

Myoscience Capitalization Table, 3/2/2014

Fully-Diluted Ownership

	Number of Shares	Percent (%)
Common Stock	722,263	0.49
SERIES A Preferred Stock	3,858,162	2.61
SERIES B Preferred Stock	9,323,707	6.30
SERIES C1 Preferred Stock	0	0.00
SERIES C Preferred Stock	33,572,799	22.67
SERIES D Preferred Stock	44,562,377	30.09
SERIES E-1 Preferred Stock	25,822,838	17.44
COMMON Stock Warrants	2,350,682	1.59
SERIES A Preferred Stock Warrants	160,656	0.11
SERIES B Preferred Stock Warrants	222,516	0.15
SERIES C Preferred Stock Warrants	565,705	0.38
SERIES D Preferred Stock Warrants	484,312	0.33
Options and/or SPRs issued and outstanding under plan - 2005 Stock Plan	21,236,213	14.34
Committed for Issuance - 2005 Stock Plan	0	0.00
Unissued Reserve - 2005 Stock Plan	5,213,625	3.52
TOTAL	148,095,855	100.00

The following Stock Split(s) have occurred:

03/07/2011 1:10 Reverse

As applicable, the shares and prices have been restated accordingly.

Post Money Valuation	
Number of Shares Fully Diluted	148,095,855
Series E-1 price	\$0.8740
Implied Post Money Valuation	\$ 129,435,777

Summary of Series E-1	
Pre-Money	\$ 106,866,616
Series E-1 raised	22,569,161
Post-Money Valuation	\$ 129,435,777

Myoscience P&L – Scenario #1

Scenario #1: Compelling
comparative data; Higher Tip Price

Launch: 2015-Q1
LOE: 2029-Q4

Gross Sales Peak: \$640MM (2025)
Net Sales Peak: \$572MM (2025)

Scenario:	aA1 Myoscience					US\$MMs									
US\$MMs	Base Year														
Myoscience (US Only)	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj
Proforma P&L	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Gross sales	\$ -	\$ 8.8	\$ 18.8	\$ 34.7	\$ 95.1	\$ 158.4	\$ 247.5	\$ 356.8	\$ 469.3	\$ 568.5	\$ 627.9	\$ 639.6	\$ 623.4	\$ 610.6	\$ 597.5
Net sales	-	8.5	17.5	32.1	85.9	141.6	221.3	318.9	419.5	508.1	561.3	571.7	557.2	545.8	532.5
Costs of goods sold (@13.3%)	-	3.6	6.4	12.0	20.8	24.6	32.7	45.1	59.9	72.6	80.2	81.8	79.8	78.2	76.5
Shipping and warehousing (@3.0%)	-	0.3	0.6	1.0	2.9	4.8	7.4	10.7	14.1	17.1	18.8	19.2	18.7	18.3	17.8
Costs of sales (incl. royalties, shipping)	-	3.9	6.9	13.0	23.6	29.3	40.2	55.8	74.0	89.6	99.1	101.0	98.5	96.5	94.3
Gross margin	-	4.6	10.6	19.1	62.3	112.2	181.1	263.1	345.5	418.5	462.2	470.8	458.7	449.3	441.0
Gross margin as % of net sales		54%	61%	60%	72%	79%	82%	83%	82%	82%	82%	82%	82%	82%	82%
Operating expenses															
Selling and promotion	5.0	8.1	11.2	15.6	24.5	38.3	55.6	76.1	96.0	112.4	121.5	124.1	124.7	125.7	126.7
Marketing spend	5.0	5.0	5.2	5.4	7.9	12.9	19.6	27.9	36.2	43.4	47.5	47.9	46.2	44.9	43.5
S&P FTE	-	3.1	6.0	10.2	16.7	25.5	36.0	48.2	59.8	69.0	74.0	76.2	78.5	80.8	83.1
General and admin (@ 3% incremental+spec) ..	-	0.3	0.5	1.0	2.6	4.2	6.6	9.6	12.6	15.2	16.8	17.2	16.7	16.4	16.1
Research and development	15.2	22.0	6.6	4.3	9.4	14.4	21.7	29.8	38.8	46.8	51.6	52.6	51.3	50.4	49.5
Total operating expenses	20.2	30.4	18.4	20.9	36.5	57.0	83.9	115.5	147.4	174.5	189.9	193.8	192.7	192.4	192.4
Operating income / (loss)	(20.2)	(25.8)	(7.8)	(1.8)	25.7	55.2	97.2	147.6	198.1	244.0	272.3	277.0	266.0	256.8	250.1
Provision for income taxes (@35.0%) ..	(7.1)	(9.0)	(2.7)	(0.6)	9.0	19.3	34.0	51.7	69.3	85.4	95.3	96.9	93.1	89.9	86.6
Net income	\$ (13.1)	\$ (16.7)	\$ (5.0)	\$ (1.2)	\$ 16.7	\$ 35.9	\$ 63.2	\$ 96.0	\$ 128.7	\$ 158.6	\$ 177.0	\$ 180.0	\$ 172.9	\$ 166.9	\$ 163.5
NPV SUMMARY															
Operating Cash Flows	\$ (13.1)	\$ (17.8)	\$ (6.2)	\$ (3.1)	\$ 9.5	\$ 28.3	\$ 52.5	\$ 82.9	\$ 115.3	\$ 146.8	\$ 169.9	\$ 178.6	\$ 174.8	\$ 168.5	\$ 163.5
Milestones payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flows	\$ (13.1)	\$ (17.8)	\$ (6.2)	\$ (3.1)	\$ 9.5	\$ 28.3	\$ 52.5	\$ 82.9	\$ 115.3	\$ 146.8	\$ 169.9	\$ 178.6	\$ 174.8	\$ 168.5	\$ 163.5
Both NPV and IRR are calculated using the base year above, discounted @9% after-tax. No terminal value is assumed.															
CUMULATIVE															
Operating Income/(Loss)	\$ (20.2)	\$ (46.0)	\$ (53.7)	\$ (55.5)	\$ (29.8)	\$ 25.5	\$ 122.6	\$ 270.3	\$ 468.3	\$ 712.3	\$ 984.6	\$ 1,261.5	\$ 1,527.5	\$ 1,784.4	\$ 2,047.9
Free Cash Flows, pre-tax	(20.2)	(47.0)	(56.0)	(59.7)	(41.1)	6.6	93.1	227.6	412.3	644.4	909.6	1,185.2	1,453.1	1,711.4	1,969.9
Free Cash Flows, after-tax	(13.1)	(30.9)	(37.2)	(40.2)	(30.7)	(2.4)	50.1	133.1	248.4	395.1	565.0	743.6	918.4	1,086.9	1,250.4
Net Present Value	(13.1)	(29.5)	(34.7)	(37.1)	(30.3)	(11.9)	19.4	64.8	122.6	190.2	261.9	331.2	393.3	448.3	498.8

Myoscience P&L – Scenario #2

Scenario #2: Delayed compelling data; Higher Tip Price

Launch: 2015-Q1
Life: 2029-Q4

Gross Sales Peak: \$456MM (2025)
Net Sales Peak: \$408MM (2025)

Scenario:	aA2		Myoscience					US\$MMs							
US\$MMs	Base Year		proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj
<u>Myoscience (US Only)</u>															
<u>Proforma P&L</u>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	
Gross sales	\$ -	\$ 5.7	\$ 11.1	\$ 19.0	\$ 31.5	\$ 77.5	\$ 120.2	\$ 179.6	\$ 254.4	\$ 338.8	\$ 412.0	\$ 456.3	\$ 475.5	\$ 491.1	
Net sales	-	5.5	10.3	17.6	28.5	69.3	107.4	160.5	227.4	302.8	368.3	407.8	425.0	439.0	
Costs of goods sold (@13.9%)	-	2.3	4.5	6.8	11.4	17.6	26.0	28.5	34.4	45.8	52.7	58.4	60.9	63.0	
Shipping and warehousing (@3.0%)	-	0.2	0.3	0.6	0.9	2.3	3.6	5.4	7.6	10.2	12.4	13.7	14.3	14.7	
Costs of sales (incl. royalties, shipping)	-	2.5	4.9	7.3	12.3	19.9	29.6	33.8	42.0	56.0	65.0	72.1	75.2	77.7	
Gross margin	-	3.0	5.5	10.3	16.2	49.4	77.8	126.7	185.4	246.9	303.2	335.8	349.9	361.3	
Gross margin as % of net sales		54%	53%	58%	57%	71%	72%	79%	82%	82%	82%	82%	82%	82%	
Operating expenses															
Selling and promotion	5.0	8.1	8.3	10.3	10.7	18.6	28.0	40.7	55.7	71.1	83.2	89.0	91.4	93.7	
Marketing spend	5.0	5.0	5.0	5.0	2.5	6.2	9.8	14.4	20.1	26.3	31.4	34.0	34.8	35.3	
S&P FTE	-	3.1	3.3	5.2	8.2	12.4	18.2	26.3	35.6	44.8	51.8	55.0	56.6	58.3	
General and admin (@ 3% incremental+spec) ..	-	0.2	0.3	0.5	0.9	2.1	3.2	4.8	6.8	9.1	11.0	12.2	12.8	13.2	
Research and development	15.2	22.0	6.5	3.0	4.3	7.4	10.8	15.6	21.6	28.4	34.3	37.9	39.5	40.8	
Total operating expenses	20.2	30.3	15.1	13.8	15.8	28.1	42.0	61.1	84.2	108.7	128.5	139.2	143.7	147.6	
Operating income / (loss)	(20.2)	(27.3)	(9.6)	(3.5)	0.4	21.3	35.8	65.6	101.2	138.2	174.7	196.6	206.2	213.7	
Provision for income taxes (@35.0%) ..	(7.1)	(9.6)	(3.4)	(1.2)	0.1	7.5	12.5	22.9	35.4	48.4	61.1	68.8	72.2	74.8	
Net income	\$ (13.1)	\$ (17.8)	\$ (6.3)	\$ (2.3)	\$ 0.3	\$ 13.9	\$ 23.3	\$ 42.6	\$ 65.8	\$ 89.8	\$ 113.5	\$ 127.8	\$ 134.0	\$ 138.9	
NPV SUMMARY															
Operating Cash Flows	\$ (13.1)	\$ (18.4)	\$ (6.9)	\$ (3.2)	\$ (1.2)	\$ 8.4	\$ 18.2	\$ 35.5	\$ 56.8	\$ 79.7	\$ 104.8	\$ 122.5	\$ 131.7	\$ 137.0	
Milestones payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Free Cash Flows	\$ (13.1)	\$ (18.4)	\$ (6.9)	\$ (3.2)	\$ (1.2)	\$ 8.4	\$ 18.2	\$ 35.5	\$ 56.8	\$ 79.7	\$ 104.8	\$ 122.5	\$ 131.7	\$ 137.0	
Both NPV and IRR are calculated using the base year above, discounted @9% after-tax. No terminal value is assumed.															
CUMULATIVE															
Operating Income/(Loss)	\$ (20.2)	\$ (47.5)	\$ (57.1)	\$ (60.6)	\$ (60.2)	\$ (38.9)	\$ (3.1)	\$ 62.4	\$ 163.6	\$ 301.8	\$ 476.5	\$ 673.1	\$ 879.3	\$ 1,092.9	
Free Cash Flows, pre-tax	(20.2)	(48.2)	(58.5)	(62.9)	(64.0)	(48.2)	(17.5)	41.0	133.2	261.3	427.3	618.6	822.5	1,034.3	
Free Cash Flows, after-tax	(13.1)	(31.6)	(38.5)	(41.7)	(42.9)	(34.6)	(16.4)	19.1	76.0	155.7	260.5	383.0	514.7	651.7	
Net Present Value	(13.1)	(30.0)	(35.9)	(38.3)	(39.2)	(33.8)	(22.9)	(3.5)	25.0	61.7	106.0	153.5	200.3	245.0	

Myoscience P&L – Scenario #3 (Base Case)

Launch: 2015-Q1
Life: 2029-Q4

Gross Sales Peak: \$316MM (2025)
Net Sales Peak: \$283MM (2025)

Scenario #3: Current 64640 code

Scenario:	aA3		Myoscience		US\$MMs										
US\$MMs	Base Year														
Myoscience (US Only)	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj
Proforma P&L	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Gross sales	\$ -	\$ 5.9	\$ 15.6	\$ 35.0	\$ 71.9	\$ 127.2	\$ 190.1	\$ 245.2	\$ 285.4	\$ 313.5	\$ 324.3	\$ 316.3	\$ 298.5	\$ 284.7	\$ 270.0
Net sales	-	5.7	14.6	32.3	65.0	113.7	170.0	219.2	255.1	280.2	289.8	282.7	266.8	254.4	242.0
Costs of goods sold (@27.9%)	-	2.5	6.6	12.7	25.7	37.4	52.5	66.5	78.4	86.1	89.0	86.7	81.8	77.9	74.0
Shipping and warehousing (@3.0%)	-	0.2	0.5	1.1	2.2	3.8	5.7	7.4	8.6	9.4	9.7	9.5	9.0	8.5	8.0
Costs of sales (incl. royalties, shipping)	-	2.7	7.0	13.8	27.9	41.3	58.2	73.9	86.9	95.5	98.7	96.2	90.7	86.4	82.0
Gross margin	-	3.0	7.6	18.6	37.1	72.4	111.8	145.3	168.2	184.7	191.1	186.5	176.1	168.0	160.0
Gross margin as % of net sales		53%	52%	57%	57%	64%	66%	66%	66%	66%	66%	66%	66%	66%	66%
Operating expenses															
Selling and promotion	5.0	8.1	11.1	17.0	25.9	39.2	51.7	63.1	72.5	79.4	81.9	83.1	83.5	84.3	84.3
Marketing spend	5.0	5.0	5.0	5.0	5.4	9.5	14.3	18.4	21.4	23.5	24.3	23.7	22.4	21.3	21.3
S&P FTE	-	3.1	6.1	12.0	20.5	29.6	37.4	44.8	51.1	55.9	57.6	59.3	61.1	63.0	63.0
General and admin (@ 3% incremental+spec) ..	-	0.2	0.4	1.0	1.9	3.4	5.1	6.6	7.7	8.4	8.7	8.5	8.0	7.6	7.6
Research and development	15.2	22.0	5.4	3.2	6.4	10.2	15.2	19.6	22.8	25.1	25.9	25.3	23.9	22.8	22.8
Total operating expenses	20.2	30.3	16.9	21.1	34.2	52.7	72.0	89.3	103.0	112.9	116.6	116.8	115.4	114.7	114.7
Operating income / (loss)	(20.2)	(27.3)	(9.4)	(2.5)	2.9	19.7	39.8	56.0	65.2	71.8	74.5	69.6	60.7	53.3	53.3
Provision for income taxes (@35.0%)	(7.1)	(9.5)	(3.3)	(0.9)	1.0	6.9	13.9	19.6	22.8	25.1	26.1	24.4	21.2	18.7	18.7
Net income	\$ (13.1)	\$ (17.7)	\$ (6.1)	\$ (1.6)	\$ 1.9	\$ 12.8	\$ 25.9	\$ 36.4	\$ 42.4	\$ 46.7	\$ 48.4	\$ 45.3	\$ 39.5	\$ 34.6	\$ 34.6
NPV SUMMARY															
Operating Cash Flows	\$ (13.1)	\$ (18.4)	\$ (7.2)	\$ (4.0)	\$ (2.5)	\$ 6.2	\$ 18.3	\$ 29.8	\$ 37.6	\$ 43.3	\$ 47.2	\$ 46.2	\$ 41.6	\$ 36.3	\$ 36.3
Milestones payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flows	\$ (13.1)	\$ (18.4)	\$ (7.2)	\$ (4.0)	\$ (2.5)	\$ 6.2	\$ 18.3	\$ 29.8	\$ 37.6	\$ 43.3	\$ 47.2	\$ 46.2	\$ 41.6	\$ 36.3	\$ 36.3
Both NPV and IRR are calculated using the base year above, discounted @9% after-tax. No terminal value is assumed.															
CUMULATIVE															
Operating Income/(Loss)	\$ (20.2)	\$ (47.5)	\$ (56.8)	\$ (59.4)	\$ (56.4)	\$ (36.8)	\$ 3.0	\$ 59.0	\$ 124.2	\$ 196.0	\$ 270.5	\$ 340.2	\$ 400.9	\$ 454.1	\$ 454.1
Free Cash Flows, pre-tax	(20.2)	(48.2)	(58.7)	(63.6)	(65.0)	(52.0)	(19.7)	29.7	90.1	158.6	231.8	302.4	365.2	420.1	420.1
Free Cash Flows, after-tax	(13.1)	(31.6)	(38.8)	(42.8)	(45.3)	(39.1)	(20.7)	9.1	46.6	90.0	137.1	183.3	224.9	261.2	261.2
Net Present Value	(13.1)	(30.0)	(36.1)	(39.2)	(41.0)	(37.0)	(26.0)	(9.7)	9.1	29.1	49.0	66.9	81.7	93.5	93.5

Myoscience P&L – Scenario #4

Scenario #4: Clinical study failed;
cash pay; Higher Tip Price

Launch: 2015-Q1
Life: 2029-Q4

Gross Sales Peak: \$63MM (2025)
Net Sales Peak: \$57MM (2025)

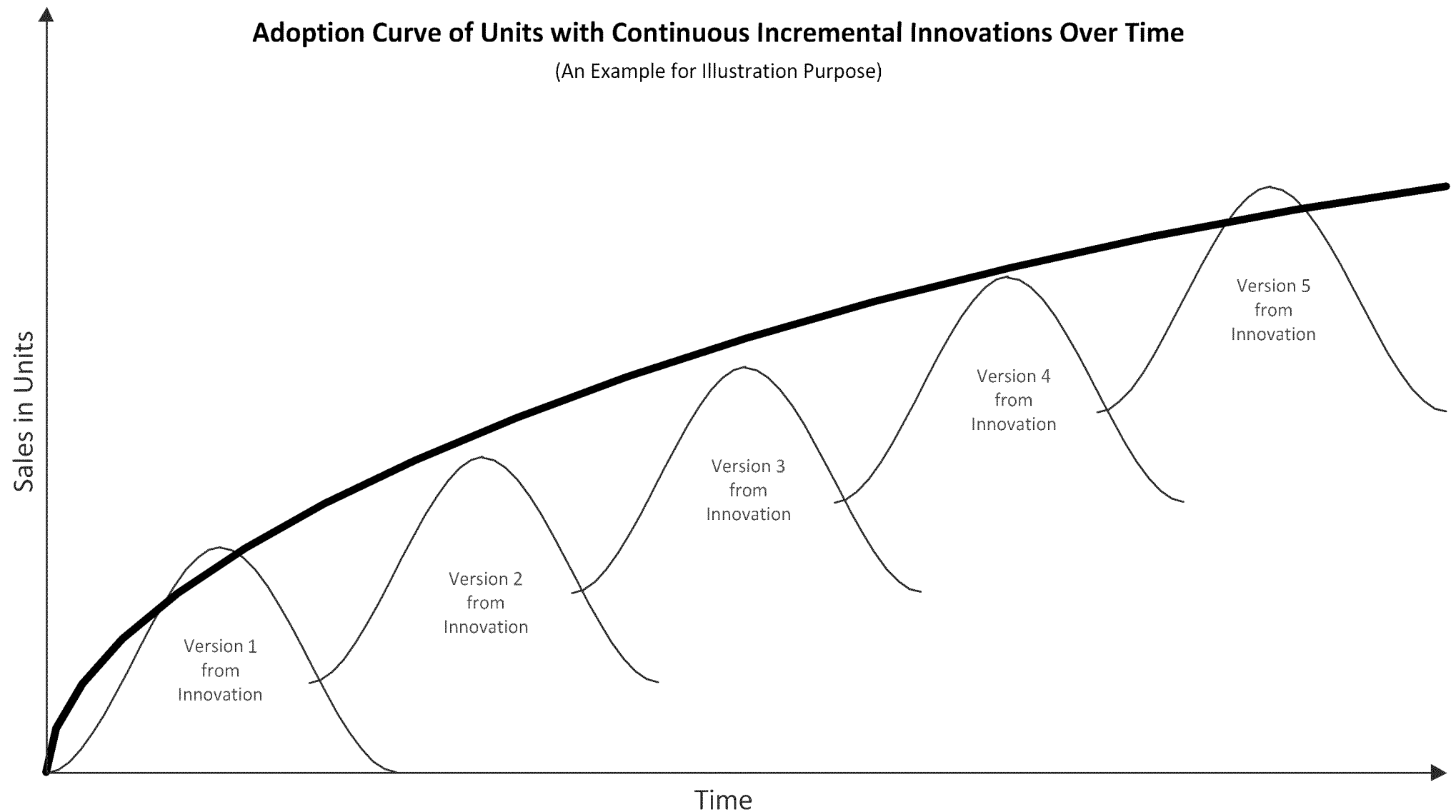
Scenario:	aA4 Myoscience														US\$MMs	
US\$MMs	Base Year															
Myoscience (US Only)	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	proj	
Proforma P&L	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027		
Gross sales	\$ -	\$ 1.8	\$ 3.5	\$ 10.8	\$ 17.1	\$ 25.9	\$ 36.1	\$ 46.7	\$ 56.1	\$ 63.0	\$ 65.5	\$ 63.3	\$ 59.2	\$ 56.1		
Net sales	-	1.7	3.3	10.0	15.5	23.2	32.2	41.8	50.2	56.4	58.5	56.6	52.9	50.2		
Costs of goods sold (@25.7%)	-	0.7	1.5	3.1	5.0	7.6	9.1	11.9	14.0	15.8	16.4	15.8	14.8	14.4		
Shipping and warehousing (@3.0%)	-	0.1	0.1	0.3	0.5	0.8	1.1	1.4	1.7	1.9	2.0	1.9	1.8	1.7		
Costs of sales (incl. royalties, shipping)	-	0.8	1.6	3.4	5.5	8.4	10.1	13.3	15.7	17.7	18.3	17.7	16.6	16.1		
Gross margin	-	0.9	1.7	6.5	10.0	14.8	22.1	28.5	34.5	38.7	40.2	38.9	36.3	34.0		
Gross margin as % of net sales		53%	51%	65%	65%	64%	69%	68%	69%	69%	69%	69%	69%	68%		
Operating expenses																
Selling and promotion	5.0	8.1	8.2	8.3	6.0	8.7	11.8	14.9	17.5	19.2	19.4	18.4	16.8	15.7		
Marketing spend	5.0	5.0	5.0	5.0	1.3	1.9	2.7	3.5	4.2	4.7	4.9	4.7	4.4	4.2		
S&P FTE	-	3.1	3.2	3.3	4.8	6.7	9.1	11.4	13.3	14.4	14.5	13.6	12.4	11.5		
General and admin (@ 3% incremental+spec) ..	-	0.1	0.1	0.3	0.5	0.7	1.0	1.3	1.5	1.7	1.8	1.7	1.6	1.5		
Research and development	15.2	20.9	5.4	1.7	2.1	2.1	2.9	3.7	4.5	5.0	5.2	5.1	4.7	4.5		
Total operating expenses	20.2	29.1	13.8	10.4	8.6	11.5	15.6	19.9	23.5	25.9	26.4	25.1	23.1	21.7		
Operating income / (loss)	(20.2)	(28.2)	(12.1)	(3.8)	1.4	3.3	6.4	8.6	10.9	12.8	13.8	13.7	13.2	12.4		
Provision for income taxes (@35.0%)	(7.1)	(9.9)	(4.2)	(1.3)	0.5	1.2	2.3	3.0	3.8	4.5	4.8	4.8	4.6	4.3		
Net income	\$ (13.1)	\$ (18.3)	\$ (7.8)	\$ (2.5)	\$ 0.9	\$ 2.2	\$ 4.2	\$ 5.6	\$ 7.1	\$ 8.3	\$ 8.9	\$ 8.9	\$ 8.6	\$ 8.0		
NPV SUMMARY																
Operating Cash Flows	\$ (13.1)	\$ (18.5)	\$ (8.1)	\$ (3.4)	\$ 0.2	\$ 1.1	\$ 3.0	\$ 4.3	\$ 6.0	\$ 7.5	\$ 8.7	\$ 9.2	\$ 9.1	\$ 8.4		
Milestones payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Free Cash Flows	\$ (13.1)	\$ (18.5)	\$ (8.1)	\$ (3.4)	\$ 0.2	\$ 1.1	\$ 3.0	\$ 4.3	\$ 6.0	\$ 7.5	\$ 8.7	\$ 9.2	\$ 9.1	\$ 8.4		
Both NPV and IRR are calculated using the base year above, discounted @9% after-tax.																
No terminal value is assumed.																
CUMULATIVE																
Operating Income/(Loss)	\$ (20.2)	\$ (48.4)	\$ (60.5)	\$ (64.3)	\$ (62.9)	\$ (59.6)	\$ (53.1)	\$ (44.6)	\$ (33.6)	\$ (20.8)	\$ (7.1)	\$ 6.7	\$ 19.8	\$ 32.2		
Free Cash Flows, pre-tax	(20.2)	(48.6)	(60.9)	(65.6)	(65.0)	(62.7)	(57.4)	(50.1)	(40.3)	(28.4)	(14.9)	(0.9)	12.8	25.5		
Free Cash Flows, after-tax	(13.1)	(31.7)	(39.7)	(43.1)	(42.9)	(41.8)	(38.8)	(34.5)	(28.6)	(21.1)	(12.4)	(3.2)	5.8	14.2		
Net Present Value	(13.1)	(30.2)	(36.9)	(39.5)	(39.4)	(38.7)	(36.9)	(34.6)	(31.6)	(28.1)	(24.5)	(20.9)	(17.7)	(14.9)		

Detailed Assumptions

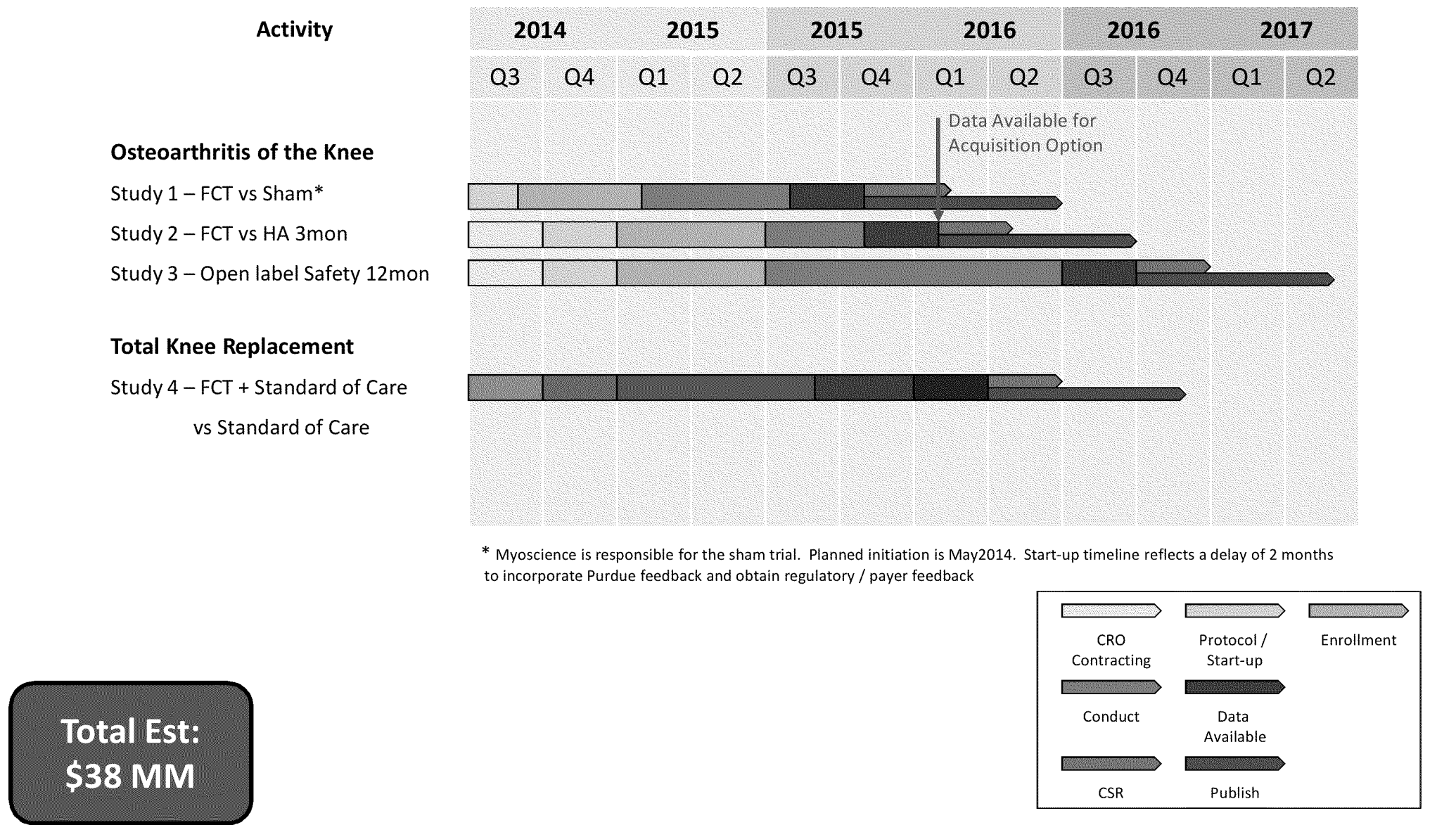
Assumptions	All Scenarios	Other Assumptions
Pricing / Rx	\$10,000 per iovera device (in 2015, up to \$11,471 per device in 2023) \$395 / smart-tip & NO (growing at 2.8% p.a. in Base case)	<ul style="list-style-type: none">• A sales call PDE is assumed at \$136 per PDE — assuming that each sales call will have secondary and tertiary calls utilized. A full-cost sales call is assumed at \$218 per call for this evaluation.• G&A expenses are assumed at 3% of net sales overall for Purdue.• No additional G&A expenses are assumed for various sales cases.• Manufacturing capital expenditure: TBD.• No additional import duties or tariffs is assumed.• After-tax discount rate of 9.0% p.a. is used.• Income tax rate is assumed at 35%. (Source: Purdue peers benchmarks).• General inflation is assumed at 3% p.a.• Tax Treatment: Asset purchase price and CVR/approval milestones are amortized over 15 years straight starting at launch year.
Rebates (managed case, Medicaid, Medicare, supplemental)	Discounts/rebates to PBM, Medicaid and hospitals are assumed; or volume discounts to large practitioner offices; Overall 15% discount off gross sales for 100% of sales. Rebates are reduced by 25% once generics arrived.	
Patients Saving Card	None	
Cost of Goods	iovera device @ \$1,822 in 2015, reduced to \$1,658 in 2020 Smart-tip & N.O. @ \$168 in 2015, reduced to \$114 in 2020 (Based on assumption provided by Myoscience subject to due diligence confirmation). Assume 3% p.a. price increase using PPI-Pharmaceuticals.	
3 rd -Party Deal Terms	\$30 million upfront for a 19% equity stake Myoscience owns all US rights and commercializes in the US Mundipharma commercializes ex-US and pays Myoscience a 7.5% royalty on Net Sales Purdue invests \$40 million in R&D. [If we do not exercise the buy-out option, \$10 million of the \$40 million is converted to equity at a per share price of the most current round. Total holding then 25%.] \$50 million of R&D CVRs (\$20 million on successful completion of the nerve finding tip, \$10 million on completion of the blunt tip cannular, \$10 million on a new indication for pre & post TKR, \$10 million on approval in the US for aesthetics; only \$30 million are included in Base Case) Purdue has an option to buy the remaining shares of the company for \$275 million after successful results from comparative trial with HA. The buyout includes additional US sales CVR's totaling \$100 million (\$15 million for \$250 million sales / \$35 million for \$400 million sales / \$50 million for \$750 million sales) Note: All R&D and Sales CVRs are assumed to be returned to shareholders and not retained in Myoscience. Assume buyout is not exercised in base case so total cash to MYOSCIENCE = \$100 MILLION plus royalty ex-US	
PDE	Start with 10 dedicated sales reps in 2015; progressively increase to 140 reps in 2024 serving 5,464 physicians with 2,404 device installed bases.	
S&P \$	Total S&P @ 32% of Net Sales for Base Case.	
DTC	Tbd	
Samples	None	
Pre-launch R&D	None required. Medical device is already approved.	
Post-Launch R&D	Perform Phase 4 clinical trials for pain relief data – costing ~\$38 million. Assumed no pediatric study program is required; 8% of gross sales for ongoing R&D.	

Adoption Curve of Continuous Innovations

(for Illustration Purpose)



Clinical Development Plan Assumption



To: Boer, Peter [REDACTED]@boer.org]; Lewent, Judy [REDACTED]@pharma.com]; Pickett, Ceci [REDACTED]@pharma.com]; Costa, Paulo [REDACTED]@pharma.com]; Snyderman, Ralph [REDACTED]@pharma.com]; Sackler, Dr Richard [REDACTED]@pharma.com]; Sackler, Jonathan [REDACTED]@pharma.com]; Sackler Lefcourt, Irene [REDACTED]@pharma.com]; Sackler, Beverly [REDACTED]@pharma.com]; Sackler, Dame Theresa [REDACTED]@msackler.co.uk]; Sackler, Dr Katherine [REDACTED]@pharma.com]; Sackler, Dr Raymond R [REDACTED]@pharma.com]; Sackler, Mortimer D.A [REDACTED]@pharma.com]; Sackler, David [REDACTED]@pharma.com]; Baker, Stuart [REDACTED]@chadbourne.com]; Timney, Mark [REDACTED]@pharma.com]; Baumgartner, Todd [REDACTED]@pharma.com]; Damas, Raul [REDACTED]@pharma.com]; [REDACTED]@pharma.com]; Gasdia, Russell [REDACTED]@pharma.com]; Long, David [REDACTED]@pharma.com]; Lundie, David [REDACTED]@pharma.com]; Mallin, William [REDACTED]@pharma.com]; Strassburger, Philip [REDACTED]@pharma.com]; Weinstein, Ben [REDACTED]@pharma.com]; [REDACTED]

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Cc: Rosen, David (Sales and Marketing [REDACTED]@pharma.com]; Lowne, Jon [REDACTED]@pharma.com]; [REDACTED]@pharma.com]; [REDACTED]@pharma.com]; [REDACTED]@pharma.com]; [REDACTED]@pharma.com]

From: Mahony, Edward

Sent: Fri 5/2/2014 2:15:13 PM

Subject: April 2014 Flash Report

[April 2014 summary of results v3.pptx](#)

Colleagues – Attached is Purdue's April 2014 Flash Report. Net Sales are ahead of budget year-to-date. More detail is in the attached.

Ed


Purdue – U.S.


April Flash Report


Purdue U.S. – April Board Flash Report

April YTD 2014 Results

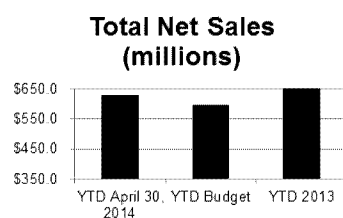
	<u>Page</u>
Total Net Sales	3
OxyContin Net Sales	4-5
Butrans Net Sales	6-7
Cash and Short Term Investments	8
Full Year Outlook	9
Net Sales by Product	10

Legend:  = in-line with or better than budget

 = Temporarily off budget

 = below budget

Purdue U.S. April 2014 YTD – Net Sales

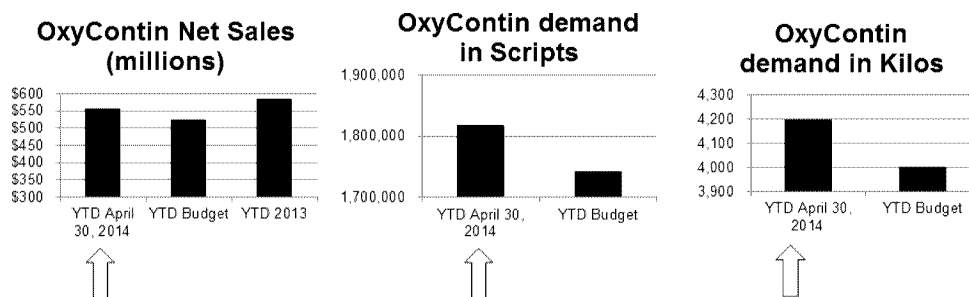


Net Sales year-to-date April of \$627.8 million are \$32.3 million higher than budget and \$21.3 million lower than prior year:

- The underlying demand for OxyContin and Butrans are both ahead of budget.
- Trade inventory for Oxycontin is currently higher than budget and Butrans is lower. Trade inventory is generally tracking close to budget but sensitive to timing of shipments around month end.
- While rebates are running in line with budget year to date, rebate pressures on OxyContin and recent formulary wins for Butrans will cause blended rebates to be higher on a full year basis.

On balance, for the full year we expect net sales to be on budget.

Purdue U.S. April 2014 YTD – OxyContin Net Sales



See commentary on next page

Purdue U.S. April 2014 YTD – OxyContin Net Sales (continued)

OxyContin net sales year-to-date April of \$554.1 million are \$31.6 million above Budget and \$29.1 million lower than the same period last year. The variance to budget is due to higher than budget demand and higher trade inventory as follows.

1. OxyContin demand is running approximately \$22 million higher than budget. Scripts of 1,818,000 year-to-date are higher than budget by 77,000 or 4.4%. Also the script mix by strength and number of tablets per script are running slightly favorable to budget.
2. OxyContin trade inventory at the end of April is higher than the budget by \$9 million. Trade inventory is sensitive to the timing of the weekly purchases by the big three wholesalers and trade inventory is generally tracking to budget.

OxyContin rebates are expected to run higher than budget due to an unanticipated contract re-negotiation initiated by United Health.

OPPORTUNITIES

The E2E effort has resulted in significant improvement and on budget performance in (1) number of sales calls, (2) primary sales call split between products (OxyContin 60% and Butrans 40%) and (3) % calls on target HCP's (Q1 Act of 86% vs. Q1 target of 80%). These are all significant improvements since 2013.

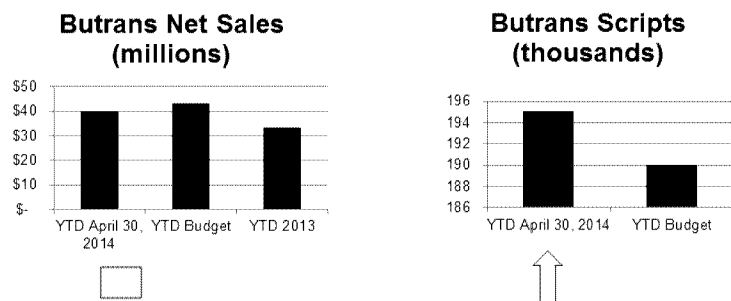
Purdue is employing many tactics to address patient access issues including collaborating with the National Association of Boards of Pharmacy to develop industry standards for dispensing guidelines, working with wholesalers/retailers to establish thresholds for orders/scripts based on NDC versus API, and more. Most recently Purdue has been successful with Walgreens in moving to NDC quotas thereby separating OxyContin from oxycodone IR and other non-abuse deterrent products.

RISKS

There are a number of risks specific to OxyContin. Those risks include (i) continued pressure against higher doses of opioids, (ii) continued pressure against long term use of opioids and most recently (iii) a new class label for ER opioids that will likely include the following language "reserve OxyContin for use in patients for whom alternative treatment options (e.g., non-opioid analgesics or immediate-release opioids) are ineffective, not tolerated, or would be otherwise inadequate".

Taking all the above into account **we expect OxyContin 2014 sales to be on budget.**

Purdue U.S. April 2014 YTD – Butrans Net Sales



See commentary on next page

Purdue U.S. April 2014 YTD – Butrans Net Sales (continued)

Butrans net sales year-to-date April of \$39.7 million are \$3.1 million under budget and \$6.6 million higher than prior year.

The Butrans sales shortfall is due to trade inventory being \$3 million below budget. We expect Butrans inventory to return to budget levels in the coming months.

The full year prospects for Butrans are encouraging due to (i) year-to-date prescriptions of 195,000 are higher than budget by 4,750 or 2.5% (ii) Butrans share of EROs was 2.54% for the week ending 4/18/14 (a new record high) up from 2.12% at the start of the year and (iii) managed care coverage is improving and on track to meet (commercial) or significantly exceed (Med D) budget targets.

OPPORTUNITIES

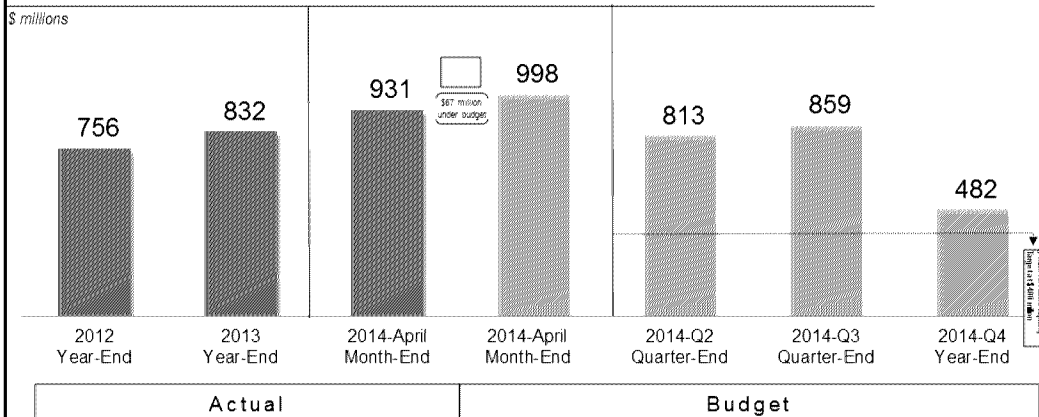
The new 7.5 mcg patch is expected to launch later this year, the FDA recently approved a change in the Butrans label that would allow use of multiple patches (within the current 20 mcg upper limit) and impact of new managed care coverage should start to show up in the script data later this year --- all of these offer an opportunity to exceed the budget. Importantly, there have been no Paragraph 4 challenges against Butrans.

RISKS

In spite of the improving managed care coverage prescribers perception is that Butrans has low managed care coverage – a perception that the brand team is working to correct. Also --- Butrans' share of sales calls has decreased vs. the last two years. The sales budget took that decrease into consideration but the impact could be greater than anticipated.



Taking all the above into account **we expect Butrans 2014 sales to be on budget.**

**Purdue U.S. – Cash and Short Term Investment Position
(Unrestricted)**



- At April 30, Purdue's cash and short term investments balance was \$931 million or \$67 million under budget due to higher tax distribution as a result of lower tax losses from ex-US funding made by Purdue.
- Year-end 2014 cash and short term investments are scheduled to be \$482 million. The decrease from the current balance is due to expected payments of \$240 million in Medicaid Rebates accrued since 2010 due to Affordable Care Act line-extension treatment (being contested by Purdue) and lower sales in Q4 due to settlements and distributions.
- Non-tax distributions year-to-date have been \$105.4 million. Non-tax distributions or available to invest is \$226.5 million for the rest of the year.

Purdue U.S. – Full year outlook

- Purdue expects to end 2014:
 - Sales - on or better than budget (1) 
 - Operating profit margin – on or better than budget (1) 
 - Ex-US support is trending higher than budget by \$22 million due to fundings approved since the US budget was set

(1) Significant rebate pressures will be offset by reduction in expenses, reductions in patient savings cards, etc.

Purdue U.S. April 2014 YTD – Net Sales by Product

	April Year-to-Date						Variance 2014 YTD Actual Vs.						Full Year															
	2014 YTD Actual		% of Gross Sales		2014 YTD Budget		% of Gross Sales		2013 YTD Actual		% of Gross Sales		2014 YTD Budget		% of Gross Sales		2013 Actual		% of Gross Sales									
OpCoContin																												
Gross Sales	\$	848,234	100%		\$	833,172	100%		\$	799,001	100%		\$	45,062	100%		\$	49,233	100%		\$	1,977,275	100%		\$	2,525,577	100%	
Fee for Service		(17,026)	-2.0%			(16,161)	-2.0%			(17,199)	-2.2%			(865)	-1.9%			173	0.4%			(40,015)	-2.0%			(50,637)	-2.0%	
Sales Discounts and Allowances		(17,265)	-2.0%			(17,396)	-2.2%			(14,585)	-1.8%			131	0.3%			(2,679)	-5.4%			(39,510)	-2.0%			(17,820)	-0.7%	
Savings Cards Discounts		(12,703)	-1.5%			(11,880)	-1.5%			(11,966)	-1.5%			(823)	-1.8%			(737)	-1.5%			(34,300)	-1.7%			(34,719)	-1.4%	
Rebates		(238,089)	-28.1%			(226,621)	-28.2%			(150,239)	-18.8%			(11,468)	-25%			(87,650)	-178.4%			(532,682)	-26.9%			(538,771)	-21.5%	
Proposed Regulation Adjustment for Medicaid Rebates		(9,041)	-1.1%			(8,358)	-1.1%			(21,788)	-2.7%			(483)	-1.1%			12,747	25.9%			(28,477)	-1.4%			(46,046)	-1.8%	
Other Income		-	0.0%			-	0.0%			-	0.0%			-	0.0%			-	0.0%			3,677	0.2%			-	0.0%	
OpCoContin Net Sales		554,110	65.3%			522,555	65.1%			583,223	72.6%			31,555	70.0%			(29,113)	-59.1%			1,305,957	66.0%			1,837,576	72.8%	
Butrans																												
Gross Sales	\$	53,523	100%		\$	57,457	100%		\$	40,739	100%		\$	(3,934)	100%		\$	12,785	100%		\$	188,777	100%		\$	147,410	100%	
Fee for Service		(1,127)	-2.1%			(1,161)	-2.0%			(886)	-2.2%			34	-0.9%			(241)	-1.9%			(3,811)	-2.0%			(3,091)	-2.1%	
Sales Discounts and Allowances		(1,048)	-2.0%			(1,248)	-2.2%			(655)	-1.6%			201	-5.1%			(393)	-3.1%			(4,101)	-2.2%			(12,999)	-8.8%	
Savings Cards Discounts		(3,121)	-5.8%			(3,127)	-5.4%			(2,386)	-5.9%			7	-0.2%			(735)	-5.8%			(9,834)	-5.2%			(8,776)	-6.0%	
Rebates		(8,539)	-16.0%			(9,123)	-15.9%			(3,758)	-9.2%			584	-14.8%			(4,781)	-37.4%			(35,740)	-18.9%			(18,883)	-12.8%	
Butrans Net Sales		39,688	74.2%			42,797	74.5%			33,054	81.1%			(3,109)	79.0%			6,634	51.9%			135,291	71.7%			103,656	70.3%	
Intermezzo Net Sales		3,387				(89)				2,789				3,477				988				-				11,507		
Other Products Net Sales		30,601	99.9%			30,254	100.3%			30,057	101.8%			347	72.2%			544	48.3%			93,105	100.4%			94,205	101.1%	
Total for All Products																												
Gross Sales	\$	933,630	100%		\$	890,705	100%		\$	872,877	100%		\$	42,845	100%		\$	60,752	100%		\$	2,358,777	100%		\$	2,774,589	100%	
Fee for Service		(18,474)	-2.0%			(17,526)	-2.0%			(18,400)	-2.1%			(940)	-2.2%			(741)	-0.3%			(44,646)	-2.0%			(54,628)	-2.0%	
Sales Discounts and Allowances		(16,111)	-1.7%			(19,531)	-2.2%			(15,539)	-1.8%			3,221	7.5%			(572)	-0.9%			(45,300)	-2.0%			(27,325)	-1.0%	
Savings Cards Discounts		(16,180)	-1.7%			(15,008)	-1.7%			(14,608)	-1.7%			(1,172)	-2.7%			(1,372)	-2.3%			(44,134)	-2.0%			(46,874)	-1.6%	
Rebates		(247,139)	-26.5%			(236,295)	-26.5%			(155,029)	-17.8%			(10,824)	-25.3%			(92,090)	-151.6%			(570,095)	-25.2%			(559,603)	-20.2%	
Proposed Regulation Adjustment for Medicaid Rebates		(9,041)	-1.0%			(8,358)	-1.0%			(21,788)	-2.5%			(483)	-1.1%			12,747	21.0%			(28,477)	-1.3%			(46,046)	-1.7%	
Other		1,082	0.1%			1,450	0.2%			1,811	0.2%			(368)	-0.9%			(729)	-1.2%			8,027	0.3%			4,844	0.2%	
Total Net Sales		\$ 627,787	67.2%			\$ 595,517	66.9%			\$ 648,124	74.4%			\$ 32,270	75.3%			\$ (21,337)	-35.1%			\$ 1,534,354	67.9%			\$ 2,046,945	73.8%	

Message

From: Baker, Stuart [REDACTED]
Sent: 5/8/2014 7:45:49 PM
To: Sackler, Dr Raymond R [REDACTED]; Sackler, Beverly [REDACTED]; Sackler, Dame Theresa [REDACTED]; Sackler, Dr Richard [REDACTED]; Sackler Lefcourt, Ilene [REDACTED]; Sackler, Dr Kath [REDACTED]; Sackler, Jonathan [REDACTED]; Sackler, Mortimer D.A. [REDACTED]; Sackler, David A. [REDACTED]; Boer, Peter [REDACTED]; Boer, Peter [REDACTED]; 'Judy Lewent' [REDACTED] @msn.com]; Lewent, Judy [REDACTED]; Pickett, Cecil [REDACTED]; Costa, Paulo [REDACTED]; Snyderman, Ralph [REDACTED]
CC: Baker, Stuart [REDACTED]; Timney, Mark [REDACTED]; Mahony, Edward [REDACTED]; Strassburger, Philip [REDACTED]; Wikström, Åke [REDACTED]; Landau, Dr. Craig [REDACTED]; Singh, Ramar [REDACTED]; Roncalli, Anthony [REDACTED]
Subject: Draft Agenda and Board Book - Meetings of the Boards of Directors (U.S. Companies)
Attachments: U.S. Board Book (Draft - May 8, 2014).pdf

Thursday, May 8, 2014

Dear All,

Attached is the draft Agenda and Board Book (Draft – May 8, 2014) for the Meetings of the Boards of Directors (U.S. Companies) to be held next Thursday, May 15, 2014 in the Stamford Board room.

Directors are encouraged to attend the meetings in person.

For those persons joining the meetings telephonically, the call-in numbers are as follows:

U.S. Participants: [Redacted]

Non-U.S. Participants: [Redacted]

Passcode: [Redacted]

The attached materials have been uploaded to BoardVantage.

Stuart

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For additional information about Chadbourne & Parke LLP and Chadbourne & Parke, a multinational partnership, including a list of attorneys, please see our website at <http://www.chadbourne.com>

**BOARDS OF DIRECTORS MEETINGS
(U.S. Companies)**

AGENDA

Thursday, May 15, 2014 (10:00 a.m. until 5:00 p.m.)

(Total Time: 225 Minutes or 3 Hours and 45 Minutes)

1. Interim Decisions
 - None
2. Pending Decision
 - **Redacted**
3. U.S. Strategy Items **(60 Minutes)**
4.

Redacted
5. Myoscience **(30 Minutes)**
 - Recommendation of the Business Development Committee
6. Celltrion **(60 Minutes)**
 - Recommendation of the Science and Technology Committee
 - Recommendation of the Business Development Committee
7. Compliance Report **(30 Minutes)**
8. One Stamford Forum **(15 Minutes)**
9. Other

TAB 2

PROPOSED DECISION

April , 2014

Redacted

TAB 3

Purdue – Finance Update Funds Available for Growth

May 2014

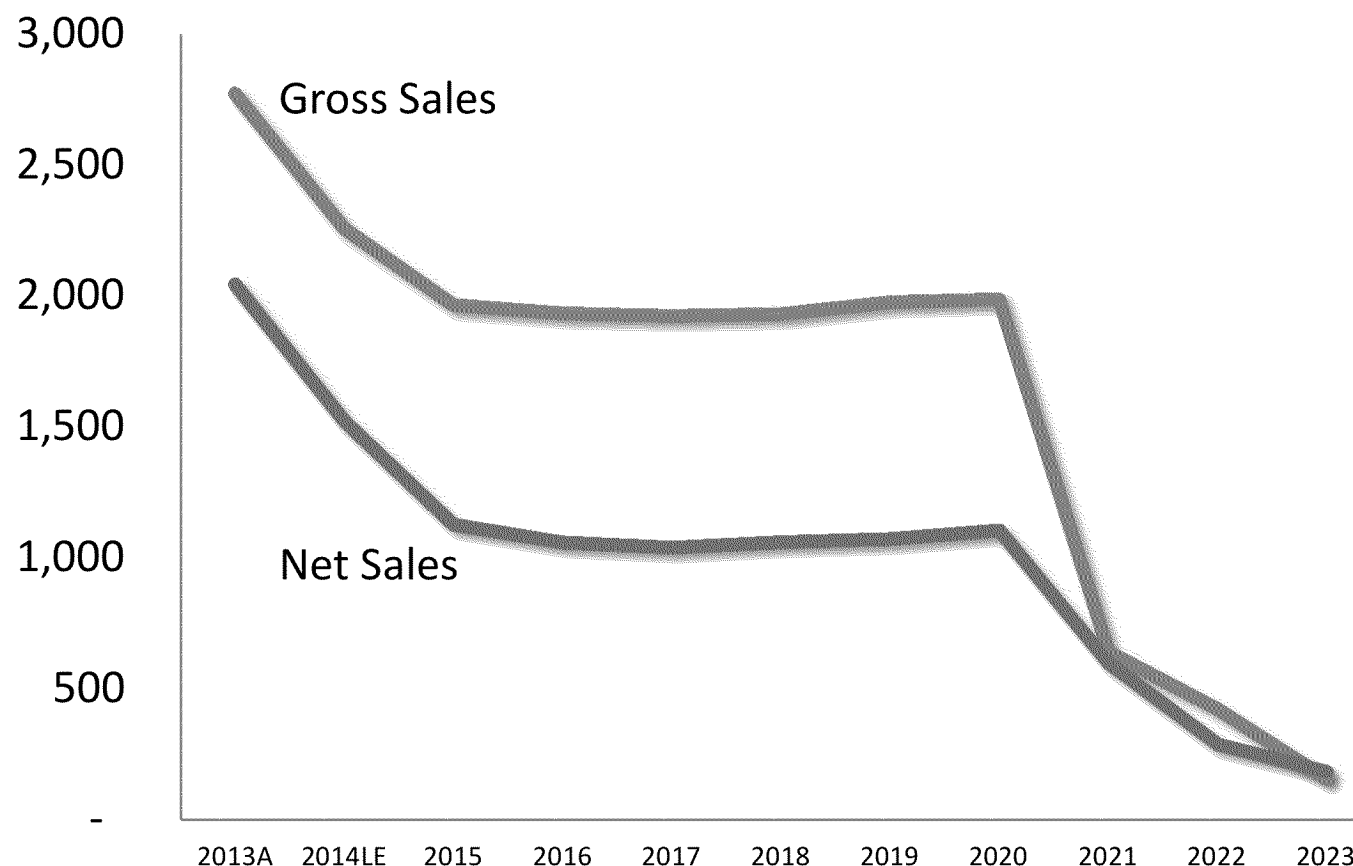
Confidential

Introduction

- Purdue's strategic objective is **profitable growth**.
- Profitable growth will require significant investment in new products, acquisitions, and more.
- To fund those aspirations, the first step is an update to Purdue's expected sales and profitability with recent trends in managed care, cost reduction initiatives, settlement expectation, and more.
- The following is an update of Purdue's financial expectation based on current trends, and before (a) further operational initiatives which could improve financial results and (b) new investments, acquisitions, etc.

Net Sales

\$ millions



Gross Sales	2,775	2,259	1,967	1,936	1,926	1,934	1,978	1,989	643	423	156
Net Sales	2,047	1,524	1,129	1,060	1,041	1,062	1,074	1,107	600	289	184
Gross-to-Net % discount	-26%	-33%	-43%	-45%	-46%	-45%	-46%	-44%	-7%	-32%	17%

Key Assumptions

Products

- Include: OxyContin, Butrans, Dilaudid, MS Contin/TR, Laxatives, Slow Mag, and Betadine.
- Exclude: Targiniq, Butrans higher strengths, TRPV-1 and the other early stage programs and Intermezzo.
- HYD evaluation is underway and not included at this point

Life of Exclusivity

- OxyContin 2020-Q4
- Butrans 2022-Q3

Rebates

- Rebate expense reflects: (1) Medicare Coverage Gap Discount Program, enacted in 2011, (2) expectation that managed care pressures intensify, (3) impact on Medicaid rebates of the OxyContin settlements and (4) additional line extension rebate. From 2013 to 2018 rebates increase to 21% to 42% of sales.

Discounts

- Savings cards phase out over 2015 to 2017
- Early payment discount at 2%
- Fee for services at 2%
- Return reserve at 1-4%

Authorized Generics

- Authorized generics for OxyContin and Butrans are assumed when generics enter in 2021-Q1 and 2022-Q4 respectively.

5/2014

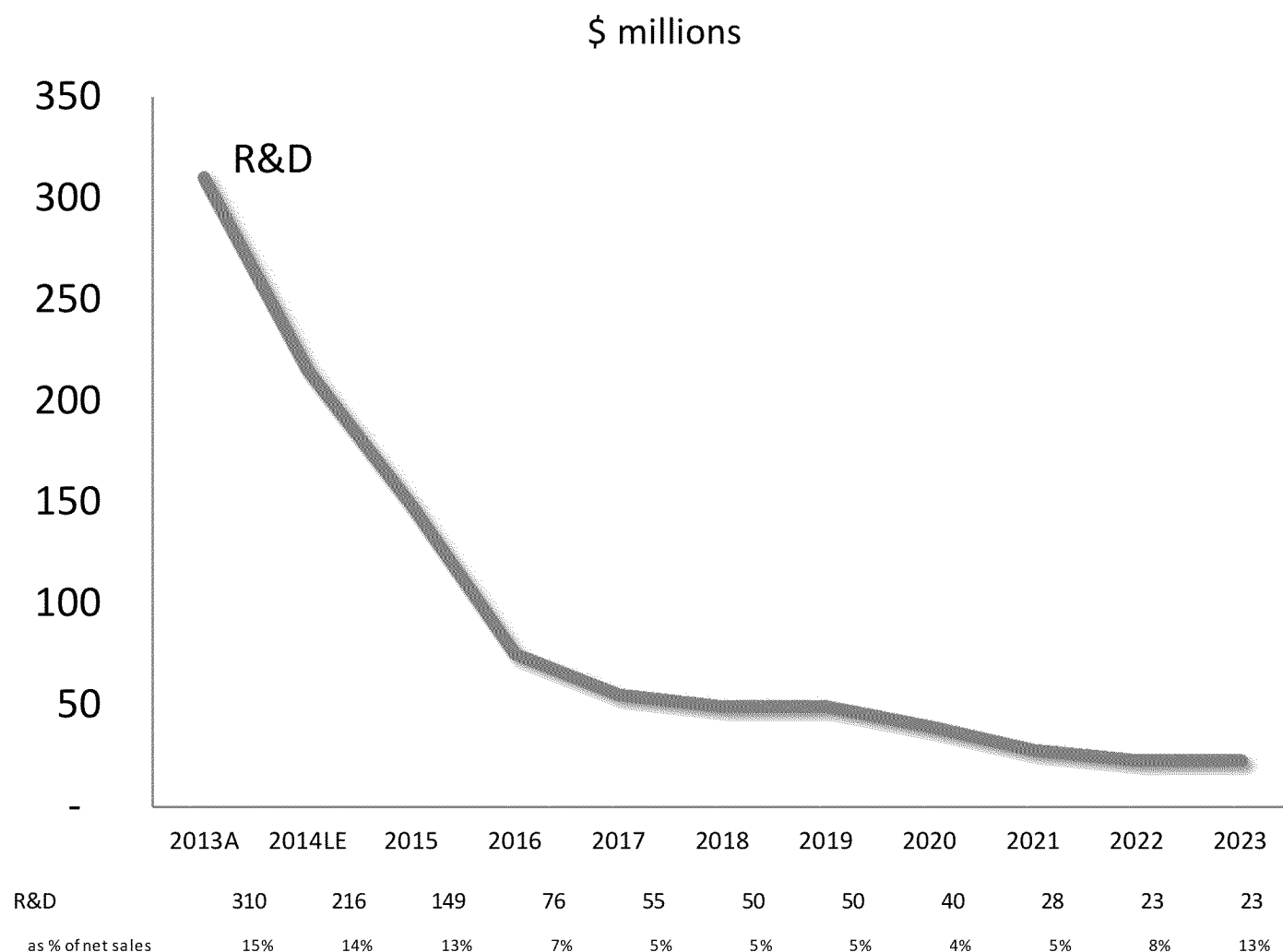
Purdue: Funds Available for Growth

PURDUE CONFIDENTIAL

Operating Expenses – G&A and Legal Fees

Redacted

Operating Expenses – R&D



Key Assumptions

R&D

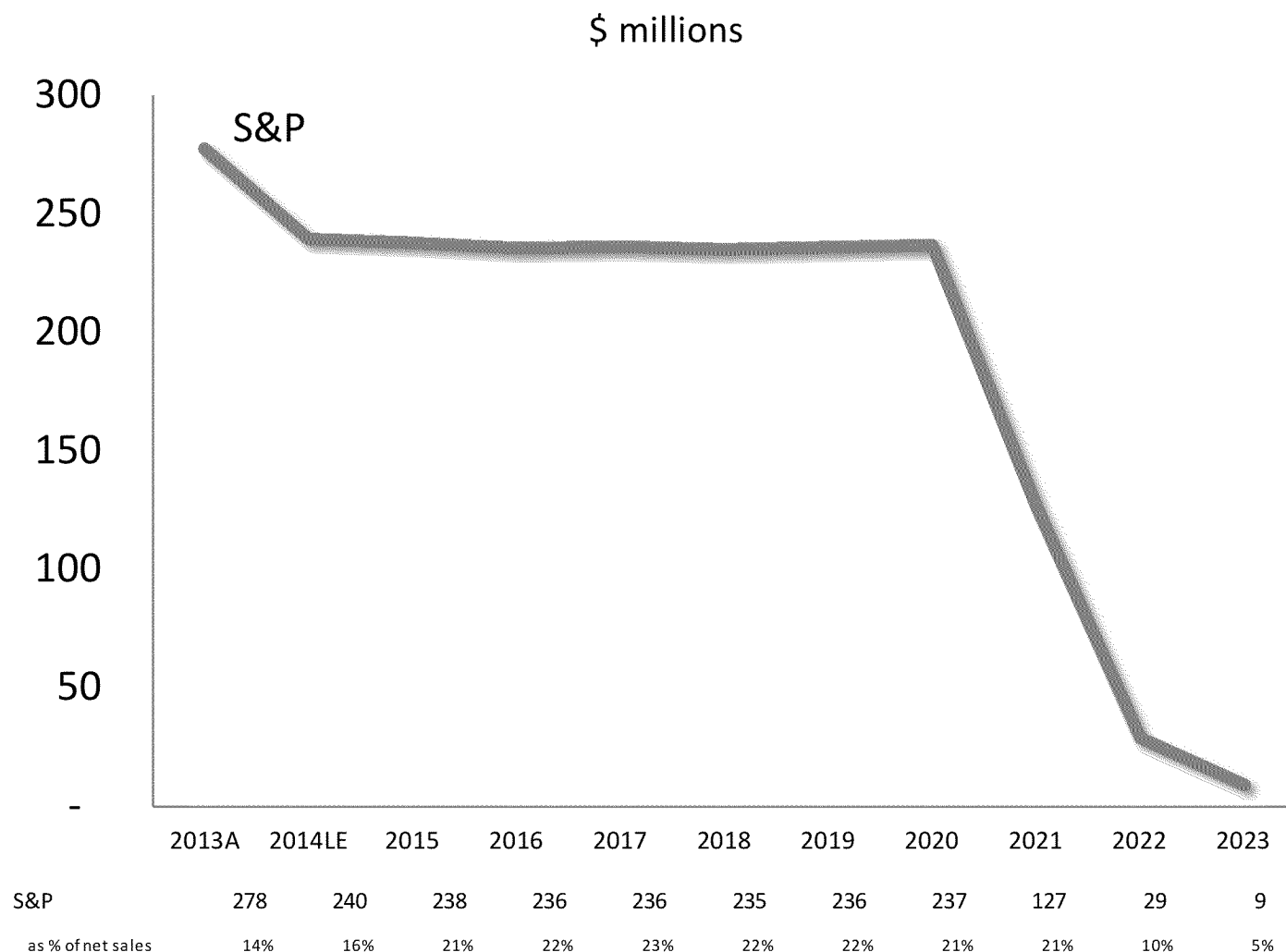
- R&D spend is based on the restructure strategy.
- Headcount is reduced from 325 individuals to 200 by early 2015. As identified pipeline projects near completion towards the end of 2015, project support headcount is reduced further and subsequently eliminated.
- R&D spend specifically includes: projected spend for pipeline projects (as detailed below); cost of redesigned Discovery organization including \$5 million annually through 2023 for virtual innovation and due diligence activities; and support for marketed products.
- Remaining costs stay flat as inflation impact is offset through operating efficiencies.
- R&D spend does not include any amounts for ADF platform development. That evaluation is underway.
- R&D pipeline includes: Butrans 2nd Gen, MS Contin TR, and OXY IR AD
- Pediatric clinical programs: OxyContin and Butrans
- ElMinda, TRPV-1, ORL 1 and Targiniq: expenses to wind down the programs in 2014.
- Include costs to support the biased ligand project to the end of 2015.

5/2014

Purdue: Funds Available for Growth

PURDUE CONFIDENTIAL

Operating Expenses – S&P



Key Assumptions

S&P

S&P expense is held flat pending further evaluation.

The sales force is kept at 525 heads to support OxyContin and Butrans.

0% per year inflation factor on all spending (people and other) since inflation will be offset by efficiencies.

The allocation of spending will be re-evaluated. Certain areas like Managed Care, Independent Delivery Networks, Analytics and more will be built up within the existing budget.

After OxyContin loss of exclusivity in 2022 and 2023, S&P is assumed to scale down to 10% and 5% of net sales respectively.

5/2014

Purdue: Funds Available for Growth



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Bottom Lines - Profitability

												Key Assumptions
\$millions	2013A	2014E	2015	2016	2017	2018	2019	2020	2021	2022	2023	<p><u>Operating Profit of Purdue averages ~\$440 million over 2015 to 2020. This is a decrease from 2013 and 2014 due to lower net sales caused by the impact or patent settlement, higher rebates and lower OxyContin demand.</u></p> <p><u>Ex-USA Expenses</u> USA support for ex-USA operations is recorded here. Includes funding for Europe, Japan, share of Germany funding. These numbers assume that current initiatives are completed. There is no allowance for future initiatives.</p> <p><u>Tax and Non-Tax Distributions</u></p> <ul style="list-style-type: none"> • Tax distributions = 50% of pre-tax profits. • Non-tax distributions are calculated based on the following guidelines: <ul style="list-style-type: none"> • Unrestricted cash at about 3 months of net sales. • In 2015, set up a \$10MM letter of credit for satisfying UBS lease covenant. • Abbott's \$350 million equity covenant expires in 2017-Q4. Until then, total stockholder's equity is maintained at \$425 million.
Operating Profit	862	604	365	405	417	455	474	516	235	78	35	
ex-USA/Other	98	215	208	149	87	62	39	65	21	1	3	
Pre-tax Profit	765	389	157	256	330	393	435	450	215	77	32	
Cash Balance (year-end)	832	419	374	408	428	261	267	277	152	73	46	
Available for Investments	541	289	141	127	163	398	227	209	55	113	24	

Conclusions

- Pressures on OxyContin scripts due to lower demand, litigation settlements, and price pressure reduce profitability.
- Reducing expenses frees up cash for investment.
- The current financial plan has funds available as follows:

\$ millions	2014 to-go	2015	2016	2017	2018
Investments in ex-USA (less tax)	-	107	81	52	39
Available for Investments	183	141	127	163	393
Total	183	249	208	215	432
Cumulative Total	183	432	640	855	1,287

- These funds could be allocated to investment but additional funds would also be required to achieve our aspirations.

Financial Statements – P&L

\$000s

	2013 Actual	2014 Budget	2014 Latest Estimate	2015	2016	2017	2018	2019	2020	2021	2022	2023
GROSS BRANDED PRODUCT SALES	\$ 2,774,569	\$ 2,258,777	\$ 2,258,777	\$ 1,967,078	\$ 1,935,726	\$ 1,926,097	\$ 1,933,613	\$ 1,978,188	\$ 1,988,836	\$ 642,720	\$ 423,384	\$ 156,249
Fee for Service	(54,623)	(44,444)	(44,444)	(38,310)	(37,851)	(37,660)	(37,800)	(38,689)	(38,892)	(11,631)	(7,179)	(1,732)
Discounts and Allowances	(27,325)	(45,300)	(41,080)	(43,748)	(40,108)	(34,803)	(35,140)	(36,396)	(36,580)	(13,842)	(10,486)	(3,773)
Patient Savings Card Discounts	(44,874)	(44,134)	(38,631)	(48,029)	(24,466)	(12,588)	-	-	-	-	-	-
Rebates on Branded Sales	(559,600)	(570,095)	(591,405)	(698,091)	(764,934)	(803,967)	(804,966)	(839,849)	(819,571)	(201,093)	(156,921)	(16,174)
Proposed Regulation Adjustment for Medicaid Rebates	(46,046)	(28,477)	(27,583)	(30,076)	(29,410)	(17,156)	(13,290)	(8,860)	(4,307)	-	-	-
Other	4,844	8,027	8,783	20,272	20,952	21,112	19,592	19,366	17,325	183,887	40,354	48,956
NET SALES	2,046,945	1,534,354	1,524,418	1,129,096	1,059,909	1,041,035	1,062,009	1,073,760	1,106,812	600,041	289,152	183,527
<i>Rebates as % of Gross Sales</i>	21.8%	26.5%	27.4%	37.0%	41.0%	42.6%	42.3%	42.9%	41.4%	31.3%	37.1%	10.4%
Cost of Goods Sold	(138,119)	(119,183)	(119,847)	(101,483)	(78,482)	(87,946)	(83,192)	(81,385)	(80,389)	(60,619)	(57,369)	(51,587)
Cost of Goods Sold Savings Target	-	-	-	-	-	-	-	-	-	-	-	14,882
Royalty Expense	(112,105)	(83,262)	(72,427)	(63,489)	(58,967)	(45,013)	(42,035)	(42,757)	(44,097)	(9,965)	(8,266)	(2,526)
Shipping and Warehousing	(10,745)	(6,307)	(9,057)	(7,807)	(7,216)	(6,644)	(6,818)	(6,994)	(7,130)	(6,065)	(5,962)	(5,957)
Shipping and Warehousing Savings Target	-	-	-	-	-	-	-	-	-	-	179	2,286
TOTAL COST OF GOODS SOLD	(260,969)	(210,751)	(201,331)	(172,779)	(144,665)	(139,603)	(132,044)	(131,137)	(131,616)	(76,649)	(71,417)	(42,902)
<i>COGS as % of Net Sales</i>	6.7%	7.8%	7.9%	9.0%	7.4%	8.4%	7.8%	7.6%	7.3%	10.1%	19.8%	20.0%
<i>Shipping and Warehousing as % of Net Sales</i>	0.5%	0.5%	0.6%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	1.0%	2.0%	2.0%
GROSS PROFIT	1,785,975	1,317,153	1,323,087	956,317	915,244	901,432	929,964	942,624	975,196	523,393	217,735	140,624
General and Administrative (incl Legal Dept, excl Legal Fees)	(151,607)	(128,927)	(132,221)	(110,035)	(107,493)	(103,970)	(101,978)	(100,258)	(99,258)	(80,000)	(50,000)	(40,000)
<i>G&A as % of Net Sales</i>	7.4%	8.4%	8.7%	9.7%	10.1%	10.0%	9.6%	9.3%	9.0%	13.3%	17.3%	21.8%
Research and Development	(301,973)	(234,620)	(210,570)	(144,910)	(71,544)	(51,816)	(50,016)	(50,016)	(40,016)	(28,316)	(23,316)	(23,243)
Research and Development Other - Milestones and Alliances	(8,518)	(5,181)	(4,999)	(3,999)	(3,999)	(3,609)	353	353	353	238	238	238
<i>R&D as % of Net Sales</i>	15.2%	15.6%	14.1%	13.2%	7.1%	5.3%	4.7%	4.6%	3.6%	4.7%	8.0%	12.5%
Sales and Promotion	(277,775)	(244,630)	(239,630)	(238,041)	(235,711)	(236,401)	(235,188)	(236,093)	(236,998)	(126,653)	(28,874)	(9,222)
<i>S&P as % of Net Sales</i>	13.6%	15.9%	15.7%	21.1%	22.2%	22.7%	22.0%	22.0%	21.4%	21.1%	10.0%	5.0%
Health Care Reform Fee	(29,700)	(28,791)	(33,626)	(18,834)	(16,488)	(20,148)	(19,951)	(13,758)	(13,943)	(14,406)	(4,904)	(2,603)
Other US	(4,104)	(8,746)	(18,677)	(11,778)	(12,108)	(5,380)	(5,375)	(5,370)	(5,370)	(5,364)	(5,358)	(5,358)
OPERATING EXPENSES	(843,073)	(680,220)	(684,823)	(570,146)	(489,893)	(463,674)	(454,505)	(447,492)	(437,782)	(276,252)	(133,765)	(101,738)
<i>Operating Expenses as a % of Net Sales</i>	41.2%	44.3%	44.9%	50.5%	46.2%	44.5%	42.8%	41.7%	39.6%	46.0%	46.3%	55.4%
OPERATING MARGIN BEFORE INCENTIVES AND SETTLEMENT	942,902	636,933	638,264	386,171	425,351	437,758	475,459	495,131	537,413	247,141	83,970	38,886
Incentive Bonus	(39,638)	(38,908)	(34,887)	(22,083)	(20,730)	(20,361)	(20,771)	(21,001)	(21,647)	(11,736)	(5,655)	(3,589)
Insurance Income	990	850	850	500	-	-	-	-	-	-	-	-
Settlement Expense	(41,759)	-	-	-	-	-	-	-	-	-	-	-
TOTAL INCENTIVES AND SETTLEMENTS	(80,407)	(38,058)	(34,037)	(21,583)	(20,730)	(20,361)	(20,771)	(21,001)	(21,647)	(11,736)	(5,655)	(3,589)
OPERATING PROFIT MARGIN	862,495	598,875	604,227	364,588	404,622	417,398	454,688	474,131	515,766	235,405	78,315	35,297
<i>Operating Margin as a % of Net Sales</i>	42.1%	39.0%	39.6%	32.3%	38.2%	40.1%	42.8%	44.2%	46.6%	39.2%	27.1%	19.2%
Royalty Income - ex US	48,465	39,031	40,088	38,877	38,263	38,362	38,730	35,012	31,666	28,655	25,944	23,505
Royalty Expense - ex US	(6,755)	(6,450)	(7,370)	(8,059)	(7,846)	(7,771)	(7,582)	(7,329)	(7,090)	(1,638)	(1,617)	(751)
Ex US Expenses	(186,198)	(199,275)	(212,119)	(214,997)	(162,084)	(103,901)	(78,107)	(48,216)	(45,302)	(20,000)	(10,000)	(10,000)
Other ex US Expenses	(14,473)	(10,313)	(10,313)	(12,778)	(12,939)	(13,448)	(13,982)	(14,540)	(15,124)	(15,033)	(15,639)	(16,273)
Gain on Infinity Stock	124,581	-	-	-	-	-	-	-	-	-	-	-
One Time Charges / Other Items	(63,644)	(14,764)	(25,790)	(11,138)	(4,154)	(870)	(891)	(3,817)	(29,839)	(13,012)	148	103
Interest Income (Expense), net	199	200	200	200	200	200	200	200	200	200	200	200
TOTAL OTHER ITEMS	(97,825)	(185,121)	(215,304)	(207,895)	(148,560)	(87,428)	(61,632)	(38,690)	(65,489)	(20,828)	(964)	(3,216)
PROFIT BEFORE TAX	\$ 764,670	\$ 413,754	\$ 388,923	\$ 156,693	\$ 256,062	\$ 329,970	\$ 393,056	\$ 435,441	\$ 450,277	\$ 214,578	\$ 77,351	\$ 32,081
<i>Profit Before Tax as a % of Net Sales</i>	37.4%	27.0%	25.5%	13.9%	24.2%	31.7%	37.0%	40.6%	40.7%	35.8%	26.8%	17.5%

5/2014

Purdue: Funds Available for Growth



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Financial Statements – Balance Sheet

\$000s

Balance Sheet (\$000s)	2013 Actual	2014 Budget	2014 Latest Estimate	2015 Forecast	2016 Forecast	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
Assets												
Current Assets:												
Cash and cash equivalents	\$ 832,180	\$ 432,391	\$ 419,385	\$ 373,818	\$ 408,372	\$ 428,365	\$ 261,269	\$ 266,520	\$ 276,622	\$ 151,955	\$ 72,852	\$ 46,082
Restricted Cash	16,762	-	-	-	-	-	-	-	-	-	-	-
Accounts and other receivable:												
Trade (net)	134,509	92,296	92,296	99,993	98,399	97,910	98,292	100,558	101,099	32,672	21,522	7,943
Associated companies	27,299	16,244	16,244	9,719	9,566	9,591	9,683	8,753	7,917	7,164	6,486	5,876
Other receivables	12,265	12,015	12,015	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total accounts and other receivable	174,073	120,555	120,555	119,712	117,965	117,500	117,974	119,311	119,016	49,835	38,008	23,819
Inventories	57,571	45,255	45,255	43,638	33,747	37,817	35,773	34,996	34,567	26,066	24,668	15,783
Prepaid expenses and other assets	19,826	19,826	19,826	19,826	19,826	19,826	19,826	19,826	19,826	19,826	19,826	19,826
Total current assets	1,100,412	618,027	605,021	556,994	579,910	603,508	434,842	440,652	450,030	247,683	155,354	105,510
Property, plant and equipment - net	152,529	191,761	191,761	194,343	190,204	186,228	183,190	180,782	179,350	167,969	151,854	135,727
Investments	36,913	28,122	30,438	33,810	34,347	26,306	-	-	-	-	-	-
Due from associated companies	2,750	3,000	3,000	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750
Intangible assets, net	139,305	191,019	191,019	183,834	176,649	169,854	167,024	164,194	161,364	158,534	155,704	152,874
Other assets	39,717	39,124	39,124	39,124	39,124	39,124	39,124	39,124	39,124	39,124	39,124	39,124
Restricted cash	20,780	21,069	21,069	31,069	31,069	31,069	31,069	31,069	31,069	31,069	31,069	31,069
Total assets	\$ 1,492,406	\$ 1,092,122	\$ 1,081,432	\$ 1,041,924	\$ 1,054,054	\$ 1,058,839	\$ 857,999	\$ 858,571	\$ 863,687	\$ 647,128	\$ 535,855	\$ 467,054
Liabilities												
Current liabilities:												
Accounts payable	\$ 90,421	\$ 69,500	\$ 69,500	\$ 63,312	\$ 53,681	\$ 50,559	\$ 49,459	\$ 48,617	\$ 47,428	\$ 30,540	\$ 13,466	\$ 9,623
Accrued expenses and taxes	737,973	315,249	315,249	347,528	370,587	379,792	379,060	392,234	385,301	136,139	119,093	64,893
Due to associated companies	14,125	14,325	14,325	14,325	14,325	14,325	14,325	14,325	14,325	14,325	14,325	14,325
Total current liabilities	842,519	399,074	399,074	425,164	438,593	444,676	442,843	455,176	447,054	181,004	146,883	88,840
Other long-term obligations	166,267	193,057	193,057	191,759	190,461	189,163	187,865	186,567	185,269	183,971	182,673	181,375
Total liabilities	1,008,786	592,131	592,131	616,923	629,054	633,839	630,708	641,743	632,323	364,975	329,556	270,215
Equity:												
Capital stock-common	9	9	9	9	9	9	9	9	9	9	9	9
Additional paid in capital	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982
Retained earnings and partners' capital	537,188	571,241	560,551	496,250	496,250	496,250	298,541	288,079	302,615	353,403	277,549	268,089
Accumulated other comprehensive income	(54,560)	(72,242)	(72,242)	(72,242)	(72,242)	(72,242)	(72,242)	(72,242)	(72,242)	(72,242)	(72,242)	(72,242)
Unrealized gain on Infinity stock	-	-	-	-	-	-	-	-	-	-	-	-
Subscription receivable	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)
Total stockholder's equity	483,620	499,991	489,301	425,000	425,000	425,000	227,291	216,829	231,365	282,153	206,299	196,839
Total liabilities and stockholder's equity	\$ 1,492,406	\$ 1,092,122	\$ 1,081,432	\$ 1,041,924	\$ 1,054,054	\$ 1,058,839	\$ 857,999	\$ 858,571	\$ 863,687	\$ 647,128	\$ 535,855	\$ 467,054

5/2014

Purdue: Funds Available for Growth



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Financial Statements – Cash Flows

\$000s

Statement of Cash Flows	2013	2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
(\$000s)	Actual	Budget	Latest Estimate	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Operating activities												
Net Income (loss) after tax	\$ 762,693	\$ 409,154	\$ 384,323	\$ 153,693	\$ 253,062	\$ 326,970	\$ 390,056	\$ 432,441	\$ 447,277	\$ 211,578	\$ 74,351	\$ 29,081
Non-cash charges (credits) to net income:												
Depreciation	24,657	26,393	26,393	25,000	25,337	24,797	24,279	23,883	23,569	23,382	21,898	19,797
Amortization	6,851	6,840	6,840	7,185	7,185	6,795	2,830	2,830	2,830	2,830	2,830	2,830
Deferred income taxes	1,285	-	-	-	-	-	-	-	-	-	-	-
Gain on investment in Infinity	(124,581)	-	-	-	-	-	-	-	-	-	-	-
Impairment of intangible asset	50,500	-	-	-	-	-	-	-	-	-	-	-
Distribution of Infinity stock	216,663	-	-	-	-	-	-	-	-	-	-	-
Loss on disposal of properties	26	-	-	-	-	-	-	-	-	-	-	-
Loss on equity investment companies	183,760	187,877	190,293	192,368	144,059	82,059	57,683	29,139	26,225	23,602	21,243	19,119
Working capital changes	101,190	(350,549)	(340,188)	22,026	24,913	2,503	(170)	10,843	(8,235)	(189,121)	(21,573)	(35,579)
Long-term assets and liabilities	22,696	8,967	8,967	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)
Cash flow from operations	1,245,740	288,682	276,628	398,974	453,257	441,826	473,379	497,838	490,368	70,973	97,451	33,951
Investing activities												
Capital expenditure	(27,740)	(61,000)	(61,000)	(27,582)	(21,198)	(20,821)	(21,240)	(21,475)	(22,136)	(12,001)	(5,783)	(3,671)
Product/License Acquisitions	-	(8,054)	(8,054)	-	-	-	-	-	-	-	-	-
Restricted cash, net	3,590	16,932	16,932	(10,000)	-	-	-	-	-	-	-	-
Investment	-	-	-	-	-	-	-	-	-	-	-	-
Investments in JV and associates	(212,802)	(188,069)	(192,801)	(195,740)	(144,596)	(74,018)	(31,377)	(29,139)	(26,225)	(23,602)	(21,243)	(19,119)
Cash flow used by investing	(236,952)	(240,191)	(244,923)	(233,322)	(165,794)	(94,839)	(52,617)	(50,614)	(48,361)	(35,603)	(27,026)	(22,790)
Financing activities*												
Proceeds from (to) associated companies, net	6,503	-	-	6,775	154	(25)	(92)	930	837	753	678	610
Capital contributions	931	-	-	-	-	-	-	-	-	-	-	-
Distributions for required tax payments	(399,068)	(120,200)	(155,669)	(76,847)	(126,531)	(163,485)	(195,028)	(216,220)	(223,639)	(105,789)	(37,176)	(14,541)
Distributions non-tax / available for investments	(540,567)	(331,900)	(288,831)	(141,147)	(126,531)	(163,484)	(392,738)	(226,683)	(209,102)	(55,000)	(113,030)	(24,000)
Cash flow provided by financing	(932,201)	(452,100)	(444,500)	(211,219)	(252,909)	(326,994)	(587,858)	(441,974)	(431,905)	(160,036)	(149,528)	(37,931)
Increase in cash and cash equivalents	76,587	(403,609)	(412,795)	(45,567)	34,555	19,993	(167,096)	5,250	10,102	(124,666)	(79,103)	(26,770)
Unrestricted Cash at beginning of period	755,593	836,000	832,180	419,385	373,818	408,372	428,365	261,269	266,520	276,622	151,955	72,852
Unrestricted Cash at end of period	\$ 832,180	\$ 432,391	\$ 419,385	\$ 373,818	\$ 408,372	\$ 428,365	\$ 261,269	\$ 266,520	\$ 276,622	\$ 151,955	\$ 72,852	\$ 46,082

5/2014

Purdue: Funds Available for Growth



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Blue Sheet

Compete, Win, and Grow – Financial Business Development update



May 14, 2014

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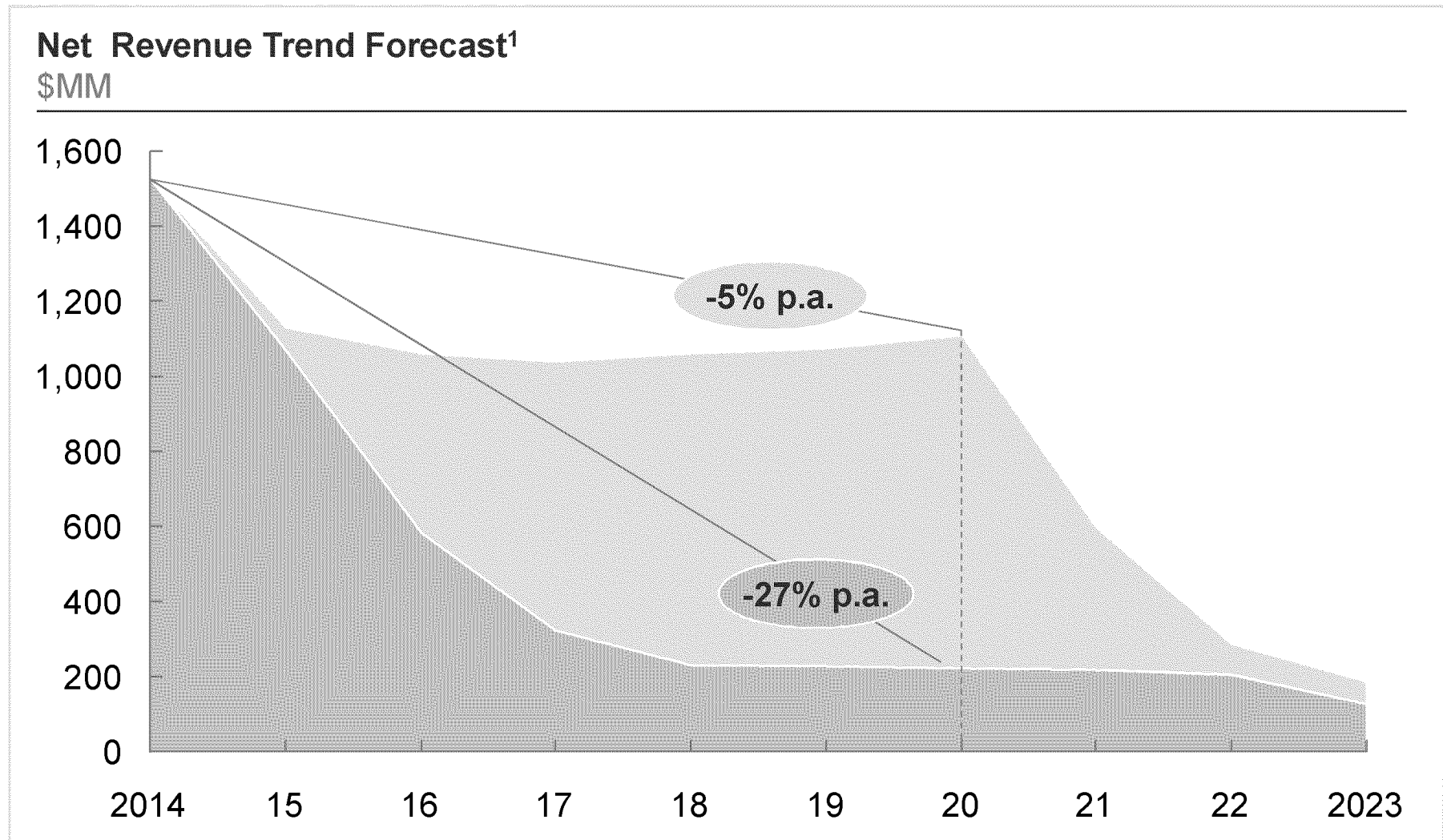
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Goals for today

Objectives	Decision requested
▪ Review 10-year trend forecast	▪ <i>None</i>
▪ Present multiple attractive scenarios for investment	▪ <i>None</i>
▪ Understand investment required to achieve profitable growth	▪ Alignment on potential level of investment
▪ Explore potential paths to financing	▪ Agreement to begin pursuing alternative financing strategies

Purdue' current portfolio will not support long-term revenue growth

Base case (10-yr plan)
Alternative IP

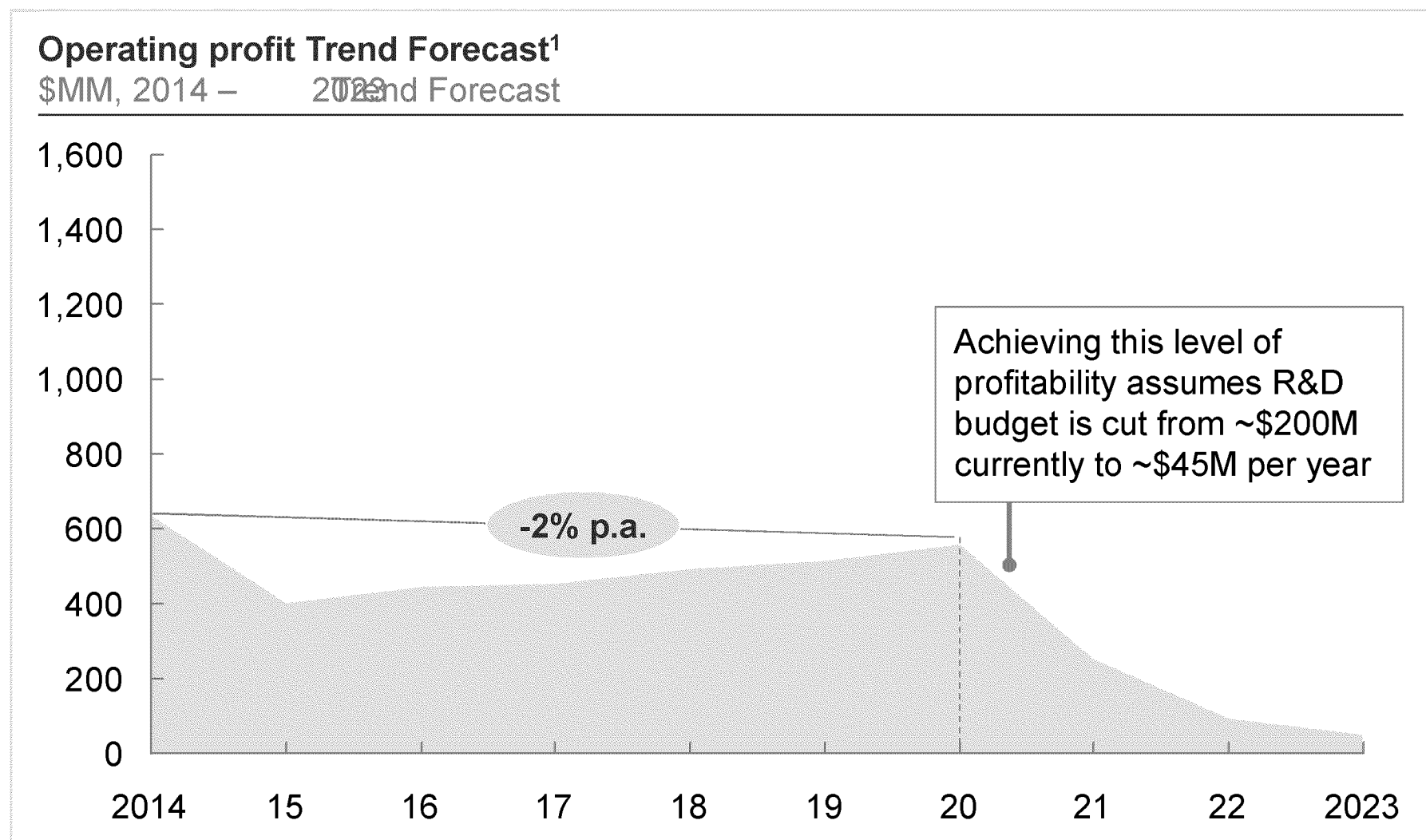


1 HYD not included in forecast

SOURCE: Purdue Finance 10-year plan

Even scaling back R&D will be insufficient to regrow operating profit to current levels










Base case (10-yr plan)



¹ HYD not included in forecast. Operating profit before incentives, taxes, and ex-US payments

SOURCE: Purdue Finance 10-year plan


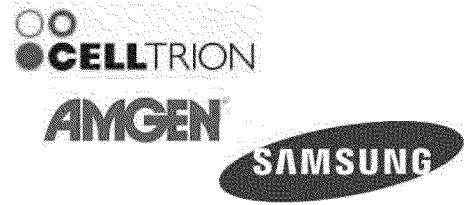
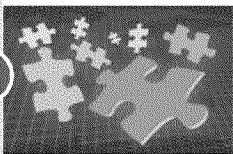



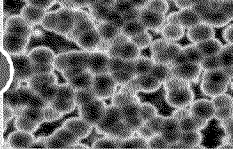



Peers have invested heavily for growth

	2009-2014 Deal spend ¹ In Billion USD	2009-2014 Deals completed	Notable deals, \$ Billion	2008-2012 Revenue \$ Billion
 VALEANT <small>Pharmaceuticals International, Inc.</small>	16.9	33	<ul style="list-style-type: none"> Bausch & Lomb (\$8.7) Medicis (\$2.6) 	8.8
 endo	7.1	12	<ul style="list-style-type: none"> Paladin (\$1.5) Am. Medical Sys. (\$2.9) 	10.2
 Shire	5.7	10	<ul style="list-style-type: none"> Viropharma (\$3.3) Advanced Biohealing (\$0.8) 	18.3
 Forest Pharmaceuticals, Inc. <small>Subsidiary of Forest Laboratories, Inc.</small>	5.3	12	<ul style="list-style-type: none"> Aptalis (\$2.9) Clinical Data (\$1.1) 	20.0
 Lundbeck	2.5	5	<ul style="list-style-type: none"> Otsuka Partnership (\$1.4) Ovation (\$0.9) 	12.8
 CUBIST	2.2	10	<ul style="list-style-type: none"> Optimer (\$0.8) Trius (\$0.7) 	N/A
 Jazz Pharmaceuticals	1.8	4	<ul style="list-style-type: none"> Gentium (\$0.9) EUSA Pharma (\$0.7) 	1.2
 The Medicines Company	1.4	9	<ul style="list-style-type: none"> Rempex (\$0.5) Incline Therapeutic (\$0.4) 	2.2
 Mallinckrodt Pharmaceuticals	1.4	3	<ul style="list-style-type: none"> Cadence (\$1.2) CNS Therapeutics (\$0.1) 	N/A
 ACORDA THERAPEUTICS	0.3	4	<ul style="list-style-type: none"> Neuronex (\$0.1) Fampridine-SR (\$0.1) 	N/A
 PURDUE	0.1	2	<ul style="list-style-type: none"> Grunenthal (\$60mm) Intermezzo (\$55mm) 	11.3

¹ Deals include stock purchases, partnerships, buyouts, and licensing

SOURCE: Windhover deal data, Purdue financials

Window of opportunities in current market

Source/type	Description	Examples	Opportunity for Purdue
1  Biosimilars	<ul style="list-style-type: none"> Biosimilars expected to address cost challenges from massive biologics market 		✓
2  Big pharma narrowing focus	<ul style="list-style-type: none"> Companies focusing on a narrower set of core therapeutic areas <ul style="list-style-type: none"> Selling non-core assets Downsizing footprint and manufacturing 		✓
3  Tax inversion	<ul style="list-style-type: none"> Players architecting preferential tax status through strategic acquisitions 		x
4  Cancer immuno-therapy	<ul style="list-style-type: none"> Immunotherapy to become backbone and future of oncology 		?
5  High multiples	<ul style="list-style-type: none"> Sought after assets highly valued with significant multiples 		✓

Significant Big Pharma divestments provide Purdue a window of opportunity



“ we will be taking some of our lower prioritized areas and potentially divesting them... exploring strategic options for **consumer and animal health**. ”

- Merck leadership team, April 29 Q1 2014 Earnings call



“ [Sanofi] is working with Evercore Partners Inc and has contacted potential buyers in the past few months... The drugs for sale include treatments for **high blood pressure and cardio-metabolic diseases** and have roughly \$3.7 billion in combined annual revenue”

- Reuters, April 30



“ as far as products that are outside our three core therapy areas we will look for partnership options, and I've said this before. And so that would apply to our ID assets... would also apply to our **CNS assets**. ”

- AstraZeneca leadership team, April 24 Q1 2014 Earnings call



“ As far as **EPP (Established Products)** is concerned, it is highly likely that you will see us divest individual products and it is possible that we shall do block sales but it is more likely that you will see **individual products**”

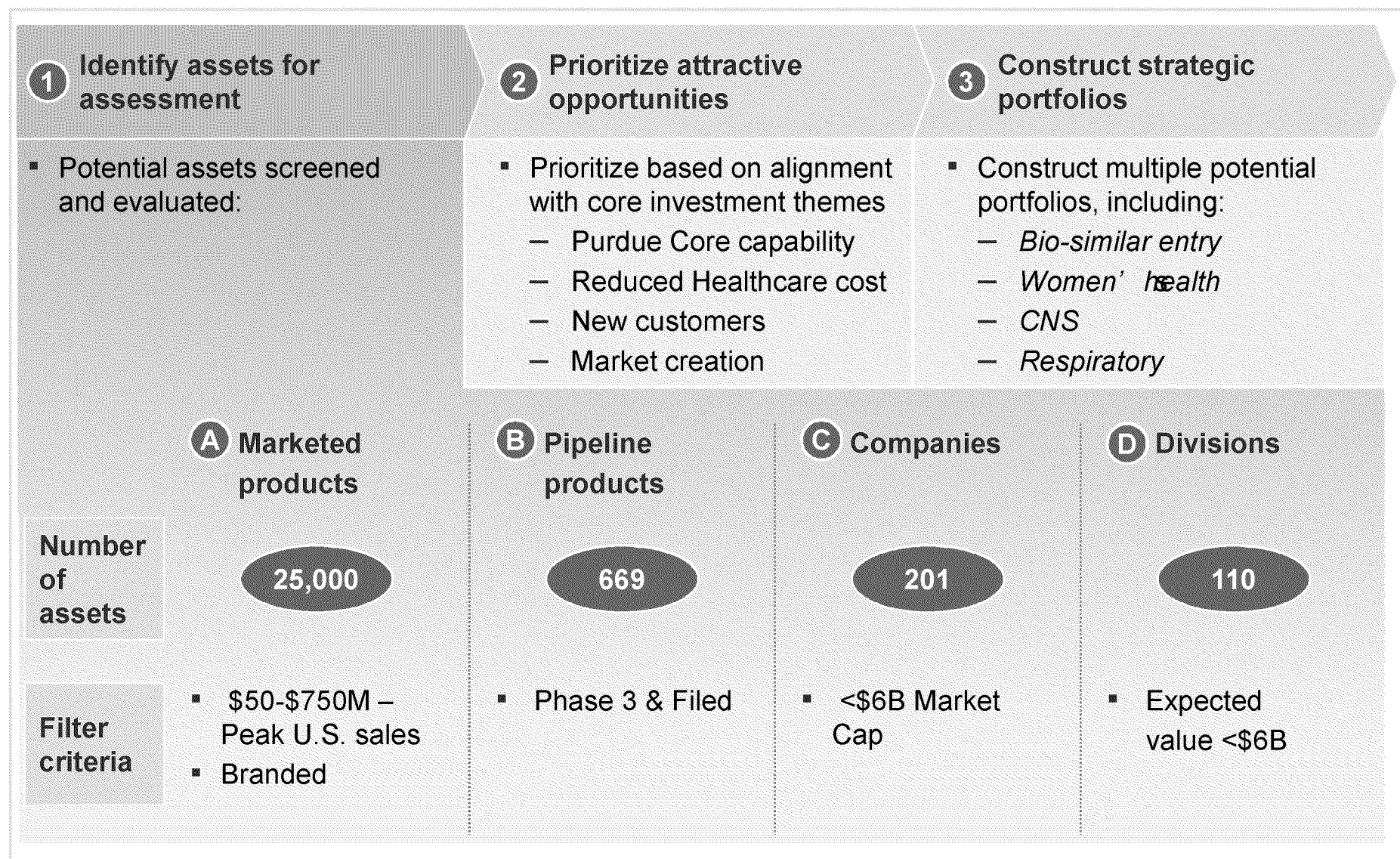
- GSK leadership team, April 30 Q1 2014 Earnings call

Why this is exciting

- Big pharma companies are focusing on selling off non-core assets, with a focus on a narrower set of therapeutic areas
- Many of these assets are:
 - Not promoted or under-promoted
 - Nearing loss of exclusivity
 - Do not have optimized pricing
 - Are not being invested in from a life cycle management perspective (e.g., new indications)

SOURCE: 2014 Earnings calls

Growth generating investment opportunities were developed through a 3 stage process



SOURCE: Team analysis; IMS

Purdue' levers to increase the value of acquired assets

- » **Proven lifecycle extension capabilities via IP and regulatory expertise**
.....
 - » **Greater management focus on individual products due to low number of marketed drugs**
.....
 - » **Large and experienced primary care sales force and capabilities**
.....
 - » **Private ownership model supports maximizing long-term value of asset**
.....
 - » **Risk management and epidemiological expertise provides competitive advantage for certain products**
.....
 - » **Manufacturing excellence**
.....
 - » **Low SG&A cost structure**
-

To win we are developing a new approach to business development

To win we have to

- Broaden our network and **source deals proactively**
- Develop outstanding core competency in **Business Development** and bring a “**private equity mindset**” ~~deal~~ evaluation – ~~rapid~~ rigorous criteria, stage gating
- Aspire to **build platforms for the future** when possible but be **opportunistic when necessary**
- Earn the right to become **partner of choice**
- Apply **creative and innovative** schemes to build our growth engine

We have identified multiple paths for growth

Strategy	Timing of operating profit growth		Relative Risk	Investment size	2014-16 Investment
	Near	Long			
1 Biosimilars ▪ <i>Celltrion portfolio</i>	-	✓	Med	Med/High	\$509M
2 Pain and inflammation ▪ <i>Myoscience, Kenalog, Depo-medrol</i>	✓	✓	Med/High	Med/High	\$730M
3 Targeted Respiratory ▪ <i>Patanase, Rhinocort, others²</i>	✓	-	Low	Med	\$878M
4 Biosimilars plus ▪ <i>Celltrion portfolio, Myoscience, Elitek, Kenalog</i>	✓	✓	Med/High	High	\$1,228M
5 Transformative path to biosimilars ▪ <i>Celltrion portfolio, Myoscience, others¹</i>	✓	✓	High	High	\$2,911M

1 Depo-medrol, Elitek, Fusilev, Kenalog, Leukine, Subsys, Uloric

2 OPN-375 (nasal polyps), Drymist Nasal Glucagon, OPN-375 (chronic sinusitis)