	(22,981)	(10,581)	(10,581)	(10,581)	(10,581)	(10,581)	(10,581)
Other - US	(14,541)	(14,541)	(14,541)	(14,541)	(14,541)	(14,541)	(14,541)	(14,541)	(14,541)	(14,541)
OPERATING EXPENSES	(924,841)	(827,124)	(180,442)	(1,013,879)	(1,845,831)	(2,258,794)	(2,144,474)	(1,938,522)	(1,938,522)	(1,938,522)
Rhodes	(14,541)	(14,541)	(14,541)	(14,541)	(14,541)	(14,541)	(14,541)	(14,541)	(14,541)	(14,541)
OPERATING MARGIN BEFORE INCENTIVE & SETTLEMENTS	\$215,442	\$379,227	\$555,512	\$133,449	\$1,845,831	\$1,845,831	\$1,845,831	\$1,845,831	\$1,845,831	\$1,845,831
Incentive Bonus (1)	(62,961)	(10,718)	(10,718)	(10,718)	(10,718)	(10,718)	(10,718)	(10,718)	(10,718)	(10,718)
INCENTIVE INCOME	(62,961)	(10,718)	(10,718)	(10,718)	(10,718)	(10,718)	(10,718)	(10,718)	(10,718)	(10,718)
OPERATING MARGIN AFTER INCENTIVE AND SETTLEMENTS	\$152,481	\$368,509	\$544,794	\$122,731	\$1,845,831	\$1,845,831	\$1,845,831	\$1,845,831	\$1,845,831	\$1,845,831
Other Items										
Royalty Income - ex US	28,808	44,788	58,696	65,023	71,459	76,137	80,740	81,387	78,885	80,692
Ex US Expenses	(41,679)	(42,244)	(11,681)	(8,846)	(120,244)	(122,486)	(122,486)	(129,586)	(131,761)	(127,688)
One Time Charges	(66,841)	(214,343)	1,134	(652)	(1,576)	(2,011)	(2,011)	(2,011)	(2,011)	(1,918)
Other Items	(8,888)	(1,812)	(1,666)	(1,372)	(1,643)	(1,935)	(1,734)	(2,036)	(2,036)	(2,036)
Interest (Expense) / Income	(1,549)	(2,714)	28,226	31,414	(3,565)	869	326	366	366	366
TOTAL OTHER ITEMS	(86,446)	(217,013)	67,839	89,567	(11,369)	(14,526)	(17,889)	(48,265)	(48,265)	(48,265)
PROFIT/LOSS BEFORE TAX	\$65,835	\$151,496	\$612,633	\$212,300	\$1,845,831	\$1,845,831	\$1,845,831	\$1,845,831	\$1,845,831	\$1,845,831

Continued...

⁽¹⁾ Incentive bonus was reported in the individual function net from 2000-2002

⁽²⁾ R&D Milestones and Alliances were reported as "Other" net from 2000 - 2006

⁽³⁾ The Proposed Rule was issued in 12/2012, which resulted in a higher rebate rate on the new formulation of CayCort. The impact on 2011 and 2013 was fully accrued in December 2011. To better reflect the accuracy of our earnings, we have re-allocated the adjustment between all periods in 2010 and 2011 to show the impact of the higher rebates as if we had started accruing at the higher rate when the new formulation of CayCort was launched. Because of these restatements, net sales reports and P&L statements will not be to previously issued reports



2013 Assumptions



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2013 Assumptions

A. Sales

OxyContin:

1. ERO market Rx's are forecasted to decline from 26.4 mm in 2012 to 26.3 mm in 2013.
2. The OxyContin share of the ERO market is forecasted to be 23.6% (6.2 mm Rx's) in 2012 and 23.0% (6.0 mm Rx's) in 2013.
3. 2013 forecast assumes no Oxycodone generic competition.
4. OxyContin price increased by 5.0% in March 2012 and is budgeted to increase 5.5% in February 2013.
5. Branded competition in 2013 includes Opana ER, Exalgo, Nucynta ER and Remoxy. Embeda is not expected back on the market until after 2013.
6. Major events/assumptions impacting the forecast include:
 1. 745,000 rep calls in 2013 with 50:50 split between OxyContin and Butrans.
 2. Nucynta ER has continued formulary wins.
 3. Remoxy launch in late 2013 has minor impact.
 4. No material changes in OxyContin managed care coverage.
 5. No new restrictions on opioids generally, or OxyContin specifically, that would limit patient access.
 6. Market share does not noticeably shift to TR formulations.
7. Sales by payer channel is assumed to be relatively flat with 2012.

	<u>2012 Latest Estimate</u>	<u>2013 Budget Proposal</u>
<u>Rebate Eligible Sales % of Xponent Retail Sales:</u>		
Commercial	45.3%	45.2%
Medicare Part D	24.2%	24.7%
Medicaid	9.9%	9.9%
Tricare	2.4%	2.4%
Cash / Non Rebated	18.1%	17.8%
Total	100.0%	100.0%

8. Trade inventory was \$576.6 mm at 12/31/2011 and is assumed to be \$459.0 mm at 12/31/2012 and \$403.0 mm at 12/31/2013.



2013 Assumptions

Butrans:

1. ERO market Rx's are forecasted to decline from 26.4 mm in 2012 to 26.3 mm in 2013.
2. The Butrans share of the ERO market is forecasted at 1.8% (479,000 Rx's) in 2012 and 2.1% (563,000 Rx's) in 2013.
3. Butrans price increased by 6% in February 2012 and is budgeted to increase by 10% in February 2013.
4. Major events impacting the forecast include:
 - a. Improved Tier 2 managed care coverage resulting in a 1.3% increase in forecasted Rx's.
 - b. Decrease in primary sales calls from 374,000 in 2012 to 372,000 in 2013.
5. 2013 assumes formulary coverage increases as follows:

Butrans	2012 Latest Estimate	2013 Budget Proposal
<u>Rebate Eligible Sales (% of Xponent Retail Sales):</u>		
Commercial:		
Tier 2	12.1%	25.0%
Tier 3	8.0%	7.9%
Medicare Part D	0.1%	1.3%
Medicaid	6.3%	7.0%
Tricare	2.7%	3.0%
Cash / Non Rebated	70.9%	55.8%
Total	100.0%	100.0%

6. Trade inventory was \$17.9 mm at 12/31/2011 and is assumed to be \$22.7 mm at 12/31/2012 and \$31.0 mm at 12/31/2013.



2013 Assumptions (Continued)

B. Pipeline projects are projected to launch as follows:

- Targin
 - Pain→OIC Q3 2014
 - Pain + OIC Q2 2015
- BuTrans (additional strengths) Q1 2017
- BuTrans (Second Generation) Q4-2015 (two quarter delay from 2012 10 year plan)
- HYD Q3 2015
- TRPV1 Q3 2018
- FAAH Q3 2018
- Oxycodone IR TR Q1 2015
- ORL-1 Evaluating safety data (budget assumes discontinued)

C. Fee For Service

Fee For Service agreements are entered into with wholesalers. These agreements call for a fee to be paid for wholesaler inventory management and data services. In 2012 the average fee is approximately 2.6% of gross Rx sales. The fee is reduced by the profit wholesalers earn marking inventory to market when Purdue increases its price. This reduction in expense (i.e., credit) is reflected in Sales Discounts & Allowances in the P&L. In the second half of 2012 these agreements are being renegotiated. For budget planning purposes it is assumed that new agreements take effect on 1/1/2013. The new agreements call for a lower fee, approximately 2.0% and no adjustment for inventory appreciation assuming wholesalers maintain inventory at contractual days on hand targets. For comparison purposes the Fee For Service rate in 2012 of 2.6% compares to an implied rate in 2013 of 2.4%.

D. 3rd Party Royalty Income

- a. Tramadol royalties from J&J decline after March 31, 2011 due to generic competition.
- b. Royalties will be collectible from King at 3% of net sales related to Embeda. Product not expected to come back on the market until after 2013.
- c. HICMA \$3 million upfront license fee (hydromorphone) received in 2012 is amortized over the first five years of the agreement.



2013 Assumptions (Continued)

E. 3rd Party Royalty Expense

- a. McGinity - royalty @ 2.0% of net sales. Note: royalty was reduced from 2.5% in September 2010 upon initiation of Grunenthal royalty obligation.
- b. Grunenthal - royalties commenced when the Grunenthal patent was listed in the Orange Book (9/2010). Royalty @ 4.0% for the first \$1 billion annual net sales, 3.0% for the next \$1 billion annual net sales, and 2.0% for all remaining net sales over \$2 billion. (Annual minimum 20 million Euros and maximum 50 million Euros. F/X Rate = 0.78).
- c. LTS - royalty paid at 5.5% of net sales of Butrans.
- d. Transcept - royalty paid at 15.0% of net sales of Intermezzo.

F. Inflation Factor

3% inflation on all costs except compensation and energy. Oil and energy cost based on mid 2012 pricing unless a long term contract is in place. For compensation, see below.

G. Human Resources

- a. Vacant and new headcount are budgeted at the mid-point of the target grade level compensation.
- b. Salaries and target bonuses will be budgeted to increase by 4.5% (includes 3.0% merit and an allowance of 1.5% for promotions and market place adjustments). The new salaries are budgeted to be effective April 1, 2012. Subject to Compensation Committee approval.
- c. The healthcare component of benefit program expenses are budgeted to increase by 8%.
- d. Non-field bonuses related to 2012 and 2013 are assumed to be paid at 75% and 100% of target, respectively. This is subject to adjustments.
- e. Non-field bonuses have been budgeted in the Incentive line in the P&L.
- f. Field bonuses related to 2012 and 2013 are assume to be paid at 85% and 100% of target, respectively.
- g. Field bonuses are budgeted in the S&P line.
- h. For employees that are eligible for LTRIP bonus grants, we have assumed funding at 100% of each employee's target (i.e. 35%, 50% or 65% of target current year cash bonus) subject to adjustment.
- i. We assume no change to the 401(k) match or the defined benefit plan benefit formula. We have made the following actuarial assumptions in estimating the defined benefit plan funding and expense:
 - i. Return on assets of 7% for 2012 and 2013



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2013 Assumptions (Continued)

- i. Discount rates for the years ended December 31, 2013 and 2012 are 4.55%.
- ii. Our goal is to fund the plans to about 95% of the plan liability as defined by ERISA.
- iii. PFLP pension funding is estimated at \$16.2 million in 2012 and \$13.3 million in 2013.
- iv. PF Labs pension funding is estimated at \$0.4 million in 2012 and \$0.4 million in 2013.

H. Facilities

Purdue's sub-lease from UBS of One Stamford Forum is budgeted according to the terms of the sub-lease as follows:

- i. Rent and expenses related to floors 5, 6, 7 and 8 to Purdue operations "above the line" in 2012.
- ii. Rent and expenses related to the unused third floor, net of sub-lease income and the unused 4th floor that is taken back from UBS on July 1st, 2013 is charged to "one-time costs / discontinued operations", which is "below the line" in 2013.

I. Rebates

- a. 2012 and 2013 rebates are based on the approved sales forecast.
- b. 2012 and 2013 rebates reflect the estimated payor channel percentages and rebate rates approved by the Rebate Pricing Committee (RPC). The RPC received recommendations for these amounts from the following departments: Managed Care, Market Strategies, Managed Markets & Contracting Operations and Finance.
- c. Overall payor channel percentages assumed to remain at current levels with commercial declining slightly and Medicare part D increasing. Overall rebate rates remain flat with the exception of Medicaid which increases each year due to price increases.
- d. The impact of the 2010 Health Care Reform in the 2012 Latest Estimate and 2013 Budget is \$84.3 mm and \$88.6 mm, respectively. Major changes include a 50% rebate paid by Purdue to Medicare Part D beneficiaries while in the coverage gap, a shift of the Managed Medicaid population to the Medicaid rebate rate (previously paid commercial rates which are lower) and the Health Care Reform Fee based on Purdue's sales to government programs.
- e. The above does not include the impact of the Proposed Final Rule as it relates to line extensions. CMS' timing for the release of the Final Rule is sometime in 2013. However, the outcome of the line extension issue is uncertain at this time.



2013 Assumptions (Continued)

J. Technical Operations

Manufacturing

- a) Wilson will continue as the primary commercial manufacture site for OxyContin, M5 Contin, and Rhodes MSER. In addition, Wilson will prepare for the launch of Rhodes' Oxy APAP in 2013. The site will support the on-going development work for existing and pipeline products such as ONU, HYD, ADIR and TRPV1.
- b) Wilson will continue to provide Purdue Canada Oxy Neo (ONF) in support of their commercial requirements. The site will also begin supplying the product to Australia in late 2013 in support of their launch.
- c) The new packaging lines in Wilson will be operational in Q1 2013 providing for the transition from RFID to 2D (cost savings).
- d) Totowa will continue to maintain readiness as a fully qualified OxyContin back-up site. The Totowa lab will continue to provide release and stability testing in support of Totowa Readiness and Rhodes Pharmaceuticals development activity.
- e) The Wilson warehouse and distribution center will continue to provide commercial distribution for Purdue products such as OxyContin, M5 Contin, and Dilaudid. Wilson will also continue to distribute existing Rhodes Pharmaceuticals products such as MSER and Dilaudid AG while poised to support the anticipated 2013 launches of Oxy APAP and HYD APAP.

K. S&P

- a. Purdue Field Force and Home Office headcount assumed to grow by 4 in the 2013 Budget.
- b. Purdue Sales Calls: Primary position split Butrans/Oxy (50/50); second position for OxyContin/Butrans; third position for Laxatives.
- c. Purdue sales representative bonus target is increased by 3% to \$45,400. Actual sales representative bonus is linked to performance and compliance factors.
- d. Contract Sales Organization, or CSO (non-Purdue Employees) includes 275 Reps, 32 DMs, and 2 RMs in the 2012 Latest Estimate. 2013 proposal will be presented separately.



2013 Assumptions (Continued)

L. R&D

a. Key drivers / objectives of the clinical programs include:

1. Pediatric Programs

- Reformulated OxyContin - to achieve additional exclusivity
- Butrans - PREA requirements only
- HYD - PREA requirements only
- Intermezzo - PREA requirements only (after mid-year stage gate)

2. Butrans Additional Strengths: do not commence enrollment until mid-2013 when we have a reading on the QToC study and the results of the prototypes for second generation patch.

3. Targin US: complete phase 3 studies for pain + OIC indication.

4. Butrans 2nd Generation: pilot PK study completed by MRL, after which initiate site transfer to West Caldwell, NJ and initiate clin pharm studies.

5. Hydrocodone QD: completion of clin pharm studies, phase 3 efficacy and safety studies and abuse liability studies and prepare for NDA filing.

6. TRPV-1: proof of concept studies in pain indications and initiate exploratory work for a burn injury indication.

7. FAAH development work ceased in 2012 and is now developed by Infinity

8. ORL-1: assume no development work.

9. INT: minimal spend.

10. Phase 3b/4 lifecycle management placeholder of \$7.0 mm supports work across Intermezzo, Butrans, and HYD.

b. Initiate the bridging and IND enabling studies for Nav1.7.

c. Continue to meet FDA requirements for Reformulated OxyContin, Butrans and Intermezzo as it pertains to post market support, REMS and classwide REMS.

d. We have budgeted for 7% of Discovery research headcount to be devoted to collaboration projects (additional research on ORL-1 back-up program). The balance of effort will be dedicated to Purdue research.

e. The McGarity license agreement requires Purdue to use "commercially reasonable effort" to develop and commercialize one license product for each of morphine, oxymorphone and hydromorphone. We have not included a provision in the R&D budget for development costs since work plans have not yet been developed.

f. The 2013 Budget Proposal does not include the development of MSER TR.



2013 Assumptions (Continued)

M. Licensing & Business Development

- a. Possible new product licenses or acquisitions have not been included in the 2013 budget. These will be presented to the Board for approval on a project-by-project basis, when the economics, timing and justification are known.
- b. A \$3 mm milestone is assumed to be paid in 2013 under the McGinley patent license agreement to convert the hydrocodone license to exclusive.
- c. A €2.5 mm milestone payment is assumed to be paid under the Grunenthal patent license agreement for marketing authorization in Asia.
- d. Two €500,000 milestone payments are assumed to be paid in 2013 under the Grunenthal patent license agreement for the grant of first patent in Brazil and South Korea.

N. Treasury/Finance

- a. An average of 0.04% interest rate per annum earned on average cash balance. Interest rate forecast is based on Bank of America and Merrill Lynch forecasts along with Purdue's internal feedback.
- b. 2013 year-end unrestricted cash balance targets at ~\$530 million and a bank group equity of \$600 million (or all U.S. Pharma companies stockholders' equity at \$670 million.)
- c. Restricted Cash
 - 12/31/2012 outstanding balance = \$43 million
 - 12/31/2013 outstanding balance = \$17 million (for letters of credit)

The decrease of \$27 million represents the balance of the Antitrust QST that is expected to be returned in 2013 (see Note O below).

- d. Purdue's line of credit of \$45 million with Bank of America will be renewed in November 2012.

O. Ex USA

- a. Fundings of Lucien, Japan, Germany and other countries continue outside of the Bank Group via Purdue Holdings LP ownership interests. 2013 Fundings are assumed at \$67 mm for Lucien, \$10 mm for Germany, \$26 mm for Japan and \$31 mm for other countries (South Africa, Hong Kong, Taiwan, Thailand, Brazil and Colombia).
- b. MRL development work on the OxyContin new formula is funded by USA.
- c. Butrans additional strengths will be funded by USA. There will be no recharge of studies conducted by Mundipharma Research Limited ("MRL") to the USA, or equally of studies performed by the USA to MRL in support of the Butrans 2nd Generation project.



2013 Assumptions (Continued)

P. OxyContin Royalties

- a. No change in royalty rates.
- b. On existing OxyContin formula the royalty rate is 7% after the patents expire which is assumed to be 2012.
- c. The royalty rate on the new formula will be 10% for duration, even after patent expiration.
- d. Royalty income projections provided from Management Revisions.

Q. Insurance

- a. We assume that Purdue maintains the required net worth covenant to satisfy its obligation under McGinify License Agreement.
- b. We assume that our existing credit revolver line (with \$45 million in total capacity) would cover all letters of credit requirements from insurance policies.
- c. Assume all insurance policies to be renewed with changes in premium comparable to industry benchmarks as forecasted by our insurance broker (Marsh).
- d. We assume no material change in our fronted U.S. product liability insurance policy.

R. Investments in Infinity

Purdue holds shares in Infinity as summarized below. Unrealized gains or losses on the value of the Infinity shares are recognized through equity. The 12/31/2012 balance sheet projection uses the closing market price as of 10/14/2012 with no additional gains or losses projected (refer to table below). The Budget Proposal assumes that the shares continue to be held by Purdue.

	Number Shares	Cost Per Share	Value at Acquisition Cost
Shares acquired by Purdue in cash	1,896,552	\$14.50	\$27,500,000
Shares acquired by Purdue to settle \$50 mm line of credit	3,520,013	\$14.50	\$51,040,189
Total	5,416,565		\$78,540,193
Implied Value at closing market price of \$25.62 per share on 10/4/2012			\$138,772,395
Implied gain on shares			\$60,232,202



2013 Assumptions (Continued)

S. Tax and Distributions

- a. The budget assumes partner distributions for tax payments at an effective tax rate of 44.92% in 2011 and 41.97% in 2012. The higher rate in 2011 is due to additional federal and state tax payments made in closing the 2005 - 2007 IRS examination, as well as, significant add backs to book income (e.g., milestone payments, etc.) and lower foreign tax losses. Beginning 2013 the federal income tax withholding rate increases from 35% to 39.6% and the new Medicare tax on net investment income (3.8%) will be distributed to partners. Additional major assumptions regarding 2013 Schedule M adjustments are: 1) no pension contributions are made in 2014 (these would have been deducted on the 2013 tax return if made before September 15, 2014); 2) tax adjustments for Tricare and Medicaid Proposed Ruling rebates are no longer necessary since accruals at the end of 2013 are for agreed upon rebates payable on 2013 sales; and 3) bonus depreciation (50% in 2012) no longer applies.
- b. Non-tax distributions are budgeted to ensure that unrestricted cash is equal to or greater than \$500 million and bank group equity is equal to or greater than \$600 million.

T. Other Items

Represents the cost of operating the 62nd Street Office.

U. Impact of Healthcare Legislation

- a. The Health Care Reform Fee is \$31.3 million in 2012 and is estimated at \$31.8 million for 2013. Amounts are charged to the P&L on a straight line basis and paid in September of each year.
- b. Rebate impact - see section I item c,d.
- c. The impact on Purdue's own health care plans - e.g. extending medical coverage to children of employees until the year of their 26th birthday - has been minimal.
- d. Additional impact of Health Care Reform is expected in future budget years notably 2014 with the introduction of state run insurance exchanges for the uninsured. The expansion of Medicaid up to 133% of the Federal Poverty was struck down by the U.S. Supreme Court leaving the states to address this gap in coverage for the uninsured.



Produced Natively

2013 Capital Budget Proposal

November 2012

2013 Capital Request - \$21.5 mm

Project Name	Capital Budget	Page Reference
Data Center Hardware Refresh	\$ 4,500,000	3
SAP Hardware Update	2,000,000	4
PC Equipment	626,000	5
Hydrocodone Readiness (Wilson)	4,100,000	6-8
Invoice Workflow/Processing Replacement	432,000	9
Cranbury HPLC/Dissolution Equipment	400,000	10
Cranbury Vault Expansion	350,000	11
Wilson General Equipment Projects	685,000	12
(1) President Reserve projects:		
Uninterrupted Power Supply - Stamford	2,100,000	13
Health Outcomes Analytics	450,000	14
Forecasting/Marketing Analytics	400,000	15
HCP Information Management	325,000	16
Product Risk Analysis	300,000	17
Analytical LCMS System	250,000	18
Other Projects < \$300,000	7,106,000	
sub-total	24,024,000	
Savings Target	(2,500,000)	
GRAND TOTAL	<u>\$ 21,524,000</u>	

(1) Initiation of each project is contingent upon presenting a full project plan, justification and budget to the Capital Committee and President.

Note: Average capital over the last 4 years was \$41 mm. 2013 request is lower than average because there was no new projects like the Wilson expansion (2009), Stamford 6th and 8th floor fit-out (2009) or new plant (approved late 2012).

2013 Data Center Hardware Refresh \$4.5 mm

- The total cost of Purdue's investment in data center server, storage and communication hardware is \$30.0 mm.
- This equipment has a life expectancy of 3-5 years. This equipment is proactively replaced to ensure a good balance between down time and lost data risk and cost.
- The new equipment will be more cost effective than the equipment being replaced. That savings vs. the retired equipment is approximately \$2.0 mm and is anticipated in the above proposal.

BENEFIT – routine replacement of older equipment reduces downtime and increases reliability

The 2013 Budget Proposal includes replacing 4 internet firewalls, 3 DMZ switches, the tape based backup for long term retention requirements and network attached storage ("NAS"). This refresh will replace 30 servers of the current 200 physical servers (absolute number of servers will reduce over time as we consolidate servers using newer technologies) and expanding all storage by 20%.



SAP Software Migration to a New Server and Data Base Environment

\$2.0 mm

- SAP software helps Purdue manage a very broad range of activities from billing to collection, from production planning to shipping, from purchase of clinical supplies to end of study close out, from hiring to training employees and more.
- SAP no longer supports its software when it is run on Purdue's older infrastructure. As a result, any failures would have to be resolved without SAP expertise and could result in significant down time.
- SAP currently runs across 200 physical servers. The new environment will run on approximately 40 physical servers and the newer "virtual server" technology. Implementing the new environment will require the following costs:
 - \$0.5 mm in hardware for 40 physical servers and to support the new storage environment.
 - \$0.4 mm in new software that monitors SAP performance in the new environment
 - \$1.1 mm of EMC and SAP certified database and SAP migration consulting expertise.



Non-Sales Force PC Replacement of equipment nearing end of useful life

\$0.6 mm

Our non-Sales Force PC's are replaced every 4-5 years. This replacement cycle balances new equipment cost with the cost of maintenance, support calls and user downtime.

	Quantity	Price	Cost
Laptops	250	\$1,300	\$325,000
Desktops	255	750	191,250
Evaluation Equipment			110,000
	455		\$626,000

BENEFITS:

- Reduce startup/shut down time
- Increase battery life for mobile users
- Improve system speed and performance
- Improve security over Purdue data
- Allow Purdue to work with new applications being developed in this environment
- Support for the old environment stops

The 2012 proposal includes 350 to replace active machines, 80 to support the hiring of open positions / growth and 25 for upgrades from XP that will not run on older machines. All purchases are made in bulk and competitively bid to ensure good pricing.



Status of R&D Development

The phase 3 clinical studies complete enrollment in Q3 2013.
We plan to submit an NDA in Q2 2014 and launch in Q3 2015.

Why Now ??

The equipment required to produce HYD tablets does not exist at Wilson.

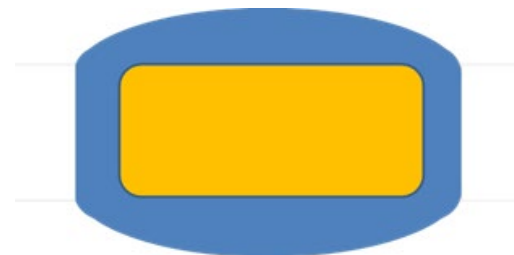
In order to meet the Q3 2015 launch date, the equipment lead times would require us to make purchase commitments by May 2013.

Wilson HYD Readiness

\$4.1 mm

The HYD “Tablet in a Tablet” final dosage form is film coated and printed. The “Tablet in a Tablet” operation and tablet printing are new formats for the Wilson site that will require the following equipment:

Tablet in Tablet Press	\$1.6
Equipment installation/qualification	0.8
Intermediate Bulk Containers	0.4
Misc Equipment	0.4
Tablet Printer	0.3
Renovations and Design	0.3
Contingency	<u>0.3</u>
TOTAL	\$4.1



Tablet Cross Section
Tablet in a Tablet

Wilson HYD Readiness – Phasing of Spend

<u>Key Project Dates</u>	2013	2014	2015
Phase 3 study enrollment completes	Q3 2013		
FDA Meetings	Pre-NDA		
NDA submission		◆ Q2 2014	
Market launch			Q3 2015 ◆
<u>Manufacturing/Process Key Dates</u>			
Equipment Commitments (May 2013)	\$2.7 mm		
Installation/Qualification		\$1.4 mm	
Process Validation / Launch Quantity Build		Nov 2014 – Sep 2015.	



Replace Electronic Accounts Payable Approval Routing System

\$0.4 mm

The current electronic scanning, imaging and routing software allows Purdue to process thousands of vendor invoices quickly and efficiently, with system controls over approvals.

Our current system, “IXOS”, was implemented in January 2002. The system is no longer being supported and has fallen behind current technology which now is offering a web front end, mobile and OCR technologies and more.

BENEFITS:

1. With invoices scanned into a central system, there is full visibility of the location and status of an invoice.
2. Electronic imaging eliminates manual invoice routing / approval throughout the company locations and it eliminates lost invoices.
3. Invoice research can be done on pending, approved and paid invoices real-time by individuals throughout the company.
4. Vendor inquiries on outstanding invoices are handled within a few minutes while an Accounts Payable Associate is on the phone with a vendor.



- High Performance Liquid Chromatography (“HPLC”) equipment is used in Cranbury for formulation development work to test purity, degradation and dissolution.
- There are 16 HPLC systems in Cranbury (8 stand alone, 8 w/dissolution) which are used continuously and are business critical for analytical techniques used for all projects in all stages of development.
- Older equipment experiences more frequent failures. Downtime to repair these machines varies from a day or two to a couple of weeks and can create risk when managing to GMP testing windows. New systems will reduce downtime.
- This budget is to replace 3 units in-use since approximately 1998

- The current 396 square foot vault houses 6 stability chambers ¹ and an inventory storage area for API, analytical samples, waste, clinical packaging verification kits and more. Both the stability chambers and the storage area are at maximum capacity.
- Converting a 380 square foot vacant room opposite the current vault into a 2nd vault would allow for an increase in the number of stability chambers to 10 and would increase the controlled substance storage capacity by 100% ².

Consequences of not increasing vault capacity:

1. Increased cost of samples stored at outside vendors' sites and more time consuming oversight required by analytical personnel.
2. Current overcrowding creates safety issues and potential issues with DEA and FDA inspections.

¹ Stability chambers are temperature and humidity controlled and are used to store stability samples in different conditions.

² Using the entire space of the vacant room provides the appropriate capacity for projected volumes. Most of the cost of creating the 2nd vault is independent of size – parsing out only part of the room would not significantly reduce cost and would not be an effective use of the space.

- Capital projects include:
 - Support smaller manufacturing equipment additions and replacement as needed.
 - Upgrade or maintain the Wilson facility like minor construction projects, heating & cooling end of life replacement.
 - Upgrade truck access to the facility and related security.

Uninterrupted Power Supply - Stamford \$2.1 mm

- Each of the two data centers in One Stamford Forum have their own dedicated back-up UPS¹. It is a best practice for data centers to have a second back-up UPS.
- Without a back-up UPS, in a failure (street power failure plus primary UPS failure) all company functions dependent on IT infrastructure will fail across all sites. While the back-up data center in Wilson may restore operation of key systems within 48 hours, this is contingent on being able to quickly deploy staff to Wilson, and many non-core systems could take up to 2-3 weeks to restore.
- A high level engineering design has estimated that the cost to “cross wire” Stamford such that the existing two UPS devices would provide a second back up to each data center would cost \$2.1 mm.

BENEFIT – Reduce risk of system wide outage.

¹ UPS systems provide instantaneous power to IT systems, via batteries, thus allowing switchover to back-up generators and/or allow an orderly shutdown of systems when there is a power outage.

The initiation of this project is contingent upon presenting a final engineering proposal in late 2012 to the Capital Committee and the President/CEO.

- Managed Care organizations demand economic outcomes data to support reimbursement of new medicines.
- Certain health outcomes data will be derived from massive data bases purchased from healthcare provider organizations.
- This project includes purchase of a high speed server and the creation of a database to support approximately 10 health outcomes projects anticipated in 2013 and development of mobile technology to enable presentation of reports to be made to third parties on mobile devices.

BENEFIT:

Provide needed health outcomes data and analyses to managed care decision makers to help drive formulary coverage.

Initiation of project is contingent upon presenting a full project plan, justification and budget to the Capital Committee and President.

- Current marketing tools were built when analysis of IMS data was focused on trends at a national and specialty level.
- In recent years, marketing analysis has become much more granular focusing on individual prescribers, responses to speakers meetings, samples, e-details, sales calls and more.
- The proposal is to purchase high speed IT equipment and related software tools that will enable:
 1. Quicker and easier performance of these analysis;
 2. Enable marketing to quickly determine ROI of a specific program, ROI of a blend of programs and better target investments.

Initiation of project is contingent upon presenting a full project plan, justification and budget to the Capital Committee and President.

Key Opinion Leader, Health Care Consultant and Investigator Search Engine \$0.3 mm

Provide a search and reporting tool that will facilitate the retrieval of Purdue key opinion leader, health care consultant and investigator information from databases maintained across departments.

BENEFITS:

1. Provides an automated way to retrieve information from multiple systems in a single search.
2. Will provide better data to departments on existing relationships that could be utilized in identifying investigators, speakers and more.

Initiation of project is contingent upon presenting a full project plan, justification and budget to the Capital Committee and President.



Product Risk Study Data Repository and Analysis Tool

\$0.3 mm

1. There are 35 studies under way which are designed to measure various aspects of risk associated with Purdue products including measures of abuse and overdose.
2. These studies are done under Purdue's REMS programs, as part of post marketing studies, health outcomes and payer analysis and to respond specifically to occasional external events like PROP's citizens petition claims.
3. The purpose of this project is to create an archive of the data provided from these and other studies and also provide tools that will enable faster and more effective analysis of large data sets.

BENEFITS:

1. Provide search capability across all databases and projects.
2. Provide FDA-compliant record of data analysis, including archive databases and summary reports.
3. Provide the ability to process large datasets quickly and efficiently.

Initiation of project is contingent upon presenting a full project plan, justification and budget to the Capital Committee and President.



Wilson Analytical LCMS System

\$0.25 mm

This equipment is required to detect and measure lower level degradents found in ORF. This lower level of degradents is not detected by current equipment.

Initiation of project is contingent upon presenting a full project plan, justification and budget to the Capital Committee and President.



Back-Up



2013 Capital Request of \$21.5 mm

To put this request into perspective the last four years approved capital budgets have averaged \$53 mm

		<u>Budget Request</u>		
	2013	21.5		
(1)	2012	93.2	}	Average = 53.0
	2011	35.4		
	2010	30.3		
(2)	2009	53.0		

(1) 2012 includes \$59 mm approved for new plant, of that amount \$10 mm is expected to be spent in 2013.

(2) 2009 includes \$8.0 mm for the One Stamford Forum sublease fit out (floors 6 and 8) and \$6.5 mm for the Wilson warehouse and vault expansion.

2013 Capital Requests by Functional Area

G&A

IT	\$	8,161,000	
Finance		432,000	
Human Resources		200,000	
Legal		125,000	
			\$ 8,918,000

Stamford Facilities

2,480,000

R&D

Cranbury	2,070,000	
Stamford	2,045,000	
		4,115,000

S&P

950,000

Tech Ops

Wilson	6,351,000	
Totowa	960,000	
Supply Chain	250,000	
		7,561,000

Savings Target

(2,500,000)

GRAND TOTAL

\$ 21,524,000



2013 Capital Requests - Projects < 0.3 mm

<u>Project Name</u>	<u>Capital Budget</u>
IT Security enhancement-allows approved applications to run in Purdue environment and blocks any unauthorized application that find their way into the environment (e.g. mal ware)	\$280,000
Expand quality management system to include investigations, change control third party supplier scorecard and more	250,000
Totowa site maintenance capital fund	250,000
Next generation experimental IT technology fund	245,000
Totowa phase-1 HVAC upgrades	240,000
Wilson dust containment system for tablet press	240,000
Analgesic sales force iPad development	225,000
Cranbury miscellaneous capital	220,000
Wilson redundant power supply to IT data & telecom areas	215,000
Human Resources system in SAP - upgrade	200,000
Upgrade/replace video conference systems at our major sites	200,000
Commercial systems disaster recovery upgrade	200,000
Cranbury lab equipment to support new ex-vivo studies	175,000
Replacement projectors in 8 conference rooms used by Sales Training	160,000
Replacement of old furniture due to routine wear & tear or ergonomic concerns	150,000
Projects <159K (50 projects)	<u>3,856,000</u>
Total for Projects <300K	\$7,106,000



To: Sackler, Dr Richard [REDACTED]
Cc: Stewart, John H. (US [REDACTED]); Gasdia, Russel [REDACTED]; Fisher, [REDACTED]
Windell [REDACTED]
From: Rosen, David (Sales and Marketing)
Sent: Mon 11/5/2012 3:41:32 PM
Subject: Intermezzo=1,184; Butrans=9,786

Hi, Dr. Richard. Slight growth in both products. The news on Butrans is largely positive as we reached a new high in extended release opioid share (1.94%), and we recently achieved preferred status on Aetna's formulary which is a major win. It will take some time before we start seeing the benefits of the pull through for the Aetna win, but this may serve to help change the physician perception of formulary coverage being a hurdle for Butrans. We will monitor the performance in Aetna closely.

Thanks,
David

Butrans

Rx Increase from last week	1.1%
Share	1.94%
Share last week	1.91%

Intermezzo

Rx Increase from last week	3%
Share	0.085%
Share last week	0.083%

-David

David Rosen | Executive Director, Forecasting, Analytics and Market Research | Purdue Pharma | One
Stamford Forum Stamford CT 06901 | [REDACTED]@pharma.com

Redacted

Redacted

From: Mahony, Edward

Sent: 2012年11月6日 12:35

To: Boer, Peter; Lewent, Judy; Pickett, Cecil; Costa, Paulo; Sackler, Beverly; Sackler, Jonathan; Sackler, Dr Kathe; Sackler, Mortimer D.A.; Sackler, Dr Raymond R; Sackler, Dr Richard; Sackler, Dame Theresa; Sackler Lefcourt, Ilene; Baker, Stuart D.; Stewart, John H. (US); Dolan, James; Gasdia, Russell; Landau, Dr. Craig; Long, David; Mallin, William; [REDACTED]; Weinstein, Bert; Sackler, David; Snyderman, Ralph

CC: Rosen, David (Sales and Marketing); Lowne, Jon; Bostrup, Eric; [REDACTED]

Subject: RE: October Finance Year-to-Date Flash Report

Attachments: October Sales Analysis Monthly Package.pdf

Colleagues:

The following is Purdue's October Flash^[1] Report.

NET SALES

- October year-to-date Net Sales totaled \$1.770 billion. This amount is \$169 million less than budget and is driven primarily by lower demand for OxyContin, Butrans and Intermezzo. **Note:** Hurricane Sandy delayed the receipt of some orders and their subsequent shipment totaling approximately \$24 million in sales. This amount which shipped later in the week will be included in November sales.
- Full year Net Sales are expected to be in-line with the 2012 Latest Estimate presented to the Board last week.
- The Net Sales Report is attached.

CASH

-

- At the end of October, Purdue's unrestricted cash balance was \$790 million. This cash balance is in-line with our forecast. By year-end, we forecast unrestricted cash balance to be \$716 million.

All the best,
Ed

^[1] Flash Finance Report including sales, cash and any finance significant events. Full financial statements are issued at least five times per year – March, May, June, September and December.

^[1] Flash Finance Report including sales, cash and any finance significant events. Full financial statements are issued at least five times per year – March, May, June, September and December.

Sales Summary Gross to Net

Expressed in 000's

	Oct. Year-to-Date			Full Year	
	2012 YTD Actual	2012 YTD Budget	2011 YTD Actual	2012 Budget	2011 Actual
<i>OxyContin</i>					
Gross Sales	\$ 2,240,072	\$ 2,375,533	\$ 2,283,560	\$ 2,877,361	\$ 2,781,018
Fee for Service	(58,312)	(60,828)	(57,193)	(73,631)	(70,993)
Sales Discounts and Allowances	(77,454)	(43,492)	(37,020)	(58,180)	(58,928)
Savings Cards Discounts	(12,654)	(16,526)	(9,352)	(19,890)	(10,935)
Rebates	(430,466)	(449,752)	(425,303)	(542,148)	(540,410)
Proposed Regulation Adjustment for Medicaid Rebates	(50,987)	(62,374)	(56,431)	(74,836)	(68,854)
OxyContin Net Sales	1,610,200	1,742,562	1,698,261	2,108,676	2,030,898
<i>Butrans</i>					
Gross Sales	\$ 88,600	\$ 107,607	\$ 57,645	135,808	73,531
Fee for Service	(2,436)	(2,930)	(1,392)	(3,685)	(1,827)
Sales Discounts and Allowances	(1,668)	(1,928)	(2,063)	(16,123)	(8,254)
Savings Cards Discounts	(4,955)	(7,697)	(3,005)	(9,671)	(4,392)
Rebates	(5,551)	(8,118)	(2,129)	(10,387)	(3,123)
Butrans Net Sales	73,990	86,934	49,055	95,942	55,935
<i>Intermezzo</i>					
Gross Sales	\$ 14,523	\$ 29,788	\$ -	49,185	-
Fee for Service	(369)	(763)	-	(1,244)	-
Sales Discounts and Allowances	(8,708)	(610)	-	(1,000)	-
Savings Cards Discounts	(354)	(307)	-	(500)	-
Rebates	(274)	(1,858)	-	(3,000)	-
Intermezzo Net Sales	4,817	26,250	-	43,441	-
<i>Other Products</i>					
Gross Sales	\$ 79,587	\$ 88,914	\$ 94,314	105,516	116,611
Fee for Service	(826)	(1,040)	(1,012)	(1,252)	(1,687)
Sales Discounts and Allowances	6,280	(1,702)	(1,121)	1,805	10,960
Savings Cards Discounts	(1,580)	(293)	(204)	(350)	(245)
Rebates	(2,049)	(1,883)	(1,668)	(2,289)	(2,358)
Other Products Net Sales	81,412	83,997	90,308	103,430	123,281
<i>Total for All Products</i>					
Gross Sales	\$ 2,422,781	\$ 2,601,843	\$ 2,435,519	\$ 3,167,870	\$ 2,971,161
Fee for Service	(61,943)	(65,561)	(59,597)	(79,812)	(74,507)
Sales Discounts and Allowances	(81,550)	(47,732)	(40,205)	(73,498)	(56,222)
Savings Cards Discounts	(19,543)	(24,822)	(12,562)	(30,411)	(15,572)
Rebates	(438,340)	(461,611)	(429,101)	(557,824)	(545,891)
Proposed Regulation Adjustment for Medicaid Rebates	(50,987)	(62,374)	(56,431)	(74,836)	(68,854)
Total Net Sales	\$ 1,770,418	\$ 1,939,743	\$ 1,837,624	\$ 2,351,489	\$ 2,210,115

Purdue Sales versus Budget
October 2012
Flash Report

(\$000)													
Group	Year to Date Oct-12					Full Year							
	Actual	Budget	Mid Year Update	Var. to Budget	Var. to Mid Year Update	2012 Budget	2012 Mid Year Update	2011 Actual	2010 Actual	2009 Actual	2008 Actual	2011 Oct YTD Actual	Variance to Prior Year
<i>10mg</i>	\$ 122,846	\$ 127,767	\$ 123,286	\$ (4,922)	\$ (440)	\$ 156,075	\$ 150,922	\$ 146,784	\$ 121,344	\$ 133,629	\$ 118,134	\$ 120,670	\$ 2,176
<i>15mg</i>	26,862	21,484	25,995	5,378	867	26,007	32,101	27,136	23,620	16,548	10,432	21,970	4,892
<i>20mg</i>	324,155	337,739	329,633	(13,583)	(5,478)	408,862	402,818	404,149	361,266	369,289	388,132	332,222	(8,067)
<i>30mg</i>	163,740	144,375	159,524	19,364	4,216	174,780	196,103	171,730	161,048	114,431	57,716	138,750	24,989
<i>40mg</i>	500,357	535,893	508,259	(35,536)	(7,902)	648,781	620,219	633,738	682,972	708,279	650,395	523,356	(22,999)
<i>60mg</i>	272,775	264,280	269,441	8,495	3,334	319,936	330,874	300,721	315,742	226,251	106,119	244,228	28,547
<i>80mg</i>	829,337	943,996	826,172	(114,659)	3,166	1,142,920	1,004,280	1,096,778	1,331,784	1,320,222	1,105,694	902,367	(73,030)
<i>160mg</i>	-	-	-	-	-	-	-	(17)	-	-	(4)	(3)	3
OxyContin	2,240,072	2,375,533	2,242,309	(135,462)	(2,237)	2,877,361	2,737,318	2,781,018	2,997,775	2,888,649	2,436,618	2,283,560	(43,488)
Butrans	88,600	107,607	105,097	(19,008)	(16,497)	135,808	135,808	73,531	-	-	-	57,645	30,955
Intermezzo	14,523	29,788	35,376	(15,265)	(20,853)	49,185	49,185	-	-	-	-	-	14,523
Dilaudid Injectibles	6,217	1,622	6,022	4,595	195	1,932	6,791	4,622	6,903	4,038	3,115	1,522	4,695
Dilaudid HP	1,988	2,290	1,942	(302)	46	2,698	2,311	2,724	9,448	3,823	9,947	2,157	(169)
Dilaudid Tablets	11,340	15,637	12,673	(4,297)	(1,333)	19,108	15,552	17,495	18,730	24,977	14,472	14,289	(2,948)
Dilaudid	19,546	19,549	20,637	(3)	(1,092)	23,738	24,654	24,842	35,081	32,838	27,535	17,967	1,578
MS Contin	10,460	11,367	9,691	(906)	770	13,620	11,547	13,339	15,101	16,860	17,996	11,061	(600)
Ryzolt	(6,837)	1,647	(6,582)	(8,484)	(256)	391	(7,250)	11,168	16,510	10,842	-	9,943	(16,780)
Betadine First Aid	3,450	3,599	3,280	(149)	169	4,314	3,929	4,164	4,249	3,858	3,664	3,575	(125)
Betadine Hospital	3,890	3,455	3,870	435	20	4,144	4,589	4,412	4,196	3,864	4,082	3,650	240
Betadine Veterinary	750	717	677	33	73	861	793	793	765	729	747	688	61
Betadine	8,089	7,771	7,827	319	262	9,319	9,311	9,369	9,210	8,451	8,493	7,913	176
Betasept	1,612	1,382	1,454	229	158	1,656	1,664	1,753	1,715	1,500	1,729	1,384	227
Colace	20,966	19,643	21,355	1,323	(388)	23,725	25,623	23,729	22,250	22,889	22,996	19,496	1,470
Peri-Colace	3,682	3,390	3,752	292	(70)	4,068	4,502	3,968	3,637	3,058	4,665	3,342	340
Colace / Peri-Colace	24,648	23,033	25,107	1,615	(459)	27,793	30,125	27,697	25,887	25,947	27,661	22,837	1,811
Senokot	8,182	8,708	8,410	(526)	(228)	10,450	10,090	10,428	9,894	7,272	13,417	8,328	(145)
Senokot - S	9,261	11,342	9,701	(2,080)	(439)	13,610	11,638	13,010	12,360	11,357	17,127	10,743	(1,482)
Senokot	17,444	20,050	18,111	(2,606)	(667)	24,059	21,728	23,437	22,253	18,629	30,545	19,071	(1,627)
Slow-Mag	4,702	4,116	4,144	586	558	4,940	4,940	5,352	4,585	4,703	4,523	4,471	232
Slow-Mag	4,702	4,116	4,144	586	558	4,940	4,940	5,352	4,585	4,703	4,523	4,471	232
Discontinued Products	(76)	-	(44)	(76)	(32)	-	(44)	(344)	(243)	3,725	4,374	(333)	256
Gross Branded Sales	\$ 2,422,781	\$ 2,601,843	\$ 2,463,125	\$ (179,062)	\$ (40,344)	\$ 3,167,870	\$ 3,018,985	\$ 2,971,161	\$ 3,127,873	\$ 3,012,143	\$ 2,559,475	\$ 2,435,519	\$ (12,738)
Fee-for-Service	\$ (61,943)	\$ (65,561)	\$ (62,277)	\$ 3,618	\$ 335	\$ (79,812)	\$ (76,465)	\$ (74,507)	\$ (79,237)	\$ (76,215)	\$ (60,355)	\$ (59,597)	\$ (2,346)
Disc. & Allowances	(42,138)	(47,732)	(44,323)	5,594	2,185	(68,765)	(65,861)	(49,328)	(61,312)	(60,921)	(35,040)	(40,205)	(1,934)
Ryzolt Returns Reserve	7,150	-	5,107	7,150	2,043	(1,158)	7,135	161	-	-	-	-	7,150
Intermezzo Returns Reserve	(7,756)	-	-	(7,756)	(7,756)	-	(4,882)	-	-	-	-	-	(7,756)
OxyContin Returns Reserve	(38,806)	-	-	(38,806)	(38,806)	(3,576)	(8,589)	(7,055)	12,519	5,359	(22,366)	-	(38,806)
Savings Card Discount	(19,543)	(24,822)	(23,581)	5,279	4,038	(30,411)	(30,061)	(15,572)	(15,691)	(17,131)	(13,444)	(12,562)	(6,981)
Rebates	(438,340)	(461,611)	(447,236)	23,271	8,896	(557,823)	(538,727)	(545,891)	(621,633)	(455,092)	(342,153)	(429,101)	(9,239)
Proposed regulation adj f	(50,987)	(62,374)	(50,471)	11,387	(516)	(74,836)	(63,618)	(68,854)	(40,041)	-	-	(56,431)	5,444
Less: Deductions Subtotal	\$ (652,363)	\$ (662,100)	\$ (622,781)	\$ 9,737	\$ (29,582)	\$ (816,382)	\$ (781,068)	\$ (761,047)	\$ (805,395)	\$ (604,000)	\$ (473,358)	\$ (597,895)	\$ (54,468)
Net Branded Sales	\$ 1,770,418	\$ 1,939,743	\$ 1,840,344	\$ (169,325)	\$ (69,926)	\$ 2,351,488	\$ 2,237,917	\$ 2,210,115	\$ 2,322,478	\$ 2,408,143	\$ 2,086,116	\$ 1,837,624	\$ (67,206)

<i>Fee-for-Service</i>	-2.6%	-2.5%	-2.5%			-2.5%	-2.5%	-2.5%	-2.5%	-2.5%	-2.4%	-2.4%
<i>Disc. & Allowances(Excl</i>	-1.7%	-1.8%	-1.8%			-2.2%	-2.2%	-1.7%	-2.0%	-2.0%	-1.4%	-1.7%
<i>Rebates</i>	-18.1%	-17.7%	-18.2%			-17.6%	-17.8%	-18.4%	-19.9%	-15.1%	-13.4%	-17.6%

Net Branded Sales - Variance to Budget Due to:

(\$ in millions)

Gross Sales

• Impact of trade inventories lower than budget. ⁽¹⁾	\$ (35.4)	
• Impact of shipment delays resulting from Hurricane Sandy.	(24.3)	
• Lower OxyContin demand as Rx's are running ~5.7% below budget. ⁽¹⁾	<u>(75.7)</u>	(135.5)
Lower OxyContin Sales due to lower trade inventory and lower demand.		
• Lower Butrans sales - see Sales Trend chart.		(19.0)
• Intermezzo sales - see Sales Trend chart.		(15.3)
• Ryzolt returns		(8.5)
• All Other		<u>(0.8)</u>

Sub-Total Gross Sales Variance

(179.1)

Deductions

• Lower Fee for Service due to lower sales.	\$ 3.6	
• Higher Discounts and Allowances primarily due to OxyContin (\$38.8MM) and Intermezzo Return Reserves (\$7.8MM), offset by the change in Ryzolt return reserve (\$7.2MM) and lower sales/other (\$5.6MM).	(33.8)	
• Lower Savings Card Discount due to lower OxyContin sales and redemption rates (\$2.3MM), lower Butrans sales (\$2.7MM) and all other (\$0.3MM).	5.3	
• Lower Rebates due to lower sales partially offset by higher Medicare Part D Coverage Gap and Tricare program utilization.	23.3	
• Lower Proposed regulation adjustment primarily due to lower Medicaid eligible sales.	<u>11.4</u>	

Sub-Total Deductions variance

9.7

Net Branded Sales Variance to Budget\$ (169.3)

(1) Each of these factors is based on estimates provided by IMS and customers.

Message

From: Mahony, Edward [REDACTED]
Sent: 11/6/2012 12:34:38 PM
To: Boer, Peter [REDACTED]; Lewent, Judy [REDACTED]; Pickett, Cecil [REDACTED]; Costa, Paulo [REDACTED]; Sackler, Beverly [REDACTED]; Sackler, Jonathan [REDACTED]; Sackler, Dr Kathe [REDACTED]; Sackler, Mortimer D.A. [REDACTED]; Sackler, Dr Raymond R [REDACTED]; Sackler, Dr Richard [REDACTED]; Sackler, Dame Theresa [REDACTED]; Sackler Lefcourt, Ilene [REDACTED]; Baker, Stuart D. [REDACTED]; Stewart, John H. (US) [REDACTED]; Dolan, James [REDACTED]; Gasdia, Russell [REDACTED]; Landau, Dr. Craig [REDACTED]; Long, David [REDACTED]; Mallin, William [REDACTED]; Stiles, Gary [REDACTED]; Weinstein, Bert [REDACTED]; Sackler, David [REDACTED]; Snyderman, Ralph [REDACTED]
CC: Rosen, David (Sales and Marketing) [REDACTED]; Lowne, Jon [REDACTED]; Bostrup, Eric [REDACTED]
BCC: Stewart, John H. (US) [REDACTED]
Subject: RE: October Finance Year-to-Date Flash Report
Attachments: October Sales Analysis Monthly Package.pdf

Colleagues:

The following is Purdue's October Flash^[1] Report.

NET SALES

- October year-to-date Net Sales totaled \$1.770 billion. This amount is \$169 million less than budget and is driven primarily by lower demand for OxyContin, Butrans and Intermezzo. **Note:** Hurricane Sandy delayed the receipt of some orders and their subsequent shipment totaling approximately \$24 million in sales. This amount which shipped later in the week will be included in November sales.
- Full year Net Sales are expected to be in-line with the 2012 Latest Estimate presented to the Board last week.

^[1] Flash Finance Report including sales, cash and any finance significant events. Full financial statements are issued at least five times per year – March, May, June, September and December.

- The Net Sales Report is attached.

CASH

- At the end of October, Purdue's unrestricted cash balance was \$790 million. This cash balance is in-line with our forecast. By year-end, we forecast unrestricted cash balance to be \$716 million.

All the best,
Ed

^[1] Flash Finance Report including sales, cash and any finance significant events. Full financial statements are issued at least five times per year – March, May, June, September and December.

.....

.....

Sales Summary Gross to Net

Expressed in 000's

	Oct. Year-to-Date			Full Year	
	2012 YTD Actual	2012 YTD Budget	2011 YTD Actual	2012 Budget	2011 Actual
OxyContin					
Gross Sales	\$ 2,240,072	\$ 2,375,533	\$ 2,283,560	\$ 2,877,361	\$ 2,781,018
Fee for Service	(58,312)	(60,828)	(57,193)	(73,631)	(70,993)
Sales Discounts and Allowances	(77,454)	(43,492)	(37,020)	(58,180)	(58,928)
Savings Cards Discounts	(12,654)	(16,526)	(9,352)	(19,890)	(10,935)
Rebates	(430,466)	(449,752)	(425,303)	(542,148)	(540,410)
Proposed Regulation Adjustment for Medicaid Rebates	(50,987)	(62,374)	(56,431)	(74,836)	(68,854)
OxyContin Net Sales	1,610,200	1,742,562	1,698,261	2,108,676	2,030,898
Butrans					
Gross Sales	\$ 88,600	\$ 107,607	\$ 57,645	135,808	73,531
Fee for Service	(2,436)	(2,930)	(1,392)	(3,685)	(1,827)
Sales Discounts and Allowances	(1,668)	(1,928)	(2,063)	(16,123)	(8,254)
Savings Cards Discounts	(4,955)	(7,697)	(3,005)	(9,671)	(4,392)
Rebates	(5,551)	(8,118)	(2,129)	(10,387)	(3,123)
Butrans Net Sales	73,990	86,934	49,055	95,942	55,935
Intermezzo					
Gross Sales	\$ 14,523	\$ 29,788	\$ -	49,185	-
Fee for Service	(369)	(763)	-	(1,244)	-
Sales Discounts and Allowances	(8,708)	(610)	-	(1,000)	-
Savings Cards Discounts	(354)	(307)	-	(500)	-
Rebates	(274)	(1,858)	-	(3,000)	-
Intermezzo Net Sales	4,817	26,250	-	43,441	-
Other Products					
Gross Sales	\$ 79,587	\$ 88,914	\$ 94,314	105,516	116,611
Fee for Service	(826)	(1,040)	(1,012)	(1,252)	(1,687)
Sales Discounts and Allowances	6,280	(1,702)	(1,121)	1,805	10,960
Savings Cards Discounts	(1,580)	(293)	(204)	(350)	(245)
Rebates	(2,049)	(1,883)	(1,668)	(2,289)	(2,358)
Other Products Net Sales	81,412	83,997	90,308	103,430	123,281
Total for All Products					
Gross Sales	\$ 2,422,781	\$ 2,601,843	\$ 2,435,519	\$ 3,167,870	\$ 2,971,161
Fee for Service	(61,943)	(65,561)	(59,597)	(79,812)	(74,507)
Sales Discounts and Allowances	(81,550)	(47,732)	(40,205)	(73,498)	(56,222)
Savings Cards Discounts	(19,543)	(24,822)	(12,562)	(30,411)	(15,572)
Rebates	(438,340)	(461,611)	(429,101)	(557,824)	(545,891)
Proposed Regulation Adjustment for Medicaid Rebates	(50,987)	(62,374)	(56,431)	(74,836)	(68,854)
Total Net Sales	\$ 1,770,418	\$ 1,939,743	\$ 1,837,624	\$ 2,351,489	\$ 2,210,115

Purdue Sales versus Budget
October 2012
Flash Report

(\$000)													
Group	Year to Date Oct-12					Full Year							
	Actual	Budget	Mid Year Update	Var. to Budget	Var. to Mid Year Update	2012 Budget	2012 Mid Year Update	2011 Actual	2010 Actual	2009 Actual	2008 Actual	2011 Oct YTD Actual	Variance to Prior Year
10mg	\$ 122,846	\$ 127,767	\$ 123,286	\$ (4,922)	\$ (440)	\$ 156,075	\$ 150,922	\$ 146,784	\$ 121,344	\$ 133,629	\$ 118,134	\$ 120,670	\$ 2,176
15mg	26,862	21,484	25,995	5,378	867	26,007	32,101	27,136	23,620	16,548	10,432	21,970	4,892
20mg	324,155	337,739	329,633	(13,583)	(5,478)	408,862	402,818	404,149	361,266	369,289	388,132	332,222	(8,067)
30mg	163,740	144,375	159,524	19,364	4,216	174,780	196,103	171,730	161,048	114,431	57,716	138,750	24,989
40mg	500,357	535,893	508,259	(35,536)	(7,902)	648,781	620,219	633,738	682,972	708,279	650,395	523,356	(22,999)
60mg	272,775	264,280	269,441	8,495	3,334	319,936	330,874	300,721	315,742	226,251	106,119	244,228	28,547
80mg	829,337	943,996	826,172	(114,659)	3,166	1,142,920	1,004,280	1,096,778	1,331,784	1,320,222	1,105,694	902,367	(73,030)
160mg	-	-	-	-	-	-	-	(17)	-	-	(4)	(3)	3
OxyContin	2,240,072	2,375,533	2,242,309	(135,462)	(2,237)	2,877,361	2,737,318	2,781,018	2,997,775	2,888,649	2,436,618	2,283,560	(43,488)
Butrans	88,600	107,607	105,097	(19,008)	(16,497)	135,808	135,808	73,531	-	-	-	57,645	30,955
Intermezzo	14,523	29,788	35,376	(15,265)	(20,853)	49,185	49,185	-	-	-	-	-	14,523
Dilaudid Injectibles	6,217	1,622	6,022	4,595	195	1,932	6,791	4,622	6,903	4,038	3,115	1,522	4,695
Dilaudid HP	1,988	2,290	1,942	(302)	46	2,698	2,311	2,724	9,448	3,823	9,947	2,157	(169)
Dilaudid Tablets	11,340	15,637	12,673	(4,297)	(1,333)	19,108	15,552	17,495	18,730	24,977	14,472	14,289	(2,948)
Dilaudid	19,546	19,549	20,637	(3)	(1,092)	23,738	24,654	24,842	35,081	32,838	27,535	17,967	1,578
MS Contin	10,460	11,367	9,691	(906)	770	13,620	11,547	13,339	15,101	16,860	17,996	11,061	(600)
Ryzolt	(6,837)	1,647	(6,582)	(8,484)	(256)	391	(7,250)	11,168	16,510	10,842	-	9,943	(16,780)
Betadine First Aid	3,450	3,599	3,280	(149)	169	4,314	3,929	4,164	4,249	3,858	3,664	3,575	(125)
Betadine Hospital	3,890	3,455	3,870	435	20	4,144	4,589	4,412	4,196	3,864	4,082	3,650	240
Betadine Veterinary	750	717	677	33	73	861	793	793	765	729	747	688	61
Betadine	8,089	7,771	7,827	319	262	9,319	9,311	9,369	9,210	8,451	8,493	7,913	176
Betasept	1,612	1,382	1,454	229	158	1,656	1,664	1,753	1,715	1,500	1,729	1,384	227
Colace	20,966	19,643	21,355	1,323	(388)	23,725	25,623	23,729	22,250	22,889	22,996	19,496	1,470
Peri-Colace	3,682	3,390	3,752	292	(70)	4,068	4,502	3,968	3,637	3,058	4,665	3,342	340
Colace / Peri-Colace	24,648	23,033	25,107	1,615	(459)	27,793	30,125	27,697	25,887	25,947	27,661	22,837	1,811
Senokot	8,182	8,708	8,410	(526)	(228)	10,450	10,090	10,428	9,894	7,272	13,417	8,328	(145)
Senokot - S	9,261	11,342	9,701	(2,080)	(439)	13,610	11,638	13,010	12,360	11,357	17,127	10,743	(1,482)
Senokot	17,444	20,050	18,111	(2,606)	(667)	24,059	21,728	23,437	22,253	18,629	30,545	19,071	(1,627)
Slow-Mag	4,702	4,116	4,144	586	558	4,940	4,940	5,352	4,585	4,703	4,523	4,471	232
Slow-Mag	4,702	4,116	4,144	586	558	4,940	4,940	5,352	4,585	4,703	4,523	4,471	232
Discontinued Products	(76)	-	(44)	(76)	(32)	-	(44)	(344)	(243)	3,725	4,374	(333)	256
Gross Branded Sales	\$ 2,422,781	\$ 2,601,843	\$ 2,463,125	\$ (179,062)	\$ (40,344)	\$ 3,167,870	\$ 3,018,985	\$ 2,971,161	\$ 3,127,873	\$ 3,012,143	\$ 2,559,475	\$ 2,435,519	\$ (12,738)
Fee-for-Service	\$ (61,943)	\$ (65,561)	\$ (62,277)	\$ 3,618	\$ 335	\$ (79,812)	\$ (76,465)	\$ (74,507)	\$ (79,237)	\$ (76,215)	\$ (60,355)	\$ (59,597)	\$ (2,346)
Disc. & Allowances	(42,138)	(47,732)	(44,323)	5,594	2,185	(68,765)	(65,861)	(49,328)	(61,312)	(60,921)	(35,040)	(40,205)	(1,934)
Ryzolt Returns Reserve	7,150	-	5,107	7,150	2,043	(1,158)	7,135	161	-	-	-	-	7,150
Intermezzo Returns Reserve	(7,756)	-	-	(7,756)	(7,756)	-	(4,882)	-	-	-	-	-	(7,756)
OxyContin Returns Reserve	(38,806)	-	-	(38,806)	(38,806)	(3,576)	(8,589)	(7,055)	12,519	5,359	(22,366)	-	(38,806)
Savings Card Discount	(19,543)	(24,822)	(23,581)	5,279	4,038	(30,411)	(30,061)	(15,572)	(15,691)	(17,131)	(13,444)	(12,562)	(6,981)
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Net Branded Sales	\$ 1,770,418	\$ 1,939,743	\$ 1,840,344	\$ (169,325)	\$ (69,926)	\$ 2,351,488	\$ 2,237,917	\$ 2,210,115	\$ 2,322,478	\$ 2,408,143	\$ 2,086,116	\$ 1,837,624	\$ (67,206)

Fee-for-Service	-2.6%	-2.5%	-2.5%			-2.5%	-2.5%	-2.5%	-2.5%	-2.5%	-2.4%	-2.4%
Disc. & Allowances(Excl	-1.7%	-1.8%	-1.8%			-2.2%	-2.2%	-1.7%	-2.0%	-2.0%	-1.4%	-1.7%
Rebates	-18.1%	-17.7%	-18.2%			-17.6%	-17.8%	-18.4%	-19.9%	-15.1%	-13.4%	-17.6%

Net Branded Sales - Variance to Budget Due to:

(\$ in millions)

Gross Sales

• Impact of trade inventories lower than budget. ⁽¹⁾	\$ (35.4)	
• Impact of shipment delays resulting from Hurricane Sandy.	(24.3)	
• Lower OxyContin demand as Rxs are running ~5.7% below budget. ⁽¹⁾	<u>(75.7)</u>	
Lower OxyContin Sales due to lower trade inventory and lower demand.		(135.5)
• Lower Butrans sales - see Sales Trend chart.		(19.0)
• Intermezzo sales - see Sales Trend chart.		(15.3)
• Ryzolt returns		(8.5)
• All Other		<u>(0.8)</u>

Sub-Total Gross Sales Variance

(179.1)

Deductions

• Lower Fee for Service due to lower sales.	\$ 3.6	
• Higher Discounts and Allowances primarily due to OxyContin (\$38.8MM) and Intermezzo Return Reserves (\$7.8MM), offset by the change in Ryzolt return reserve (\$7.2MM) and lower sales/other (\$5.6MM).	(33.8)	
• Lower Savings Card Discount due to lower OxyContin sales and redemption rates (\$2.3MM), lower Butrans sales (\$2.7MM) and all other (\$0.3MM).	5.3	
• Lower Rebates due to lower sales partially offset by higher Medicare Part D Coverage Gap and Tricare program utilization.	23.3	
• Lower Proposed regulation adjustment primarily due to lower Medicaid eligible sales.	<u>11.4</u>	

Sub-Total Deductions variance

9.7

Net Branded Sales Variance to Budget

\$ (169.3)

(1) Each of these factors is based on estimates provided by IMS and customers.

Message

From: [REDACTED]
Sent: 11/9/2012 10:40:27 AM
To: Sackler, Dr Raymond R [REDACTED]; Sackler, Dame Theresa
[REDACTED]; Sackler, Beverly [REDACTED]; Sackler, Dr Richard [REDACTED]
[REDACTED]
Sackler Lefcourt, Ilene [REDACTED]
[REDACTED]; Sackler, Dr Kathe [REDACTED]
[REDACTED]
Sackler, Jonathan [REDACTED]
[REDACTED]; Sackler Hunt, Samantha [REDACTED]
[REDACTED]; Sackler, Mortimer D.A. [REDACTED]
[REDACTED]; Sackler, David [REDACTED]
[REDACTED]
Boer, Peter [REDACTED]
[REDACTED]; Lewent, Judy [REDACTED]
[REDACTED]; Pickett, Ceci [REDACTED]
[REDACTED]; Costa, Paulo [REDACTED]
[REDACTED]
Snyderman, Ralph [REDACTED]
CC: Baker, Stuart D [REDACTED]
[REDACTED]; Mitchell, Christopher B. [REDACTED]
[REDACTED]; dcbmitchell.co.uk [REDACTED]
[REDACTED]; White, Jonathan (Ogier.com) [REDACTED]
[REDACTED]; Mahony, Edward [REDACTED]
[REDACTED]; Wikström, Åke [REDACTED]
[REDACTED]; Stewart, John H. (US) [REDACTED]
[REDACTED]; Hentzsch, Dr. Cornelia [REDACTED]
[REDACTED]
[REDACTED]; Levine, Ron [REDACTED]
[REDACTED]; Singh, Raman [REDACTED]
[REDACTED]
BCC: Stewart, John H. (US) [REDACTED]
Subject: Worldwide Sales - October 2012
Attachments: WW Sales 2012 J October Send.xlsx

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Note: This report compares Actual against Mid-Year Estimate (MYE) and Budget. For Europe and Asia Pacific the references to 'Budget' in this report refer to the budgets approved in February 2012.

HIGHLIGHTS – October 2012

- Monthly sales in October of \$321.1m were 10.7% ahead of last year, but 3.9% down on MYE. (Page 3)

- Europe achieved record monthly sales of \$94.8m, whilst Asia Pacific and Australia and New Zealand (“ANZ”) achieved their second best month. There were individual monthly records for France and Finland, and second best monthly sales for the UK, Australia, China and Korea.
- Worldwide year to date sales of \$3,146.6m are back in line with 2011, but 1.7% down on MYE. (Page 3)
- Worldwide excluding USA cumulative sales of \$1,376.2m remain marginally ahead of budget, with Canada (+ 2.3%) and Asia Pacific (+ 12.8%) each up, whilst Europe and ANZ are in line with budget. (Page 3)
- USA sales in the month of \$174.8m were 11.0% up on 2011, but 8.7% down on MYE.
- Worldwide cumulative sales of OxyContin of \$2,027.1m are 5.8% down on last year, which is offset by the 13.6% growth in all other products to \$1,119.5m. (Page 2)
- The year to date growth in other products is driven by the strong performance of BuTrans, Targin and Levact, with each up at least 27% on last year. (Page 6)
- In addition to the above sales by operating companies, YTD sales for joint ventures are \$129.2m, being 4.9% up on last year, but 2.4% down on MYE. Sales in India of \$70.9m YTD are 7.9% up on last year. (Page 10)

Year to Date – October 2012

Worldwide sales of \$3,146.6m are in line with last year, but 1.7% less than MYE and 4.8% behind budget.

USA sales of \$1,770.4m are 3.7% down on 2011, 3.8% behind MYE and 8.7% below budget. Sales of OxyContin of \$1,596.8m are 5.7% lower than 2011, 1.7% below MYE and 7.4% less than budget.

Worldwide excluding USA sales of \$1,376.2m are 5.9% better than 2011 and marginally up on each of MYE and budget.

Europe sales of \$892.3m are 7.6% up on 2011 and remain in line with both MYE and budget. Each of the ‘big 5’ markets are up on last year, with **Germany** +2.0%, the **UK** +11.1%, **France** +16.0%, **Italy** +47.3% and **Spain** +15.4%.

Following a difficult period, cumulative sales in **Canada** of \$281.4m are 5.5% lower than 2011, but remain 2.3% better than MYE/budget. The positive variance to budget is explained by a successful transition to OxyNEO along with two additional months of OxyContin sales before the changeover to OxyNEO. Combined OxyContin/OxyNEO YTD sales of \$145.9m are 17.1% down on last year, but 1.4% ahead of MYE/budget. Hydromorph Contin cumulative sales (\$74.5m) are 9.1% up on MYE/budget, as physicians switch some patients from OxyContin to Hydromorph Contin instead of OxyNEO because of a more favourable reimbursement status in most provinces.

Sales in **ANZ** of \$128.1m (including \$122.0m of sales in Australia) are 9.2% up on 2011 and in line with both MYE and budget. In **Australia**, sales of OxyContin of \$55.8m are marginally up on 2011, but marginally down on both MYE and budget. The largest contributor to growth remains Targin, with year to date sales of \$7.9m being 8.9% ahead of MYE and 10.8% better than budget. Combined

OxyContin/Targin sales are 14.1% ahead of 2011 and marginally up on budget. Norspan sales of \$39.5m are up on last year by 10.9%, but down on MYE by 1.4%.

Asia Pacific sales of \$74.4m are 33.9% up on 2011, 12.1% higher than MYE and 12.8% better than budget. All countries are comfortably up on last year, with **China**, **Korea** and the **Philippines** being ahead of 2011 by 35%, 42% and 14%, respectively. In **China**, OxyContin continues to perform strongly, with year to date sales up 48% on 2011. In **Korea**, the recently launched products Targin and Norspan continue to exceed expectations, being ahead of budget by 58% and 103%, respectively, with further new listings in hospitals and clinics.

Month – October 2012

Worldwide sales of \$321.1m were 10.7% ahead of October 2011, but 3.9% down on MYE and 10.8% below budget. Following a below par September which had fewer selling days than last year, October has benefitted from an additional two selling days compared to 2011.

USA sales in the month of \$174.8m were 11.0% up on last year, but 8.7% less than MYE and 18.5% behind budget. OxyContin sales of \$154.8m were 8.7% up on last year, but 6.1% lower than MYE and 16.3% less than budget.

Worldwide excluding USA sales in October of \$146.3m were a healthy 10.3% ahead of September 2011, 2.4% up on MYE and marginally ahead of budget.

October sales in **Europe** of \$94.8m were a new monthly record, 12.4% up on last year and 1.3% ahead of MYE, although 1.2% down on budget. Sales in **Germany** were 7.7% ahead of last year and included record sales for Targin. The **UK** enjoyed its second best month, 13.4% up on 2011 and **France** had a record month, 21.7% up in last year. Targin, Norspan / BuTrans and OxyNorm each achieved all-time record monthly sales.

Canada sales in the month of \$29.6m were 2.0% up on 2011 and 3.1% up on MYE/budget. The year-on-year growth has come from Biphentin, which is 22.3% up on MYE/budget.

Sales in **ANZ** of \$13.6m were 6.2% up on last year, but marginally down on MYE and 1.0% behind budget. **Australia** achieved its second best ever month, with record monthly sales for Targin and second best ever sales for Norspan.

October sales in **Asia Pacific** of \$8.3m were the second best ever and only \$0.5m below last month's record sales. After five consecutive months of record sales, **China** sales were only marginally down on September, and along with **Korea**, October sales were the second best monthly sales.

For more detailed comments, reference should be made to individual country managers' reports and also to [REDACTED] European summary. Please contact me should you have any questions regarding this report.

With best regards,

[REDACTED]

Produced Natively

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WORLDWIDE SALES REPORT (US \$'000)

October 2012

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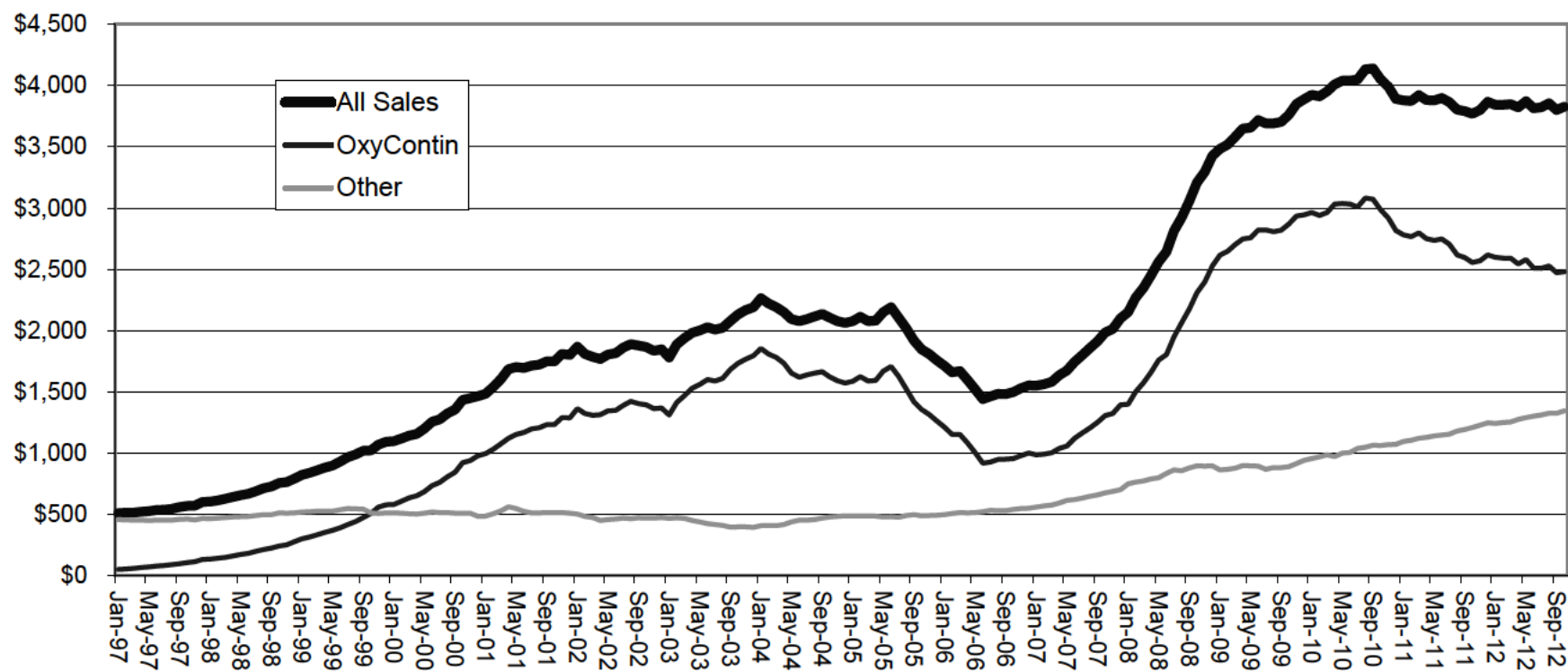
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October 2012

HISTORICAL SALES CHART

**WORLDWIDE SALES : TOTAL and OXYCONTIN
12 Month Rolling Total (US\$m)**

(millions)



October 2012

SUMMARY OF YEAR TO DATE SALES BY COUNTRY

		2012 Actual	% of Total	2011 Actual	2012 vs 2011	2012 MYE	2012 vs MYE	2012 Budget	2012 vs Bud
		US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Germany	(Mundipharma GmbH)	291,585	9.3	285,991	102.0	294,065	99.2	298,054	97.8
UK	(Napp Pharmaceuticals Ltd)	220,236	7.0	198,144	111.1	220,125	100.1	212,998	103.4
Nordic	(Norpharma / Mundipharma)	87,531	2.8	88,394	99.0	85,651	102.2	87,201	100.4
France	(Mundipharma SAS)	61,490	2.0	52,987	116.0	61,856	99.4	63,748	96.5
Italy	(Mundipharma Srl)	45,836	1.5	31,108	147.3	45,663	100.4	43,888	104.4
Switzerland	(Mundipharma Medical Co)	41,915	1.3	40,541	103.4	42,279	99.1	42,082	99.6
Austria	(Mundipharma GesmbH)	36,144	1.1	36,538	98.9	34,895	103.6	35,051	103.1
Netherlands	(Mundipharma Pharmaceuticals BV)	32,742	1.0	27,206	120.3	31,524	103.9	30,379	107.8
Spain	(Mundipharma SL)	29,017	0.9	25,154	115.4	29,865	97.2	31,388	92.4
Eastern Europe	(Mundipharma Medical GmbH)	15,719	0.5	17,243	91.2	15,778	99.6	18,070	87.0
Ireland	(Mundipharma Pharmaceuticals Ltd)	13,127	0.4	12,472	105.2	13,705	95.8	13,935	94.2
Belgium	(Mundipharma CVA)	8,560	0.3	7,399	115.7	9,081	94.3	9,446	90.6
Poland	(Norpharma)	6,741	0.2	5,912	114.0	6,256	107.8	7,450	90.5
South Africa	(Mundipharma Pty Ltd)	1,311	0.0	0	0.0	1,266	103.6	1,938	67.7
Portugal	(Mundipharma Farmaceutica Lda)	351	0.0	341	103.0	327	107.5	308	114.2
Total Europe		892,305	28.4	829,429	107.6	892,336	100.0	895,937	99.6
China	(MCPC)	39,261	1.2	29,168	134.6	35,069	112.0	34,801	112.8
Korea	(Mundipharma Korea Ltd)	19,600	0.6	13,856	141.5	15,940	123.0	15,940	123.0
Philippines	(Mundipharma Dist GmbH)	12,045	0.4	10,615	113.5	11,925	101.0	11,798	102.1
Malaysia	(Mundipharma Pharm. Sdn Bhd)	1,951	0.1	1,314	148.5	1,815	107.5	1,815	107.5
Singapore	(Mundipharma Pharmaceuticals Pte Ltd)	967	0.0	581	166.3	883	109.5	883	109.5
Hong Kong	(Mundipharma (Hong Kong) Ltd)	541	0.0	0	0.0	684	79.0	668	80.9
Total Asia		74,364	2.4	55,534	133.9	66,316	112.1	65,905	112.8
Australia	(Mundipharma Pty Ltd)	121,969	3.9	111,143	109.7	121,957	100.0	121,723	100.2
New Zealand	(Mundipharma NZ Ltd)	6,127	0.2	6,112	100.3	6,621	92.5	6,668	91.9
Total ANZ		128,096	4.1	117,254	109.2	128,579	99.6	128,390	99.8
Canada	(Purdue Pharma)	281,396	8.9	297,775	94.5	274,966	102.3	274,966	102.3
Total excluding USA		1,376,161	43.7	1,299,993	105.9	1,362,197	101.0	1,365,198	100.8
U.S.A.	(Purdue Pharma LP)	1,770,418	56.3	1,837,624	96.3	1,840,344	96.2	1,939,743	91.3
Total Sales		3,146,579	100.0	3,137,617	100.3	3,202,541	98.3	3,304,941	95.2

SUMMARY OF THIS MONTH'S SALES BY COUNTRY

		2012 Actual	% of Total	2011 Actual	2012 vs 2011	2012 MYE	2012 vs MYE	2012 Budget	2012 vs Bud
		US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Germany	(Mundipharma GmbH)	30,370	9.5	28,210	107.7	31,624	96.0	30,797	98.6
UK	(Napp Pharmaceuticals Ltd)	23,722	7.4	20,917	113.4	23,190	102.3	24,548	96.6
Nordic	(Norpharma / Mundipharma)	9,356	2.9	9,152	102.2	7,979	117.3	8,436	110.9
France	(Mundipharma SAS)	6,677	2.1	5,487	121.7	6,428	103.9	6,896	96.8
Italy	(Mundipharma Srl)	4,962	1.5	3,597	137.9	4,958	100.1	5,291	93.8
Switzerland	(Mundipharma Medical Co)	4,227	1.3	3,817	110.7	4,114	102.7	4,060	104.1
Austria	(Mundipharma GesmbH)	3,845	1.2	3,387	113.5	3,453	111.4	3,579	107.4
Netherlands	(Mundipharma Pharmaceuticals BV)	3,485	1.1	2,729	127.7	3,473	100.4	3,179	109.6
Spain	(Mundipharma SL)	3,019	0.9	2,737	110.3	3,065	98.5	3,596	84.0
Eastern Europe	(Mundipharma Medical GmbH)	2,084	0.6	1,537	135.6	1,834	113.6	2,055	101.4
Ireland	(Mundipharma Pharmaceuticals Ltd)	1,270	0.4	1,341	94.7	1,550	81.9	1,448	87.7
Belgium	(Mundipharma CVA)	891	0.3	572	155.8	936	95.2	972	91.7
Poland	(Norpharma)	584	0.2	772	75.5	642	90.8	788	74.0
South Africa	(Mundipharma Pty Ltd)	250	0.1	0	0.0	255	98.1	268	93.1
Portugal	(Mundipharma Farmaceutica Lda)	37	0.0	35	107.4	32	116.0	38	96.7
Total Europe		94,777	29.5	84,289	112.4	93,532	101.3	95,952	98.8
China	(MCPC)	4,640	1.4	3,285	141.3	3,469	133.7	3,602	128.8
Korea	(Mundipharma Korea Ltd)	2,243	0.7	1,779	126.1	1,810	123.9	1,810	123.9
Philippines	(Mundipharma Dist GmbH)	973	0.3	1,223	79.6	1,287	75.6	1,358	71.6
Malaysia	(Mundipharma Pharm. Sdn Bhd)	198	0.1	134	147.9	197	100.5	197	100.5
Singapore	(Mundipharma Pharmaceuticals Pte Ltd)	165	0.1	67	248.1	95	173.8	95	173.8
Hong Kong	(Mundipharma (Hong Kong) Ltd)	101	0.0	0	0.0	124	81.7	167	60.7
Total Asia		8,321	2.6	6,487	128.3	6,983	119.2	7,230	115.1
Australia	(Mundipharma Pty Ltd)	13,005	4.1	12,270	106.0	12,940	100.5	13,058	99.6
New Zealand	(Mundipharma NZ Ltd)	579	0.2	526	110.2	693	83.7	669	86.6
Total ANZ		13,584	4.2	12,796	106.2	13,633	99.6	13,727	99.0
Canada	(Purdue Pharma)	29,605	9.2	29,023	102.0	28,719	103.1	28,719	103.1

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SUMMARY OF YEAR TO DATE SALES BY COUNTRY

	2012 Actual	% of Total	2011 Actual	2012 vs 2011	2012 MYE	2012 vs MYE	2012 Budget	2012 vs Bud
	<u>US\$'000</u>	<u>%</u>	<u>US\$'000</u>	<u>%</u>	<u>US\$'000</u>	<u>%</u>	<u>US\$'000</u>	<u>%</u>
Total excluding USA	146,288	45.6	132,596	110.3	142,867	102.4	145,628	100.5
U.S.A. (Purdue Pharma LP)	174,763	54.4	157,504	111.0	191,351	91.3	214,469	81.5
Total Sales	321,051	100.0	290,099	110.7	334,218	96.1	360,097	89.2

October 2012

YEAR TO DATE SALES

	USA (Purdue Pharma LP) US\$'000	Europe US\$'000	Canada (Purdue Pharma) US\$'000	ANZ US\$'000	Asia US\$'000	2012 Total US\$'000	% of Total	2011 Actual US\$'000	2012 vs 2011 %	2012 MYE US\$'000	2012 vs MYE %	2012 Budget US\$'000	2012 vs Bud %
OxyContin	1,596,771	198,149	145,908	59,037	27,196	2,027,061	64.4	2,152,095	94.2	2,040,928	99.3	2,132,788	95.0
Targin / Targinact		171,268	2,085	7,924	4,701	185,978	5.9	139,467	133.3	188,580	98.6	190,714	97.5
Other Oxycodone		73,132	2,770	5,669	3,394	84,965	2.7	76,147	111.6	80,916	105.0	76,775	110.7
MST	9,487	54,122	4,964	10,631	16,599	95,803	3.0	94,287	101.6	90,292	106.1	89,809	106.7
DHC		11,115		1,649		12,764	0.4	13,470	94.8	12,671	100.7	13,201	96.7
Tramadol / Ryzolt	926	2,782	4,412		8,577	16,698	0.5	24,800	67.3	16,461	101.4	18,857	88.5
Palladone / Dilaudid	18,352	66,247	74,528	2,686		161,813	5.1	161,578	100.1	156,404	103.5	159,392	101.5
Norspan / BuTrans	83,311	107,650	5,742	39,513	1,450	237,666	7.6	186,091	127.7	255,091	93.2	255,467	93.0
Transtec		8,000				8,000	0.3	8,575	93.3	7,953	100.6	8,095	98.8
Other		9,116	6,097	987	439	16,639	0.5	17,844	93.2	16,819	98.9	17,506	95.0
ANALGESIC - Total	1,708,847	701,582	246,507	128,096	62,356	2,847,387	90.5	2,874,354	99.1	2,866,114	99.3	2,962,605	96.1
	60.0%	24.6%	8.7%	4.5%	2.2%	100.0%							
ANTISEPTIC - Total	9,532	16,042	1,174		10,474	37,222	1.2	33,843	110.0	34,426	108.1	34,546	107.7
	25.6%	43.1%	3.2%	0.0%	28.1%	100.0%							
Uniphyll / Uniphyllin		3,508	1,484		200	5,192	0.2	5,490	94.6	5,024	103.3	5,081	102.2
Flutiform		1,506				1,506	0.0			540	279.0		
Other Respiratory		1,556	343		35	1,934	0.1	1,938	99.8	1,871	103.3	1,835	105.4
RESPIRATORY - Total		6,570	1,827		234	8,631	0.3	7,429	116.2	7,435	116.1	6,915	124.8
	0.0%	76.1%	21.2%	0.0%	2.7%	100.0%							
Adizem		15,130				15,130	0.5	15,198	99.6	15,745	96.1	15,506	97.6
Other					213	213	0.0	198	107.4	173	122.8	173	122.8
CARDIOVASCULAR - Total		15,130			213	15,343	0.5	15,396	99.7	15,918	96.4	15,679	97.9
	0.0%	98.6%	0.0%	0.0%	1.4%	100.0%							
Senokot	17,140	42	14,758		897	32,837	1.0	33,499	98.0	33,027	99.4	34,936	94.0
Colace	24,219					24,219	0.8	22,460	107.8	24,655	98.2	22,611	107.1
Other		6,190				6,190	0.2	6,277	98.6	6,069	102.0	6,011	103.0
LAXATIVE - Total	41,360	6,232	14,758		897	63,247	2.0	62,236	101.6	63,750	99.2	63,558	99.5
	65.4%	9.9%	23.3%	0.0%	1.4%	100.0%							
DepoCyt		9,527			10	9,537	0.3	14,419	66.1	13,299	71.7	14,355	66.4
Ribomustin / Levact		106,311				106,311	3.4	83,629	127.1	112,495	94.5	120,395	88.3
Other Oncology					20	20	0.0			167	12.2	167	12.2
ONCOLOGY - Total		115,838			30	115,868	3.7	98,047	118.2	125,961	92.0	134,917	85.9
	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%							
Intermezzo	6,134					6,134	0.2			33,824	18.1	28,474	21.5
Other	4,545	30,911	17,130		159	52,746	1.7	46,312	113.9	88,935	59.3	58,246	90.6
ALL OTHER - Total	10,679	30,911	17,130		159	58,880	1.9	46,312	127.1	88,935	66.2	86,720	67.9
	18.1%	52.5%	29.1%	0.0%	0.3%	100.0%							
TOTAL SALES	1,770,418	892,305	281,396	128,096	74,364	3,146,579	100.0	3,137,617	100.3	3,202,541	98.3	3,304,941	95.2
	56.3%	28.4%	8.9%	4.1%	2.4%	100.0%							

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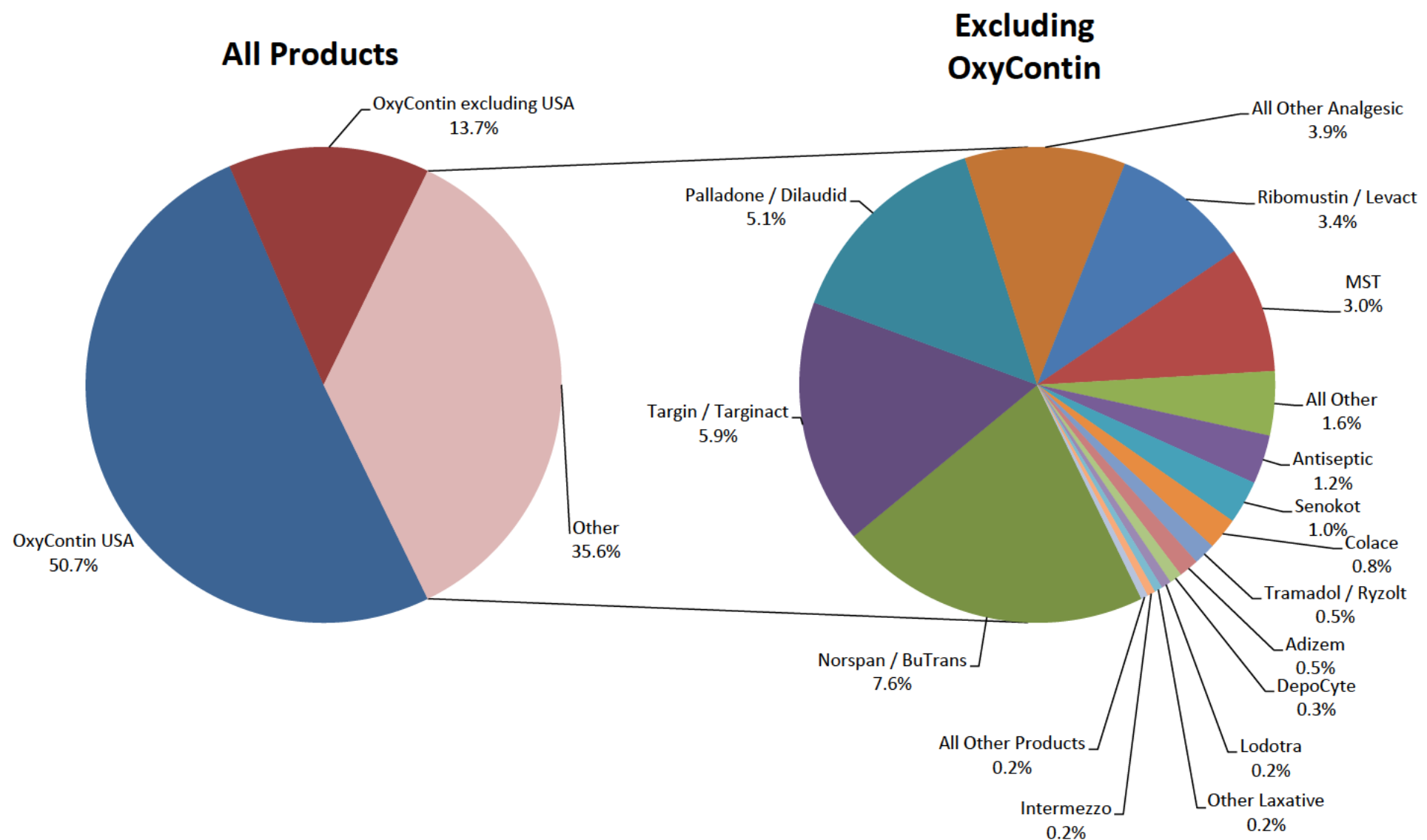
MONTH SALES

	USA (Purdue Pharma LP) US\$'000	Europe US\$'000	Canada (Purdue Pharma) US\$'000	ANZ US\$'000	Asia US\$'000	2012 Total US\$'000	% of Total	2011 Actual US\$'000	2012 vs 2011 %	2012 MYE US\$'000	2012 vs MYE %	2012 Budget US\$'000	2012 vs Bud %
OxyContin	154,821	19,953	13,409	5,913	2,917	197,013	61.4	188,593	104.5	204,515	96.3	224,590	87.7
Targin / Targinact		19,831	278	1,273	604	21,987	6.8	16,169	136.0	22,242	98.9	22,132	99.3
Other Oxycodone		8,092	218	601	393	9,304	2.9	7,954	117.0	8,164	114.0	8,154	114.1
MST	831	5,724	479	1,050	1,938	10,022	3.1	9,488	105.6	8,622	116.2	8,961	111.8
DHC		1,295		159		1,454	0.5	1,208	120.3	1,321	110.0	1,484	97.9
Tramadol / Ryzolt	(3)	224	419		932	1,572	0.5	2,239	70.2	1,878	83.7	1,903	82.6
Palladone / Dilaudid	2,127	6,924	8,947	309		18,308	5.7	14,920	122.7	15,637	117.1	15,952	114.8
Norspan / BuTrans	10,281	12,020	656	4,172	280	27,409	8.5	20,723	132.3	31,276	87.6	30,558	89.7
Transtec		745				745	0.2	940	79.2	788	94.5	906	82.2
Other		694	716	108	83	1,601	0.5	1,688	94.9	1,536	104.2	1,894	84.6
ANALGESIC - Total	168,056	75,502	25,123	13,584	7,149	289,415	90.1	263,923	109.7	295,978	97.8	316,533	91.4
	58.1%	26.1%	8.7%	4.7%	2.5%	100.0%							
ANTISEPTIC - Total	1,091	2,063	150		973	4,277	1.3	3,499	122.2	3,350	127.7	3,444	124.2
	25.5%	48.2%	3.5%	0.0%	22.8%	100.0%							
Uniphyll / Uniphyllin		373	156		24	552	0.2	544	101.6	512	107.9	542	101.8
Flutiform		101				101	0.0			299	33.8		
Other Respiratory		156	38		4	197	0.1	201	98.2	201	98.3	205	96.2
RESPIRATORY - Total		629	194		28	851	0.3	745	114.3	1,012	84.1	748	113.8
	0.0%	74.0%	22.8%	0.0%	3.2%	100.0%							
Adizem		1,706				1,706	0.5	1,582	107.9	1,832	93.2	1,772	96.3
Other					19	19	0.0	19	100.1	17	111.5	17	111.5
CARDIOVASCULAR - Total		1,706			19	1,726	0.5	1,601	107.8	1,849	93.3	1,789	96.5
	0.0%	98.9%	0.0%	0.0%	1.1%	100.0%							
Senokot	1,939	4	1,724		101	3,768	1.2	3,834	98.3	3,311	113.8	3,497	107.8
Colace	3,065					3,065	1.0	2,291	133.8	2,454	124.9	2,311	132.6
Other		531				531	0.2	559	94.9	547	96.9	603	88.0
LAXATIVE - Total	5,004	535	1,724		101	7,364	2.3	6,684	110.2	6,313	116.7	6,410	114.9
	68.0%	7.3%	23.4%	0.0%	1.4%	100.0%							
DepoCyte		(76)			5	(71)	(0.0)	1,285	(5.5)	1,364	(5.2)	1,525	(4.6)
Ribomustin / Levact		11,162				11,162	3.5	7,622	146.5	13,100	85.2	14,405	77.5
Other oncology					20	20	0.0			53	38.5	53	38.5
ONCOLOGY - Total		11,087			25	11,112	3.5	8,907	124.8	14,517	76.5	15,983	69.5
	0.0%	99.8%	0.0%	0.0%	0.2%	100.0%							
Intermezzo	(32)					(32)	(0.0)			4,983	(0.6)	8,630	
Other	643	3,255	2,414		26	6,338	2.0	4,741	133.7	11,200	56.6	6,560	96.6
ALL OTHER - Total	612	3,255	2,414		26	6,307	2.0	4,741	133.0	11,200	56.3	15,191	41.5
	9.7%	51.6%	38.3%	0.0%	0.4%	100.0%							
TOTAL SALES	174,763	94,777	29,605	13,584	8,321	321,051	100.0	290,099	110.7	334,218	96.1	360,097	89.2
	54.4%	29.5%	9.2%	4.2%	2.6%	100.0%							

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SALES BY PRODUCT - YEAR TO DATE

	2012 Actual		2011 Actual		2012 vs 2011		2012 MYE		2012 vs MYE	
	Total US\$'000	% of Total	Total US\$'000	% of Total	US\$'000	%	Total US\$'000	% of Total	US\$'000	%
Excluding OxyContin										
Norspan / BuTrans	237,666	21.2	186,091	18.9	51,575	127.7	255,091	22.0	(17,425)	93.2
Targin / Targinact	185,978	16.6	139,467	14.2	46,511	133.3	188,580	16.2	(2,603)	98.6
Palladone / Dilaudid	161,813	14.5	161,578	16.4	236	100.1	156,404	13.5	5,409	103.5
All Other Analgesic	122,368	10.9	116,036	11.8	6,332	105.5	118,358	10.2	4,010	103.4
Ribomustin / Levact	106,311	9.5	83,629	8.5	22,682	127.1	112,495	9.7	(6,184)	94.5
MST	95,803	8.6	94,287	9.6	1,516	101.6	90,292	7.8	5,512	106.1
All Other	48,853	4.4	43,585	4.4	5,268	112.1	48,571	4.2	282	100.6
Antiseptic	37,222	3.3	33,843	3.4	3,379	110.0	34,426	3.0	2,796	108.1
Senokot	32,837	2.9	33,499	3.4	(662)	98.0	33,027	2.8	(190)	99.4
Colace	24,219	2.2	22,460	2.3	1,759	107.8	24,655	2.1	(435)	98.2
Tramadol / Ryzolt	16,698	1.5	24,800	2.5	(8,102)	67.3	16,461	1.4	237	101.4
Adizem	15,130	1.4	15,198	1.5	(68)	99.6	15,745	1.4	(615)	96.1
DepoCyte	9,537	0.9	14,419	1.5	(4,882)	66.1	13,299	1.1	(3,762)	71.7
Lodotra	7,566	0.7	4,863	0.5	2,703	155.6	9,291	0.8	(1,725)	81.4
Other Laxative	6,190	0.6	6,277	0.6	(86)	98.6	6,069	0.5	122	102.0
Intermezzo	6,134	0.5	0	0.0	6,134	n/a	33,824	2.9	(27,690)	18.1
Uniphyl / Uniphyllin	5,192	0.5	5,490	0.6	(299)	n/a	5,024	0.4	168	103.3
Products excl Oxy	1,119,518	100.0	985,522	100.0	133,996	113.6	1,161,612	100.0	(42,095)	96.4
Products excl Oxy restated		35.6		31.4				36.3		
OxyContin	2,027,061	64.4	2,152,095	68.6	(125,034)	94.2	2,040,928	63.7	(13,867)	99.3
TOTALS	3,146,579	100.0	3,137,617	100.0	8,962	100.3	3,202,541	100.0	(55,962)	98.3

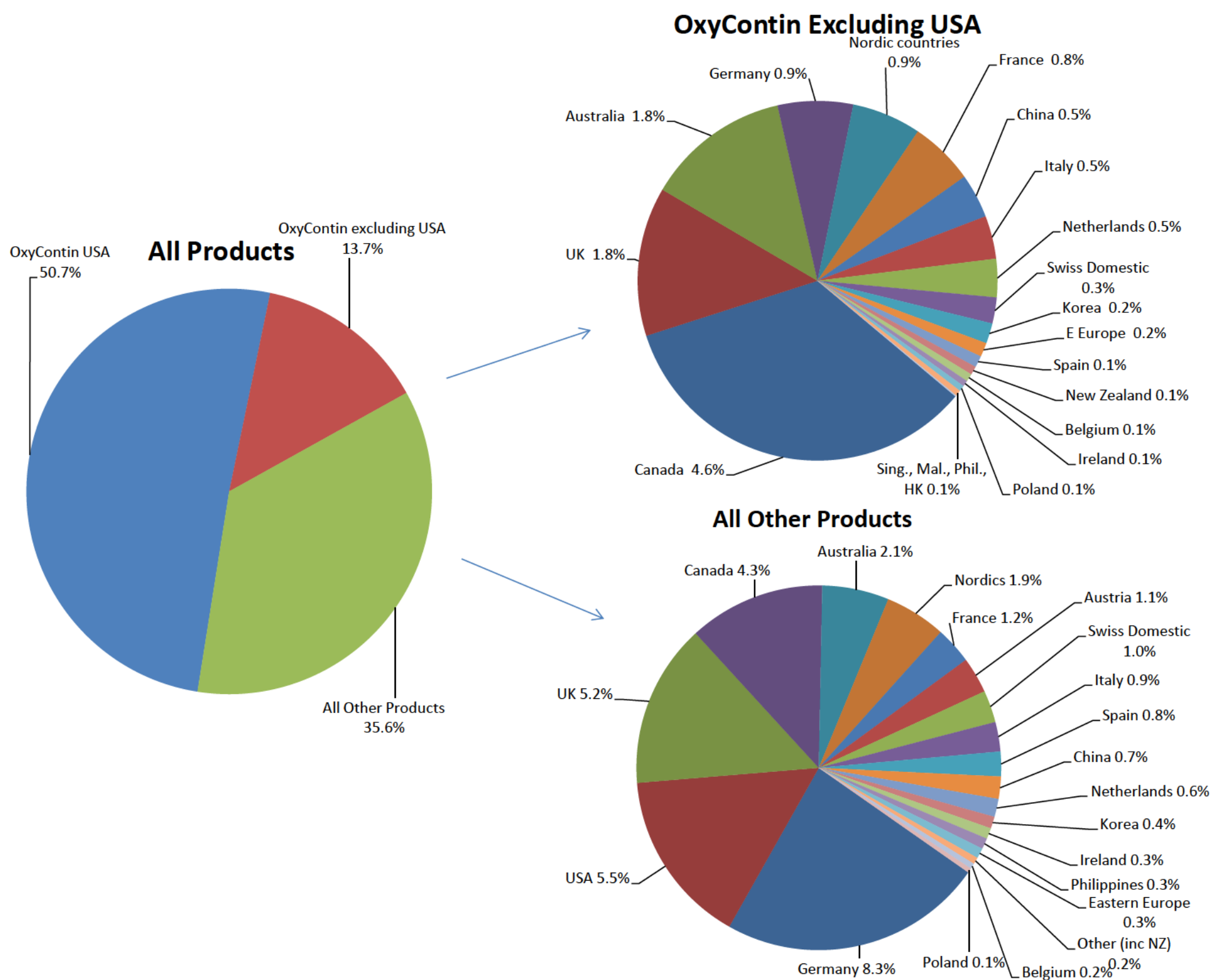
YTD SALES BY PRODUCT

October 2012

SALES BY COUNTRY - YEAR TO DATE

	2012 Actual		2011 Actual		2012 vs 2011		2012 MYE		2012 vs MYE	
	Total US\$'000	% of Total	Total US\$'000	% of Total	US\$'000	%	Total US\$'000	% of Total	US\$'000	%
Excluding OxyContin										
Germany (M. GmbH)	262,503	23.4	252,791	25.7	9,713	103.8	266,420	22.9	(3,916)	98.5
USA (Purdue)	173,647	15.5	144,990	14.7	28,657	119.8	215,306	18.5	(41,659)	80.7
UK (Napp)	162,615	14.5	147,909	15.0	14,706	109.9	165,634	14.3	(3,019)	98.2
Canada (Purdue)	135,487	12.1	121,686	12.3	13,801	111.3	131,042	11.3	4,445	103.4
Australia (M. Pty Ltd)	66,214	5.9	55,695	5.7	10,519	118.9	65,975	5.7	239	100.4
Nordics (Norpharma)	60,770	5.4	53,430	5.4	7,340	113.7	61,089	5.3	(319)	99.5
France (M. SAS)	36,670	3.3	32,042	3.3	4,628	114.4	36,856	3.2	(186)	99.5
Austria (M. GesmbH)	35,741	3.2	35,431	3.6	311	100.9	34,631	3.0	1,111	103.2
Swiss Domestic (MMCO)	31,845	2.8	29,901	3.0	1,943	106.5	32,440	2.8	(595)	98.2
Italy (M. Srl)	29,206	2.6	11,862	1.2	17,345	246.2	31,164	2.7	(1,958)	93.7
Spain (M. SL)	24,551	2.2	19,999	2.0	4,551	122.8	24,984	2.2	(433)	98.3
China (MCPC)	22,142	2.0	17,586	1.8	4,556	125.9	19,579	1.7	2,563	113.1
Netherlands (M. P. BV)	17,931	1.6	13,952	1.4	3,979	128.5	17,576	1.5	355	102.0
Korea (M. Korea Ltd)	11,767	1.1	5,528	0.6	6,239	212.9	9,005	0.8	2,762	130.7
Ireland (M. P. Ltd)	10,814	1.0	10,040	1.0	774	107.7	11,383	1.0	(569)	95.0
Philippines (M Dist GmbH)	10,678	1.0	9,348	0.9	1,330	114.2	10,782	0.9	(104)	99.0
Eastern Europe (MMG)	10,293	0.9	10,106	1.0	187	101.9	10,923	0.9	(629)	94.2
Other (inc NZ)	6,652	0.6	4,329	0.4	2,323	153.7	6,866	0.6	(214)	96.9
Belgium (M. CVA)	5,528	0.5	4,291	0.4	1,237	128.8	5,888	0.5	(360)	93.9
Poland (Norpharma)	4,462	0.4	4,607	0.5	(145)	96.9	4,071	0.4	392	109.6
Products excl Oxy	1,119,518	100.0	985,522	100.0	133,996	113.6	1,161,612	100.0	(42,095)	96.4
Products excl Oxy restated		35.6		31.4				36.3		
OxyContin	2,027,061	64.4	2,152,095	68.6	(125,034)	94.2	2,040,928	63.7	(13,867)	99.3
TOTALS	3,146,579	100.0	3,137,617	100.0	8,962	100.3	3,202,541	100.0	(55,962)	98.3

YTD SALES BY COUNTRY



To: Sackler, Dr Richard [REDACTED]
Cc: Stewart, John H. (US); Gasdia, [REDACTED]
Russell [REDACTED] Fisher, [REDACTED]
Windell [REDACTED]
From: Rosen, David (Sales and Marketing)
Sent: Mon 11/12/2012 11:33:56 AM
Subject: Intermezzo=1,183; Butrans=9,537

Hi, Dr. Richard. The Intermezzo Rx's are essentially the same as last week, but Butrans showed a slight decrease.

Butrans

Rx Increase from last week	-2.5%
Share	1.92%
Share last week	1.94%

Intermezzo

Rx Increase from last week	-0.1%
Share	0.086%
Share last week	0.085%

-David

David Rosen | Executive Director, Forecasting, Analytics and Market Research | Purdue Pharma | One
Stamford Forum Stamford CT 06901 | [REDACTED]@pharma.com

Redacted

Redacted

Message

From: Barnard, Rachel [REDACTED]
Sent: 11/13/2012 3:56:16 AM
To: Sackler, Dr Richard [REDACTED]
Subject: RE: Butrans spreadsheet - next update
Attachments: Monthly BuTrans - 2012 use this one.xlsx

Good Morning Dr Richard,

I hope you're well.

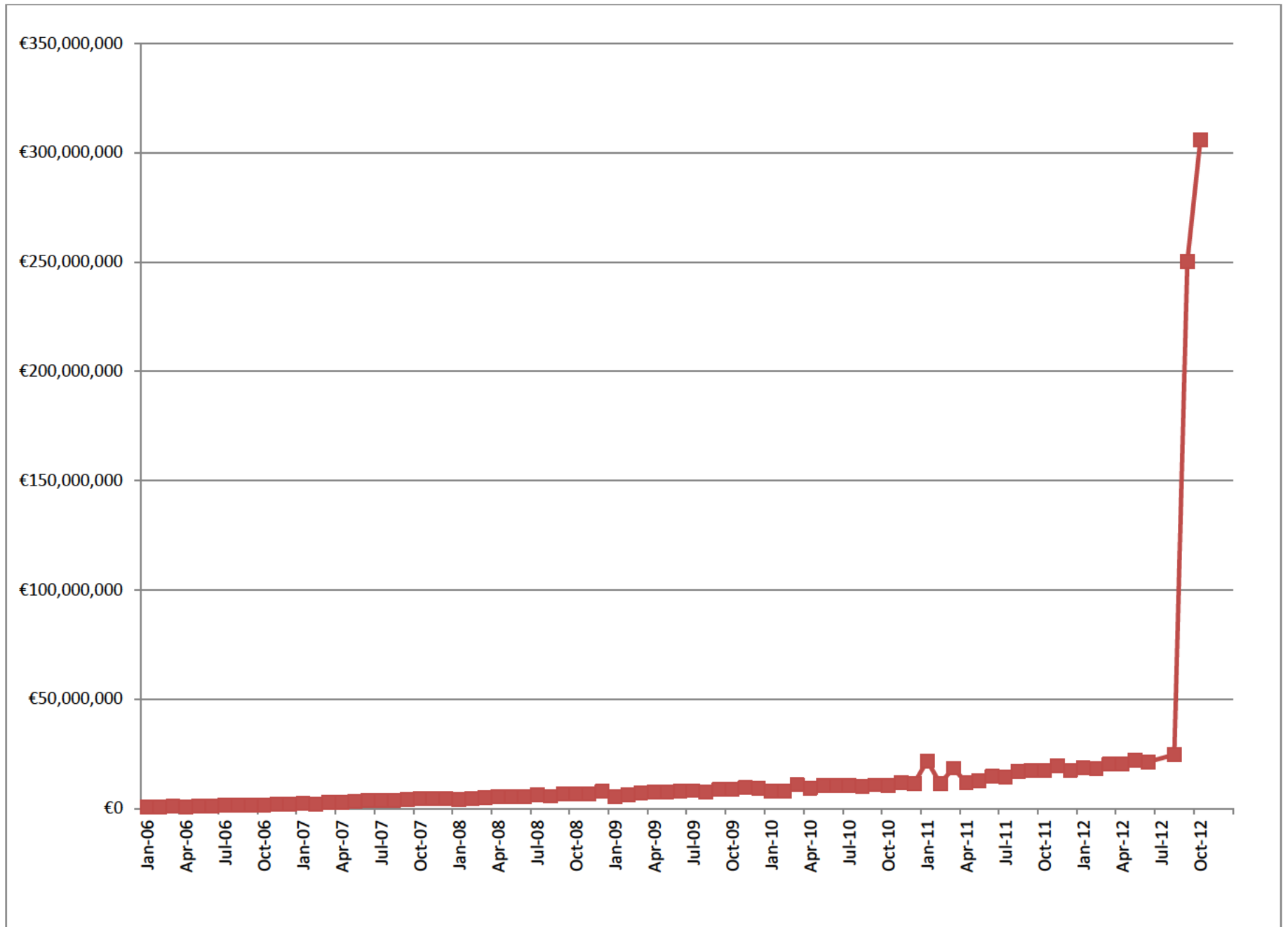
I'm pleased to say the countries were fairly prompt this month with supplying their data so please find attached the up-to-date report

Best Wishes
Rachel

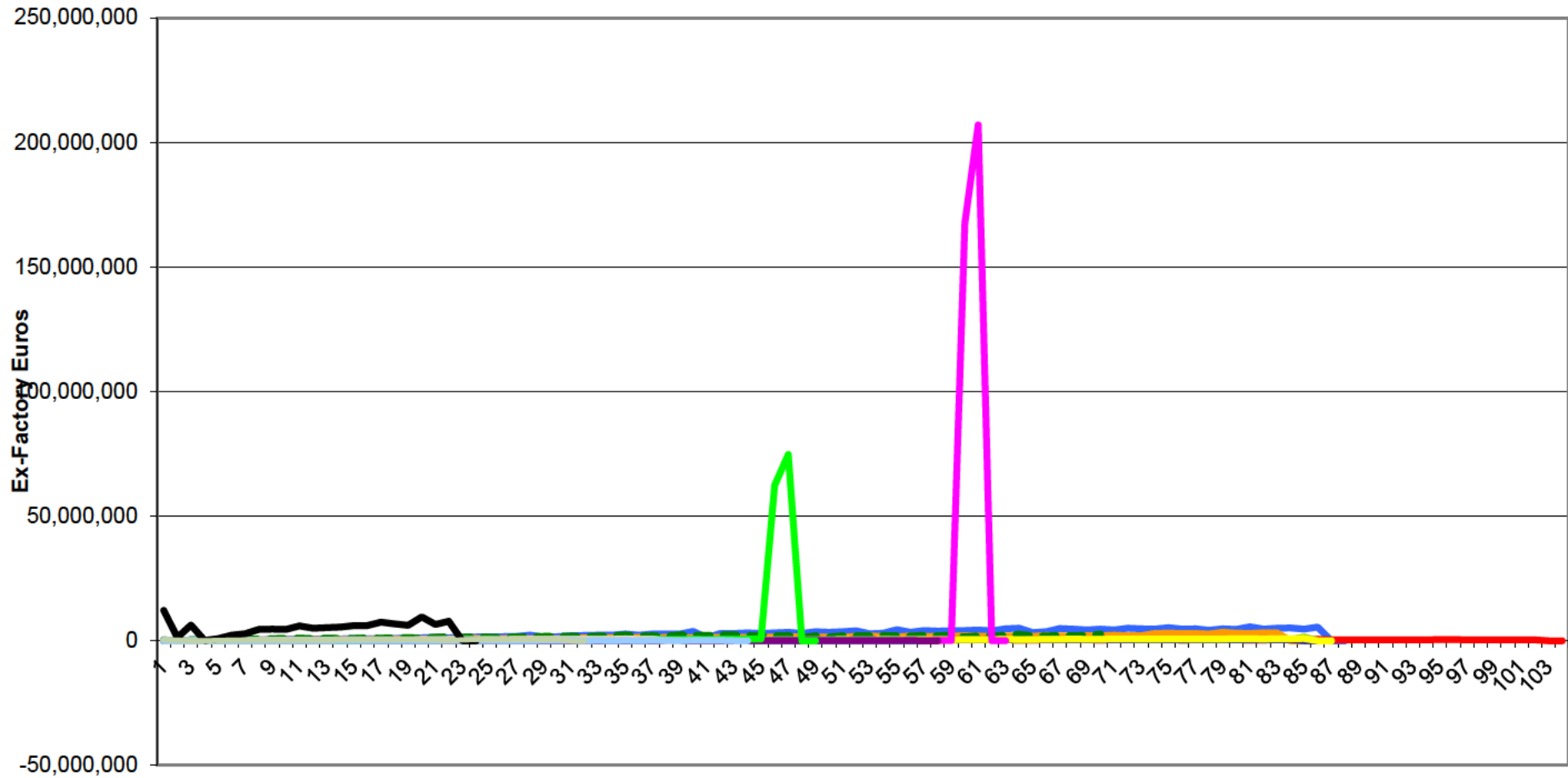
From: Sackler, Dr Richard
Sent: 12 November 2012 18:24
To: Barnard, Rachel
Subject: Re: Butrans spreadsheet - next update

Rachel,
When will you be finished with the through Oct sales results Butrans?
If you are only missing 3 or fewer countries, who are they and please send what you have.

Produced Natively



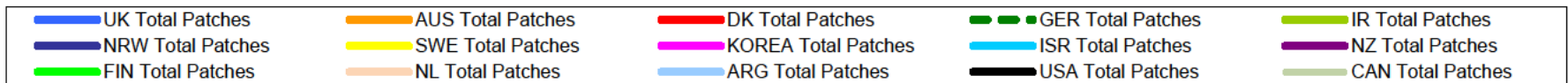
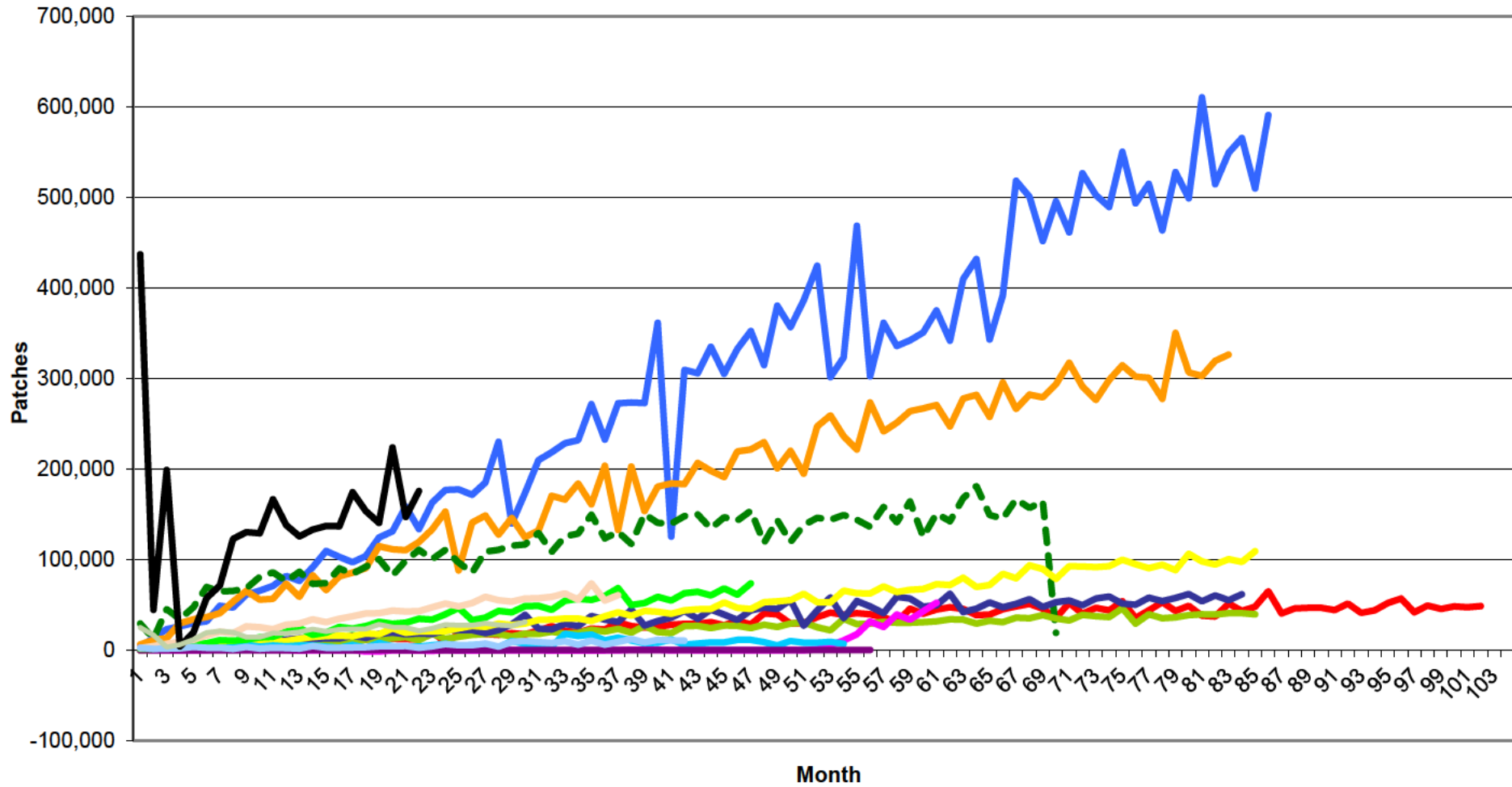
Ex-Factory Euros



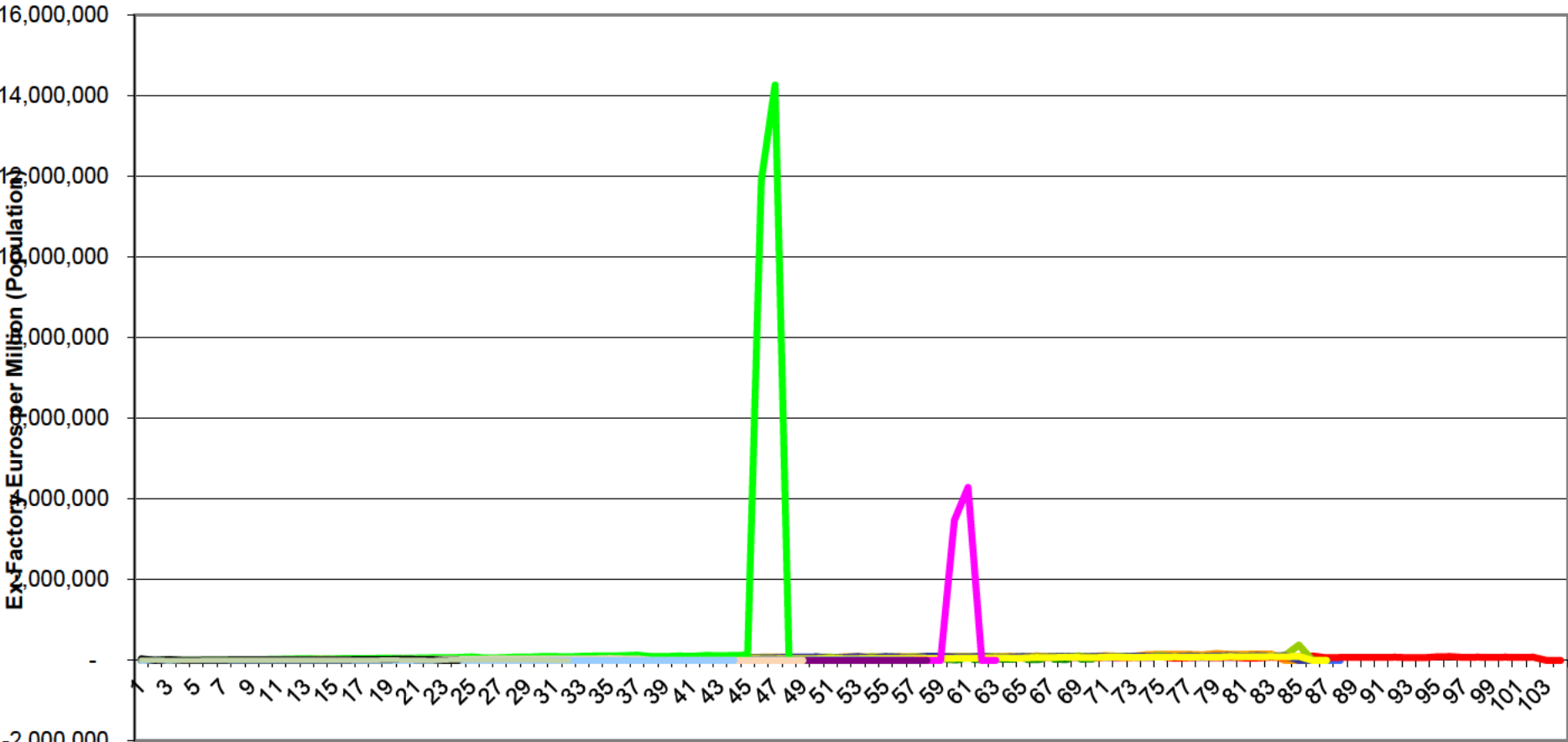
Month



PATCHES



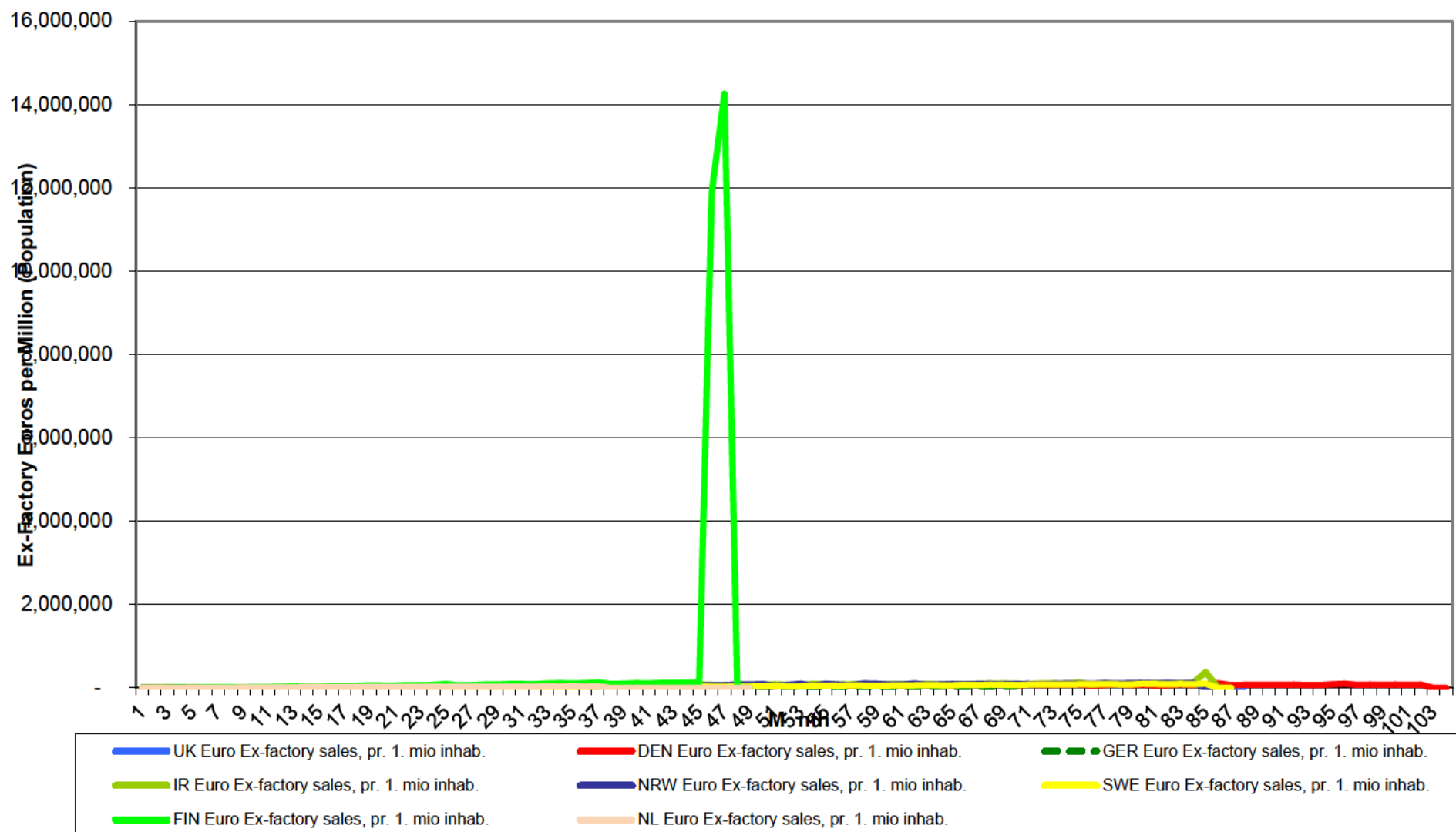
Ex-Factory Euros per Million (Population)



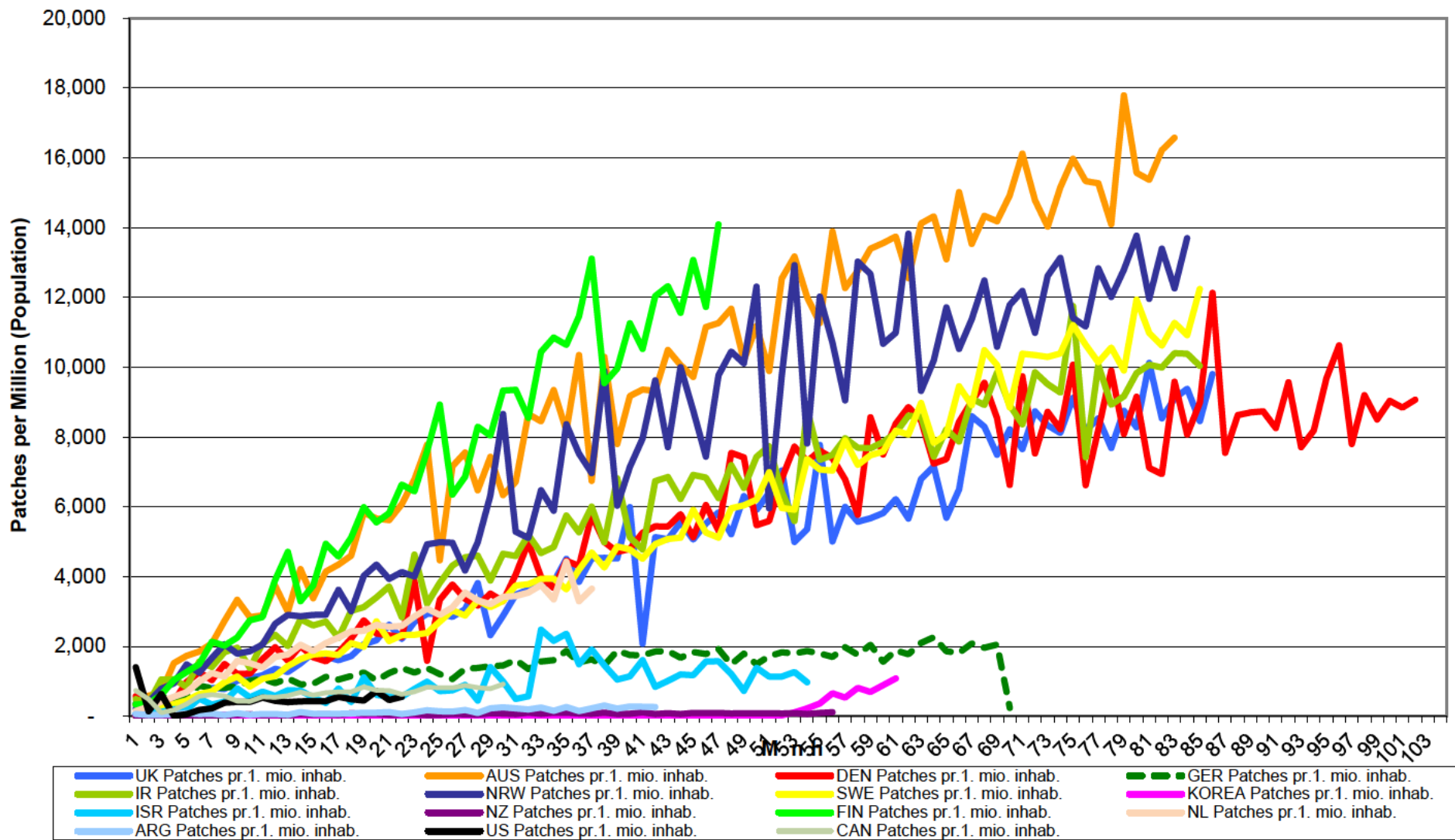
Month

- | | | |
|--|--|--|
| UK Euro Ex-factory sales, pr. 1. mio inhab. | AUS Euro Ex-factory sales, pr. 1. mio inhab. | DEN Euro Ex-factory sales, pr. 1. mio inhab. |
| GER Euro Ex-factory sales, pr. 1. mio inhab. | IR Euro Ex-factory sales, pr. 1. mio inhab. | NRW Euro Ex-factory sales, pr. 1. mio inhab. |
| SWE Euro Ex-factory sales, pr. 1. mio inhab. | KOREA Euro Ex-factory sales, pr. 1. mio inhab. | ISR Euro Ex-factory sales, pr. 1. mio inhab. |
| NZ Euro Ex-factory sales, pr. 1. mio inhab. | FIN Euro Ex-factory sales, pr. 1. mio inhab. | NL Euro Ex-factory sales, pr. 1. mio inhab. |
| ARG Euro Ex-factory sales, pr. 1. mio inhab. | US Euro Ex-factory sales, pr. 1. mio inhab. | CAN Euro Ex-factory sales, pr. 1. mio inhab. |

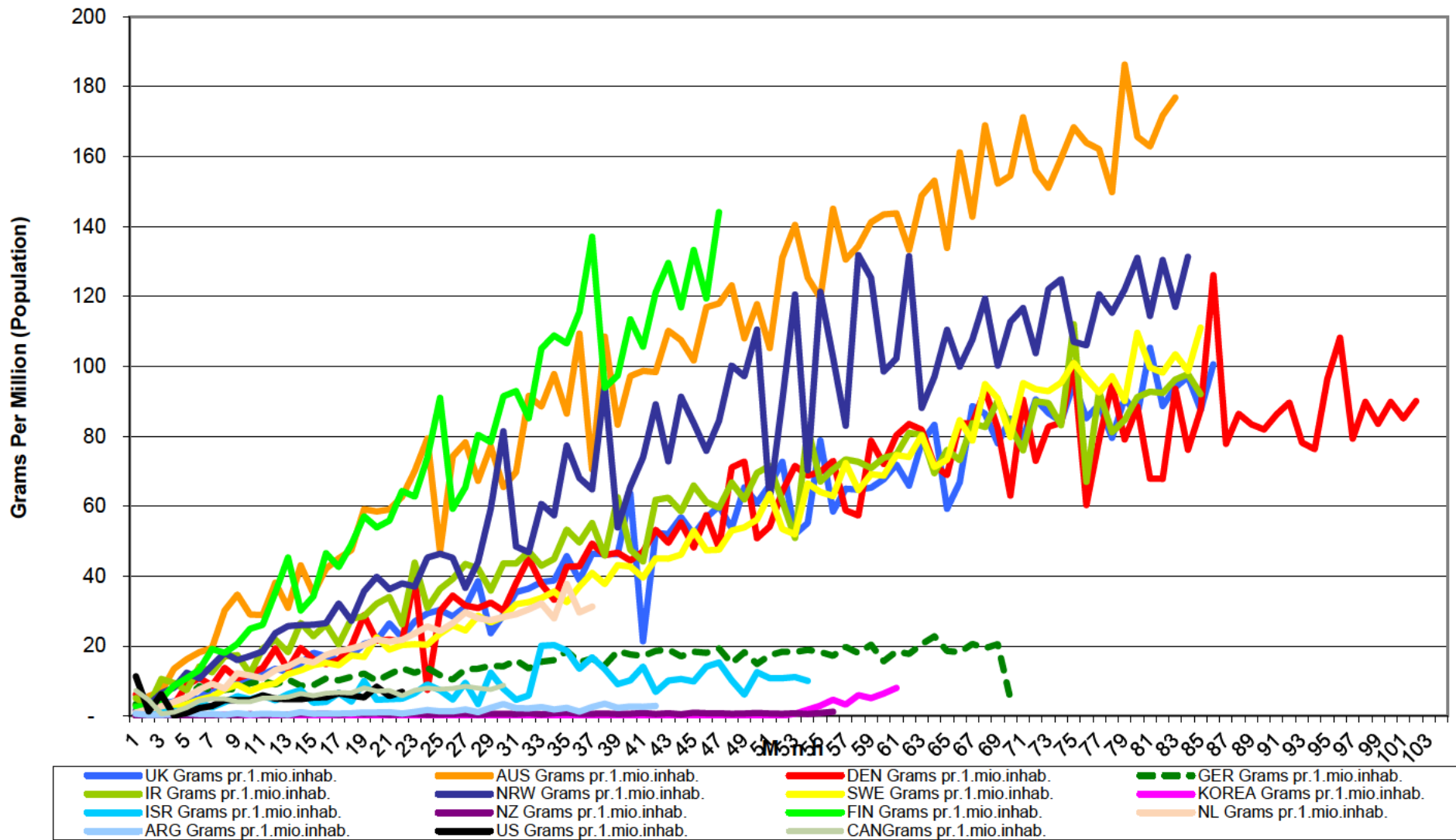
Ex-Factory Euros per Million (Population)



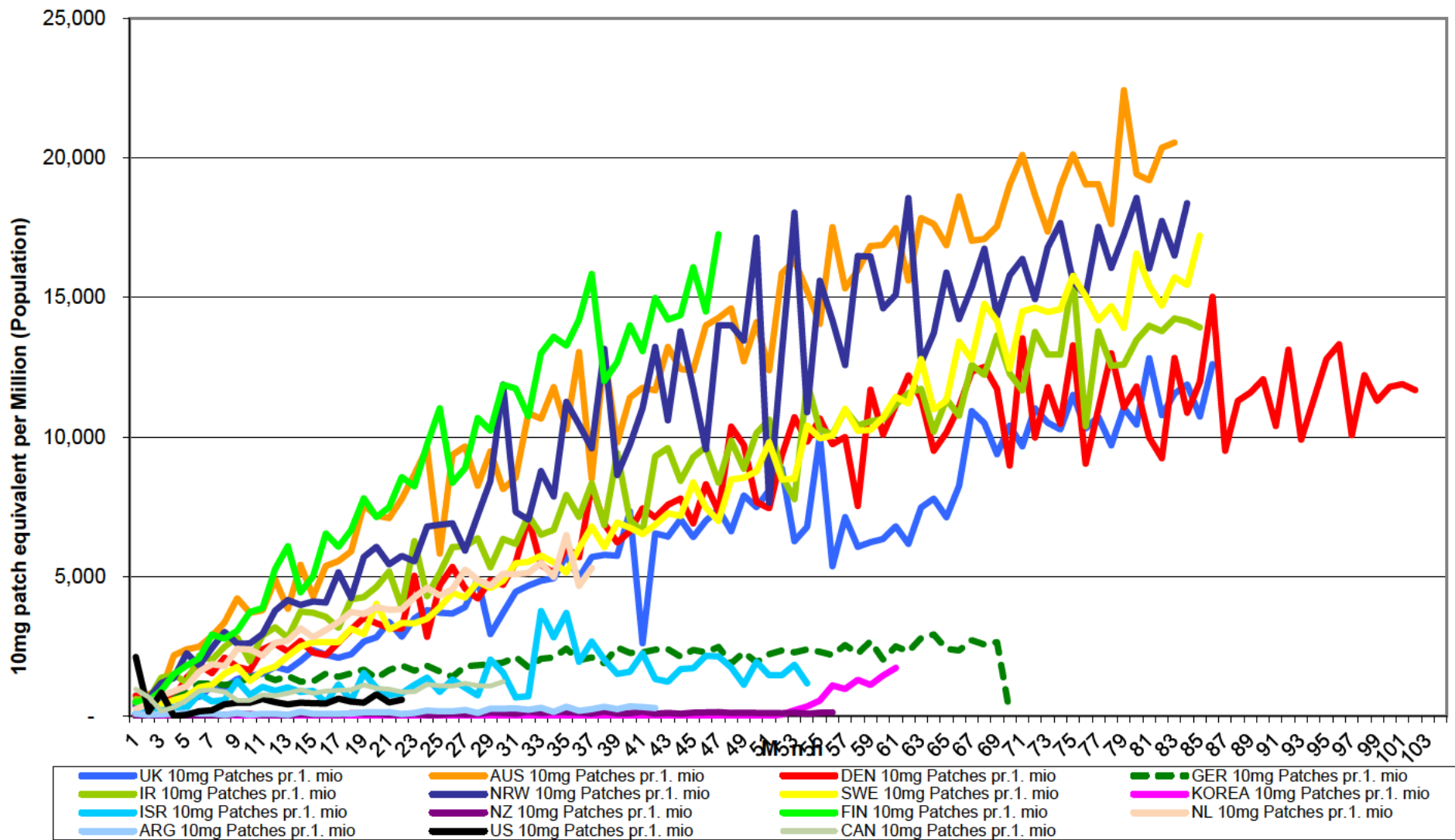
Patches per Million (Population)



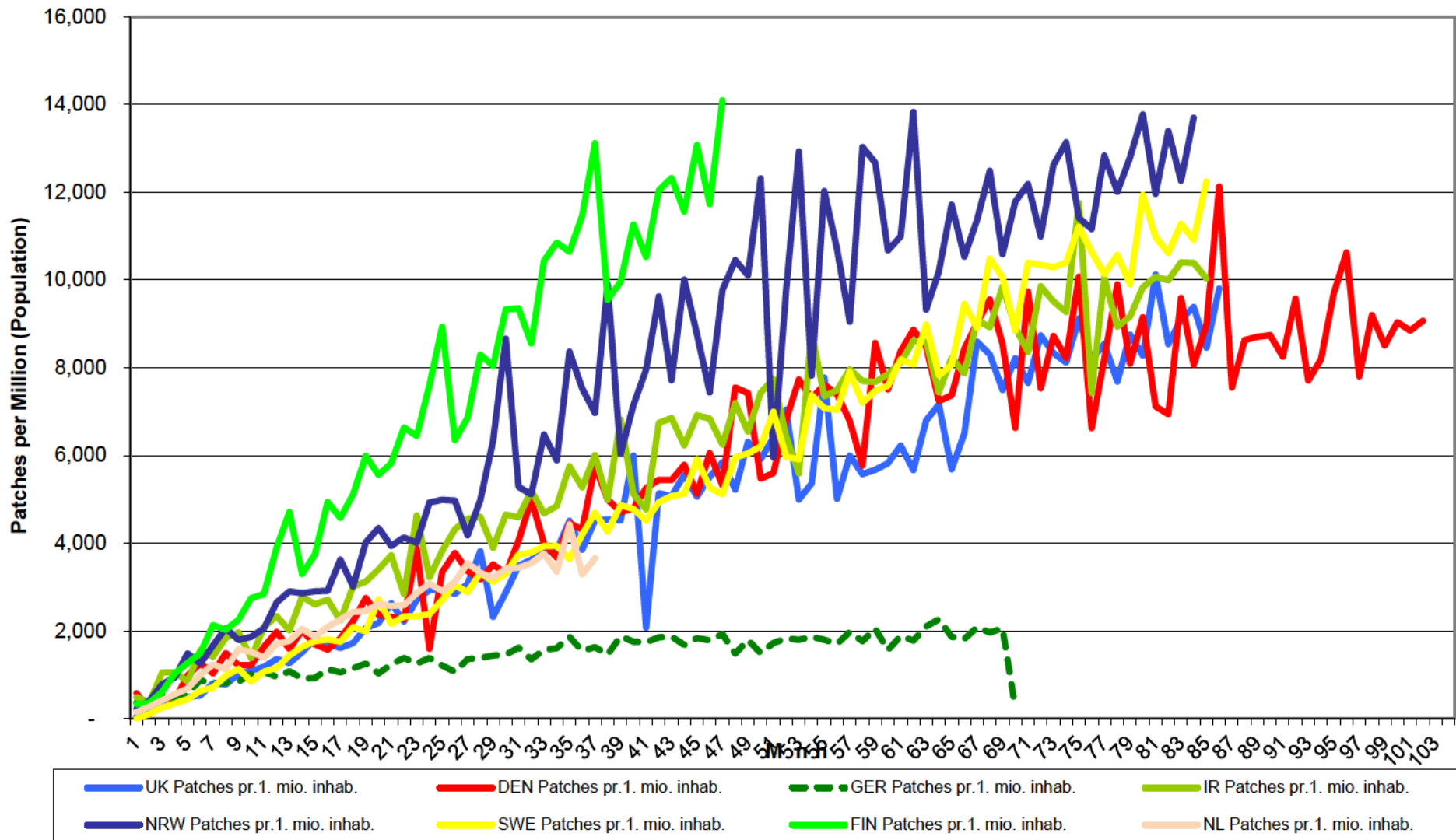
Grams per Million (Population)

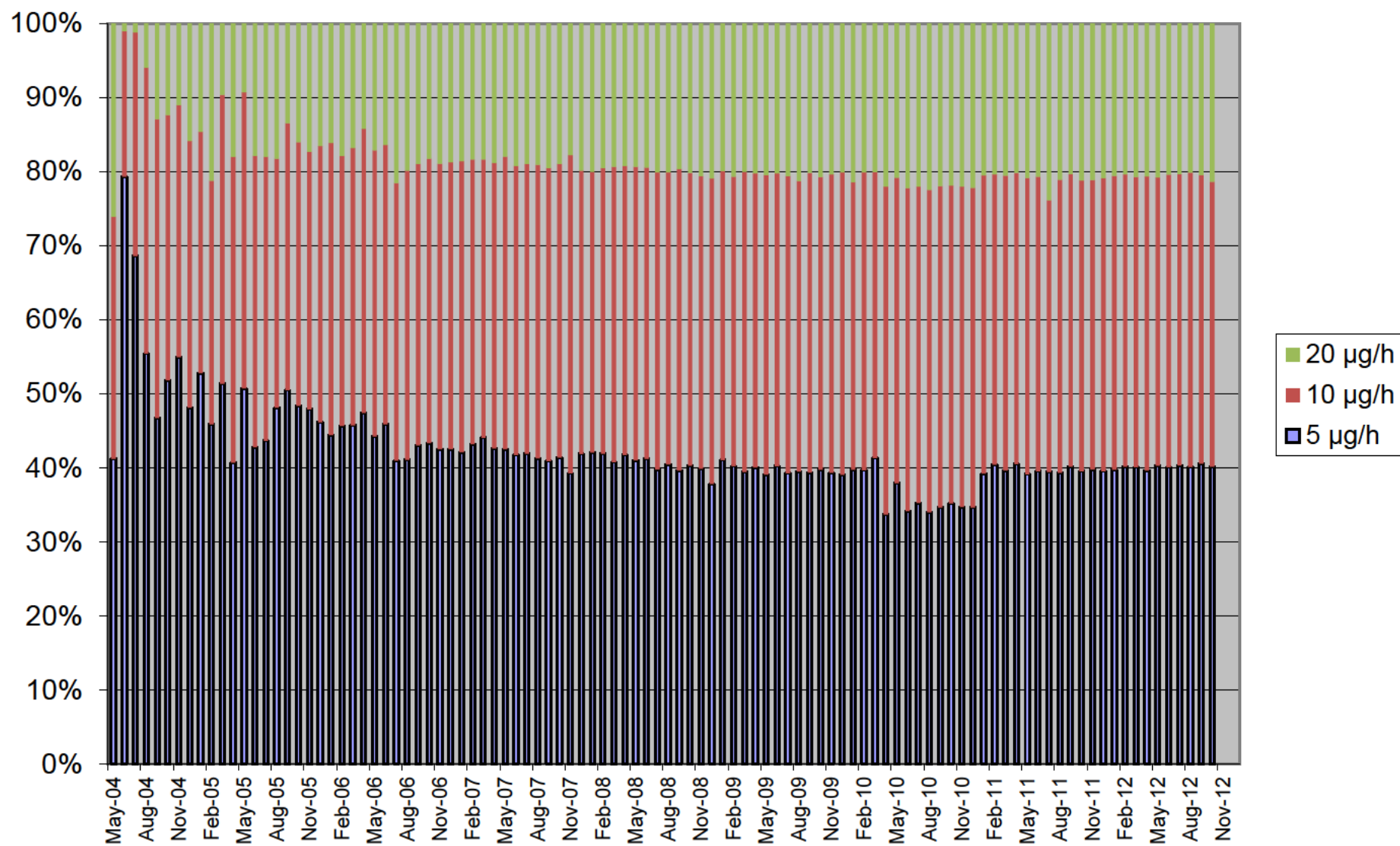


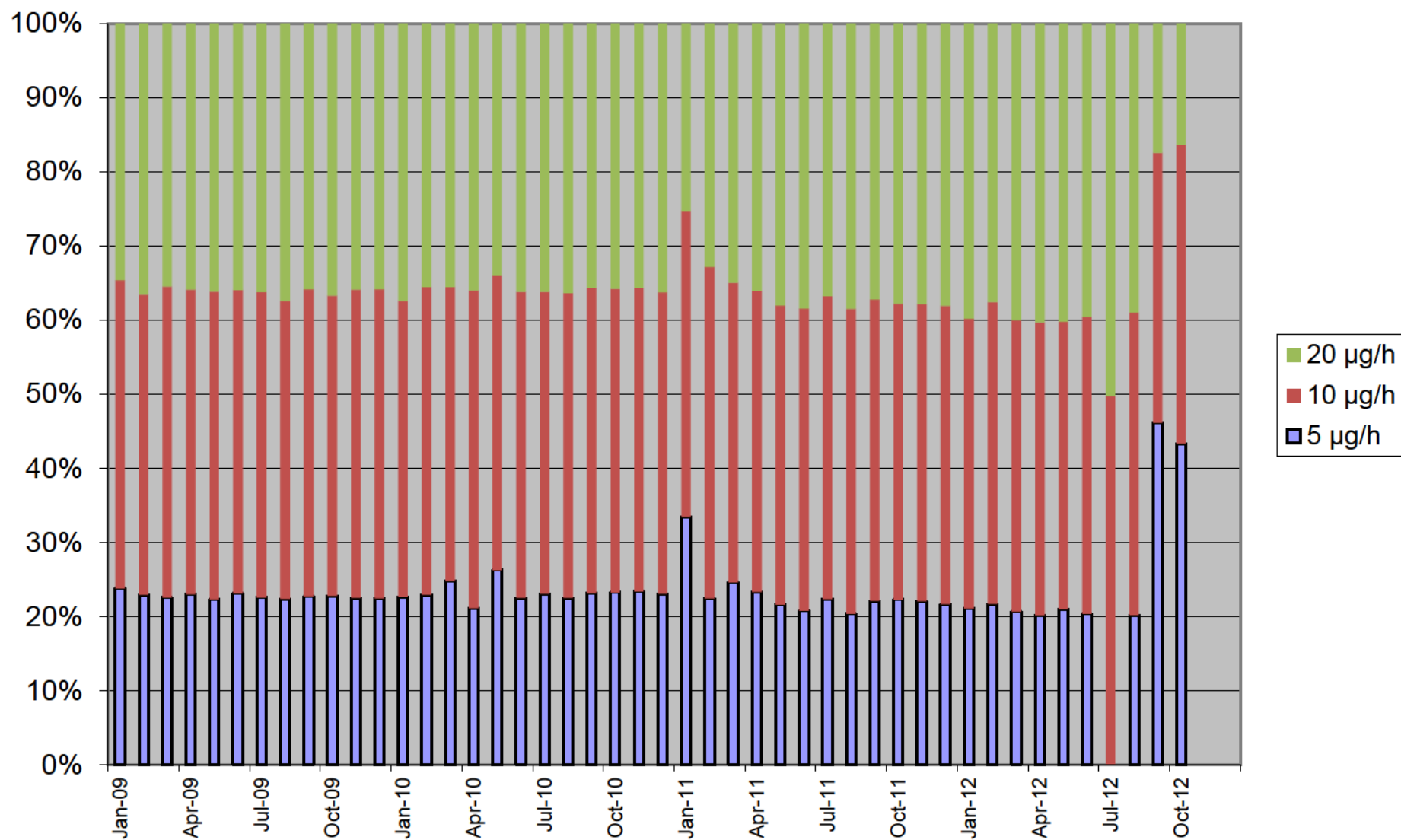
10mg patch equivalent per Million (Population)



Patches per Million (Population)







	World wide
	Patches

Month	1 May-04	2 Jun-04	3 Jul-04
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Total patches				
	5 µg/h	1,288	888	1,728
	10 µg/h	1,020	220	760
	20 µg/h	816	12	32
Total, patches		3,124	1,120	2,520

Total sales by patch strength				
	5 µg/h			
	10 µg/h			
	20 µg/h			
Total, patches		0	0	0

4 Aug-04	5 Sep-04	6 Oct-04	7 Nov-04	8 Dec-04	9 Jan-05
1,292	2,488	3,528	3,072	3,884	3,464
900	2,148	2,436	1,900	2,908	2,136
140	688	844	620	1,284	960
2,332	5,324	6,808	5,592	8,076	6,560
0	0	0	0	0	0

10 Feb-05	11 Mar-05	12 Apr-05	13 May-05	14 Jun-05	15 Jul-05
3,028	4,528	4,336	4,348	4,648	3,980
2,172	3,444	4,400	3,428	4,272	3,496
1,404	852	1,924	800	1,944	1,644
6,604	8,824	10,660	8,576	10,864	9,120
0	0	0	0	0	0

16	17	18	19	20	21
Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06

4,092	6,624	13,484	19,934	24,972	29,042
2,856	4,728	9,912	14,472	20,174	25,756
1,556	1,772	4,484	7,224	8,958	10,552
8,504	13,124	27,880	41,630	54,104	65,350

0	0	0	0	0	0
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22 Feb-06	23 Mar-06	24 Apr-06	25 May-06	26 Jun-06	27 Jul-06
31,670	54,242	51,098	61,882	71,010	67,454
25,266	44,372	41,324	54,062	58,364	61,710
12,418	20,008	15,378	24,002	25,452	35,494
69,354	118,622	107,800	139,946	154,826	164,658
0	0	0	0	0	0

28 Aug-06	29 Sep-06	30 Oct-06	31 Nov-06	32 Dec-06	33 Jan-07
78,638	77,784	86,340	103,812	97,022	114,528
74,738	68,644	76,530	94,180	88,446	106,710
38,116	34,338	36,432	46,340	42,784	50,628
191,492	180,766	199,302	244,332	228,252	271,866
0	0	0	0	0	0

34	35	36	37	38	39
Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07

104,190	142,118	135,792	163,326	166,790	173,892
92,678	121,200	122,858	151,698	155,880	162,274
44,336	59,408	60,158	69,090	77,016	78,928
241,204	322,726	318,808	384,114	399,686	415,094

0	0	0	0	0	0
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40 Aug-07	41 Sep-07	42 Oct-07	43 Nov-07	44 Dec-07	45 Jan-08
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180,622	182,612	198,276	204,708	206,298	194,678
173,140	176,626	189,862	223,954	188,594	175,272
83,582	87,128	90,990	92,668	98,092	92,908
437,344	446,366	479,128	521,330	492,984	462,858

0	0	0	0	0	0
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46 Feb-08	47 Mar-08	48 Apr-08	49 May-08	50 Jun-08	51 Jul-08
207,314	211,154	246,002	229,796	233,250	262,580
190,694	206,222	229,982	221,894	222,292	264,462
96,658	100,530	113,846	108,588	110,204	132,988
494,666	517,906	589,830	560,278	565,746	660,030
0	0	0	0	0	0