

Message

**From:** Sackler, Dr Richard [REDACTED]  
**Sent:** 1/29/2013 11:44:20 AM  
**To:** [REDACTED]  
**Subject:** FW: Data and graphs for Intermezzo and Butrans  
**Attachments:** Intermezzo Weekly Report 1-18-2013.xlsx; Copy of Butrans Weekly Report 1-18-13.xlsm

---

**From:** <Rosen>, "David (Sales and Marketing)" [REDACTED]@pharma.com>  
**Date:** Tuesday, January 29, 2013 10:57 AM  
**To:** "Richard S. Sackler" [REDACTED]@pharma.com>  
**Cc:** John Stewart [REDACTED]@pharma.com>, "Gasdia, Russell" [REDACTED]@pharma.com>, [REDACTED]  
**Subject:** Data and graphs for Intermezzo and Butrans

Hi, Dr. Richard. Here are the data and graphs as per your request.

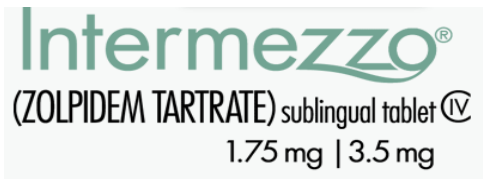
Thanks,  
David

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

**Redacted**

**Produced Natively**

	Total					% of Budget Achieved vs. True Rx's		% of TRx		Total Rx		Total NRx		Total RRx		True Rx		Trial Card Redemptions		% Chg vs. Prior Period						
	2012 Budget Rx	2013 Budget Rx	Total Rx	True Rx	Trial Card Redemptions	Weekly True Rx Vs Budget	Cumulative % True Rx vs Budget	True Rx	Trial Card Redemp tions	1.75mg Total Rx	3.5mg Total Rx	1.75mg Total Rx	3.5mg Total Rx	1.75mg Total Rx	3.5mg Total Rx	1.75mg True	3.5mg True	1.75mg	3.5mg	Total Rx	1.75mg Total Rx	3.5mg Total Rx	True Rx	1.75mg True Rx	3.5mg True Rx	Trial Card Redemptions
6-Apr-12	69		92	88	4	128.0%	128.0%	96%	4%	53	39	53	39	0	0	50	38	3	1	NA	NA	NA	NA	NA	NA	NA
13-Apr-12	104		410	392	18	376.7%	277.8%	96%	4%	227	183	227	183	0	0	218	174	9	9	345.7%	328.3%	369.2%	345.5%	336.0%	357.9%	350.0%
20-Apr-12	183		468	406	62	221.5%	248.8%	87%	13%	256	212	253	212	3	0	225	181	31	31	14.1%	12.8%	15.8%	3.6%	3.2%	4.0%	244.4%
27-Apr-12	322		461	400	61	124.1%	189.5%	87%	13%	254	207	251	205	3	2	226	174	28	33	-1.5%	-0.8%	-2.4%	-1.5%	0.4%	-3.9%	-1.6%
4-May-12	519		551	466	85	89.8%	146.3%	85%	15%	306	245	306	240	0	5	266	200	40	45	19.5%	20.5%	18.4%	16.5%	17.7%	14.9%	39.3%
11-May-12	924		581	482	99	52.2%	105.3%	83%	17%	329	252	320	242	9	10	279	203	50	49	5.4%	7.5%	2.9%	3.4%	4.9%	1.5%	16.5%
18-May-12	1,171		577	474	103	40.5%	82.3%	82%	18%	303	274	290	249	13	25	249	225	54	49	-0.7%	-7.9%	8.7%	-1.7%	-10.8%	10.8%	4.0%
25-May-12	1,334		644	539	105	40.4%	70.2%	84%	16%	330	314	309	296	21	18	281	258	49	56	11.6%	8.9%	14.6%	13.7%	12.9%	14.7%	1.9%
1-Jun-12	1,423		561	494	67	34.7%	61.8%	88%	12%	295	266	270	245	25	21	256	238	39	28	-12.9%	-10.6%	-15.3%	-8.3%	-8.9%	-7.8%	-36.2%
8-Jun-12	2,153		801	678	123	31.5%	53.9%	85%	15%	409	392	365	346	44	46	339	339	70	53	42.8%	38.6%	47.4%	37.2%	32.4%	42.4%	83.6%
15-Jun-12	2,246		760	657	103	29.2%	48.6%	86%	14%	393	367	362	325	31	42	333	324	60	43	-5.1%	-3.9%	-6.4%	-3.1%	-1.8%	-4.4%	-16.3%
22-Jun-12	2,406		840	720	120	29.9%	45.1%	86%	14%	462	378	426	332	36	46	405	315	57	63	10.5%	17.6%	3.0%	9.6%	21.6%	-2.8%	16.5%
29-Jun-12	2,683		842	728	114	27.1%	42.0%	86%	14%	443	399	395	346	48	53	372	356	71	43	0.2%	-4.1%	5.6%	1.1%	-8.1%	13.0%	-5.0%
6-Jul-12	2,488		715	646	69	26.0%	39.8%	90%	10%	367	348	325	281	42	67	333	313	34	35	-15.1%	-17.2%	-12.8%	-11.3%	-10.5%	-12.1%	-39.5%
13-Jul-12	3,222		904	808	96	25.1%	37.5%	89%	11%	417	487	343	405	74	82	368	440	49	47	26.4%	13.6%	39.9%	25.1%	10.5%	40.6%	39.1%
20-Jul-12	3,606		894	789	105	21.9%	35.3%	88%	12%	451	443	387	358	64	85	403	386	48	57	-1.1%	8.2%	-9.0%	-2.4%	9.5%	-12.3%	9.4%
27-Jul-12	3,926		939	818	121	20.8%	33.3%	87%	13%	458	481	403	398	55	83	391	427	67	54	5.0%	1.6%	8.6%	3.7%	-3.0%	10.6%	15.2%
3-Aug-12	4,452		907	785	122	17.6%	31.2%	87%	13%	461	446	392	367	69	79	393	392	68	54	-3.4%	0.7%	-7.3%	-4.0%	0.5%	-8.2%	0.8%
10-Aug-12	4,679		1,063	954	109	20.4%	29.9%	90%	10%	510	553	458	446	52	107	458	496	52	57	17.2%	10.6%	24.0%	21.5%	16.5%	26.5%	-10.7%
17-Aug-12	4,809		1,094	977	117	20.3%	28.8%	89%	11%	545	549	471	427	74	122	479	498	66	51	2.9%	6.9%	-0.7%	2.4%	4.6%	0.4%	7.3%
24-Aug-12	5,086		1,102	967	135	19.0%	27.8%	88%	12%	547	555	459	444	88	111	466	501	81	54	0.7%	0.4%	1.1%	-1.0%	-2.7%	0.6%	15.4%
31-Aug-12	5,166		1,093	975	118	18.9%	26.9%	89%	11%	539	554	433	426	106	128	479	496	60	58	-0.8%	-1.5%	-0.2%	0.8%	2.8%	-1.0%	-12.6%
7-Sep-12	4,357		974	873	101	20.0%	26.4%	90%	10%	465	509	372	382	93	127	412	461	53	48	-10.9%	-13.7%	-8.1%	-10.5%	-14.0%	-7.1%	-14.4%
14-Sep-12	5,453		1,194	1,078	116	19.8%	25.8%	90%	10%	590	604	489	468	101	136	539	539	51	65	22.6%	26.9%	18.7%	23.5%	30.8%	16.9%	14.9%



[NRx, RRx and TRx by Strength](#)  
[Distribution of Rx's by Strength](#)  
[Distribution of NRx, RRx and TRx by Strength](#)  
[Weekly Growth in Intermezzo TRxs](#)

Data includes retail pharmacy, mail order and LTC channels

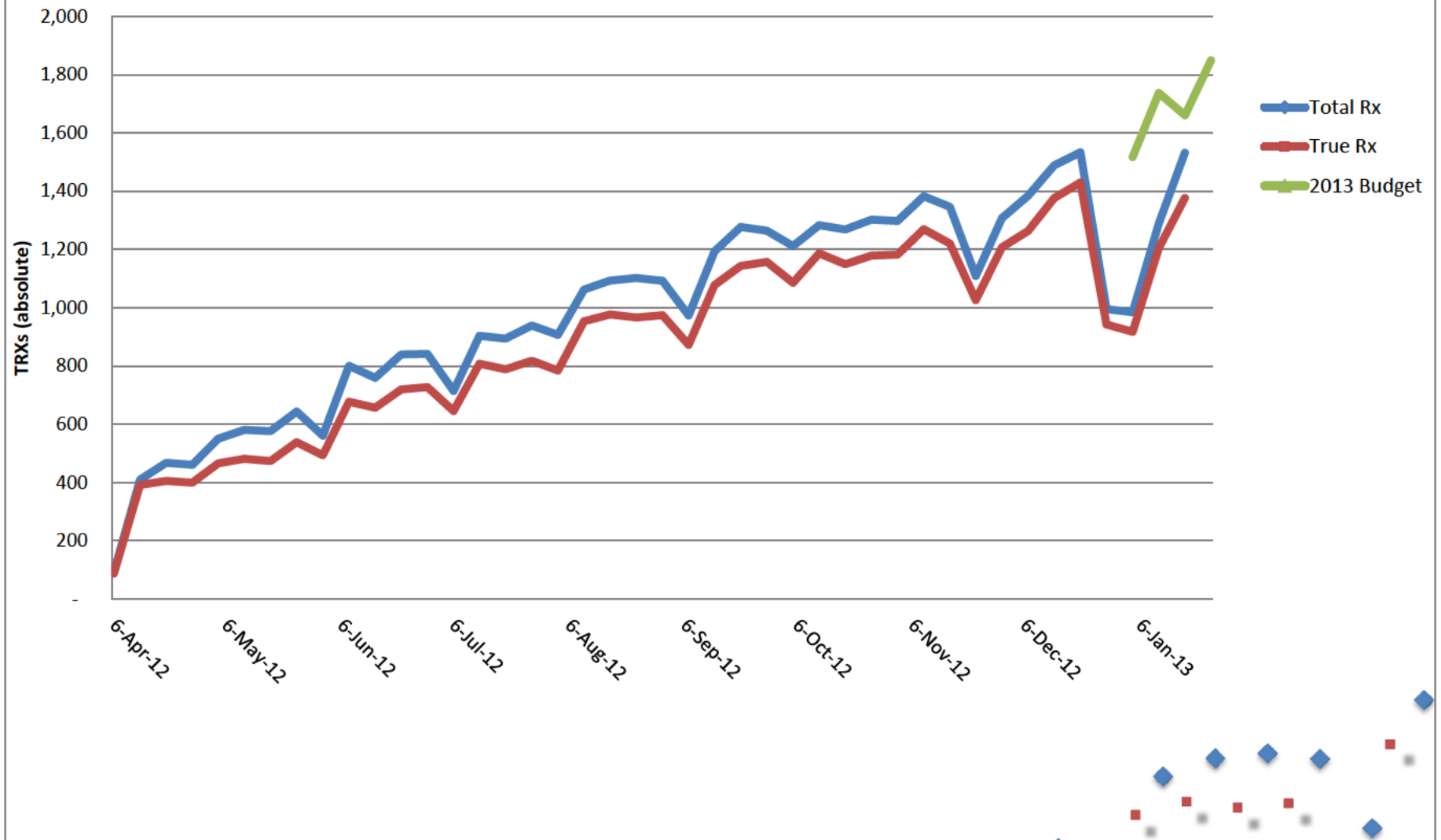
		Intermezzo New, Refill and Total Prescriptions by Strength									
		Total			1.75mg			3.5mg			
Week #	Week Ending	NRx	RRx	TRx	NRx	RRx	TRx	NRx	RRx	TRx	
Week 1*	6-Apr-12	92	0	92	53	0	53	39	0	39	
Week 2	13-Apr-12	410	0	410	227	0	227	183	0	183	
Week 3	20-Apr-12	465	3	468	253	3	256	212	0	212	
Week 4	27-Apr-12	456	5	461	251	3	254	205	2	207	
Week 5	4-May-12	546	5	551	306	0	306	240	5	245	
Week 6	11-May-12	562	19	581	320	9	329	242	10	252	
Week 7	18-May-12	539	38	577	290	13	303	249	25	274	
Week 8	25-May-12	605	39	644	309	21	330	296	18	314	
Week 9	1-Jun-12	515	46	561	270	25	295	245	21	266	
Week 10	8-Jun-12	711	90	801	365	44	409	346	46	392	
Week 11	15-Jun-12	687	73	760	362	31	393	332	42	367	
Week 12	22-Jun-12	758	82	840	426	36	462	332	46	378	
Week 13	29-Jun-12	741	101	842	395	48	443	346	53	399	
Week 14	6-Jul-12	606	109	715	325	42	367	281	67	348	
Week 15	13-Jul-12	748	156	904	343	74	417	405	82	487	
Week 16	20-Jul-12	745	149	894	387	64	451	358	85	443	
Week 17	27-Jul-12	801	138	939	403	55	458	398	83	481	
Week 18	3-Aug-12	759	148	907	392	69	461	367	79	446	
Week 19	10-Aug-12	904	159	1,063	458	52	510	446	107	553	
Week 20	17-Aug-12	898	196	1,094	471	74	545	427	122	549	
Week 21	24-Aug-12	903	199	1,102	459	88	547	444	111	555	
Week 22	31-Aug-12	859	234	1,093	433	106	539	426	128	554	
Week 23	7-Sep-12	754	220	974	372	93	465	382	127	509	
Week 24	14-Sep-12	957	237	1,194	489	101	590	468	136	604	
Week 25	21-Sep-12	972	306	1,278	461	129	590	511	177	688	
Week 26	28-Sep-12	1,141	279	1,420	478	124	602	663	155	818	
Week 27	5-Oct-12	915	297	1,212	436	128	564	479	169	648	
Week 28	12-Oct-12	1,017	267	1,284	485	107	592	532	160	692	
Week 29	19-Oct-12	981	288	1,269	452	120	572	529	168	697	
Week 30	26-Oct-12	1,026	277	1,303	553	44	597	473	233	706	
Week 31	2-Nov-12	997	301	1,298	479	115	594	518	186	704	
Week 32	9-Nov-12	1,043	340	1,383	467	151	618	576	189	765	
Week 33	16-Nov-12	1,019	328	1,347	506	138	644	513	190	703	
Week 34	23-Nov-12	810	299	1,109	369	116	485	441	183	624	
Week 35	30-Nov-12	955	353	1,308	466	133	599	489	220	709	
Week 36	7-Dec-12	1,046	339	1,385	483	132	615	563	207	770	
Week 37	14-Dec-12	1,040	449	1,489	521	188	709	519	261	780	
Week 38	21-Dec-12	1,137	397	1,534	537	169	706	600	228	828	
Week 39	28-Dec-12	654	341	995	307	144	451	347	197	544	
Week 40	4-Jan-13	663	322	985	289	127	416	374	195	569	
Week 41	11-Jan-13	916	374	1,290	417	147	564	499	227	726	
Week 42	18-Jan-13	1,151	381	1,532	553	144	697	598	237	835	
TOTAL		2013	1,579	696	3,807	1,259	418	1,677	1,471	659	2,130
YTD		2013	1,579	696	3,807	1,259	418	1,677	1,471	659	2,130

\*Includes pre-launch prescriptions  
Data includes retail pharmacy, mail order and LTC channels

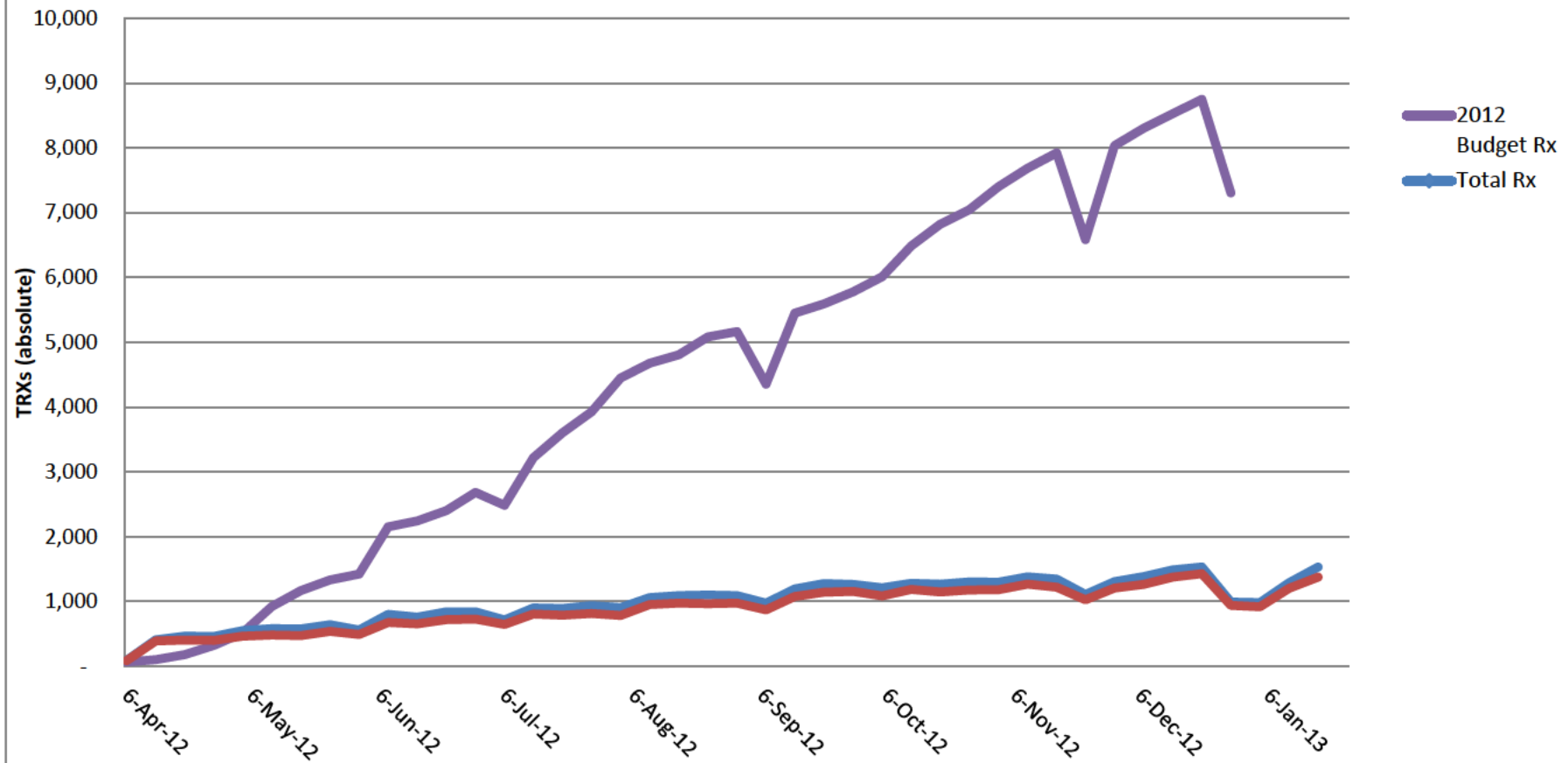
Distribution of Total Intermezzo Prescriptions by Strength											
Total			1.75mg			3.5mg					
NRx	RRx	TRx	NRx	RRx	TRx	NRx	RRx	TRx	NRx	RRx	TRx
100.0%	100.0%	100.0%	57.6%	0.0%	57.6%	42.4%	0.0%	42.4%			
100.0%	100.0%	100.0%	55.4%	0.0%	55.4%	44.6%	0.0%	44.6%			
100.0%	100.0%	100.0%	54.4%	100.0%	54.7%	45.6%	0.0%	45.3%			
100.0%	100.0%	100.0%	55.0%	60.0%	55.1%	45.0%	40.0%	44.9%			
100.0%	100.0%	100.0%	56.0%	0.0%	55.5%	44.0%	100.0%	44.5%			
100.0%	100.0%	100.0%	56.9%	47.4%	56.6%	43.1%	52.6%	43.4%			
100.0%	100.0%	100.0%	53.8%	34.2%	52.5%	46.2%	65.8%	47.5%			
100.0%	100.0%	100.0%	51.1%	53.8%	51.2%	48.9%	46.2%	48.8%			
100.0%	100.0%	100.0%	52.4%	54.3%	52.6%	47.6%	45.7%	47.4%			
100.0%	100.0%	100.0%	51.3%	48.9%	51.1%	48.7%	51.1%	48.9%			
100.0%	100.0%	100.0%	52.7%	42.5%	51.7%	47.3%	57.5%	48.3%			
100.0%	100.0%	100.0%	56.2%	43.9%	55.0%	43.8%	56.1%	45.0%			
100.0%	100.0%	100.0%	53.3%	47.5%	52.6%	46.7%	52.5%	47.4%			
100.0%	100.0%	100.0%	53.6%	38.5%	51.3%	46.4%	61.5%	48.7%			
100.0%	100.0%	100.0%	45.9%	47.4%	46.1%	54.1%	52.6%	53.9%			
100.0%	100.0%	100.0%	51.9%	43.0%	50.4%	48.1%	57.0%	49.6%			
100.0%	100.0%	100.0%	50.3%	39.9%	48.8%	49.7%	60.1%	51.2%			
100.0%	100.0%	100.0%	51.6%	46.6%	50.8%	48.4%	53.4%	49.2%			
100.0%	100.0%	100.0%	50.7%	32.7%	48.0%	49.3%	67.3%	52.0%			
100.0%	100.0%	100.0%	52.4%	37.8%	49.8%	47.6%	62.2%	50.2%			
100.0%	100.0%	100.0%	50.8%	44.2%	49.6%	49.2%	55.8%	50.4%			
100.0%	100.0%	100.0%	50.4%	45.3%	49.3%	49.6%	54.7%	50.7%			
100.0%	100.0%	100.0%	49.3%	42.3%	47.7%	50.7%	57.7%	52.3%			
100.0%	100.0%	100.0%	51.1%	42.6%	49.4%	48.9%	57.4%	50.6%			
100.0%	100.0%	100.0%	47.4%	42.2%	46.2%	52.6%	57.8%	53.8%			
100.0%	100.0%	100.0%	41.9%	44.4%	42.4%	58.1%	55.6%	57.6%			
100.0%	100.0%	100.0%	47.7%	43.1%	46.5%	52.3%	56.9%	53.5%			
100.0%	100.0%	100.0%	47.7%	40.1%	46.1%	52.3%	59.9%	53.9%			
100.0%	100.0%	100.0%	46.1%	41.7%	45.1%	53.9%	58.3%	54.9%			
100.0%	100.0%	100.0%	53.9%	15.9%	45.8%	46.1%	84.1%	54.2%			
100.0%	100.0%	100.0%	48.0%	38.2%	45.8%	52.0%	61.8%	54.2%			
100.0%	100.0%	100.0%	44.8%	44.4%	44.7%	55.2%	55.6%	55.3%			
100.0%	100.0%	100.0%	49.7%	42.1%	47.8%	50.3%	57.9%	52.2%			
100.0%	100.0%	100.0%	45.6%	38.8%	43.7%	54.4%	61.2%	56.3%			
100.0%	100.0%	100.0%	48.8%	37.7%	45.8%	51.2%	62.3%	54.2%			
100.0%	100.0%	100.0%	46.2%	38.9%	44.4%	53.8%	61.1%	55.6%			
100.0%	100.0%	100.0%	50.1%	41.9%	47.6%	49.9%	58.1%	52.4%			
100.0%	100.0%	100.0%	47.2%	42.6%	46.0%	52.8%	57.4%	54.0%			
100.0%	100.0%	100.0%	46.9%	42.2%	45.3%	53.1%	57.8%	54.7%			
100.0%	100.0%	100.0%	43.6%	39.4%	42.2%	56.4%	60.6%	57.8%			
100.0%	100.0%	100.0%	45.5%	39.3%	43.7%	54.5%	60.7%	56.3%			
100.0%	100.0%	100.0%	48.0%	37.8%	45.5%	52.0%	62.2%	54.5%			
100.0%	100.0%	100.0%	79.7%	60.1%	44.1%	93.2%	94.7%	55.9%			
172.9%	154.7%	100.0%	79.7%	60.1%	44.1%	93.2%	94.7%	55.9%			

Distribution of Intermezzo New, Refill and Total Prescriptions by Strength											
Total			1.75mg			3.5mg					
NRx	RRx	TRx	NRx	RRx	TRx	NRx	RRx	TRx			
100.0%	0.0%	100.0%	100.0%	0.0%	100.0%	100.0%	0.0%	100.0%			
100.0%	0.0%	100.0%	100.0%	0.0%	100.0%	100.0%	0.0%	100.0%			
99.4%	0.6%	100.0%	98.8%	1.2%	100.0%	100.0%	0.0%	100.0%			
98.9%	1.1%	100.0%	98.8%	1.2%	100.0%	99.0%	1.0%	100.0%			
99.1%	0.9%	100.0%	100.0%	0.0%	100.0%	98.0%	2.0%	100.0%			
96.7%	3.3%	100.0%	97.3%	2.7%	100.0%	96.0%	4.0%	100.0%			
93.4%	6.6%	100.0%	95.7%	4.3%	100.0%	90.9%	9.1%	100.0%			
93.9%	6.1%	100.0%	93.6%	6.4%	100.0%	94.3%	5.7%	100.0%			
91.8%	8.2%	100.0%	91.5%	8.5%	100.0%	92.1%	7.9%	100.0%			
88.8%	11.2%	100.0%	89.2%	10.8%	100.0%	88.3%	11.7%	100.0%			
90.4%	9.6%	100.0%	92.1%	7.9%	100.0%	88.6%	11.4%	100.0%			
90.2%	9.8%	100.0%	92.2%	7.8%	100.0%	87.8%	12.2%	100.0%			
88.0%	12.0%	100.0%	89.2%	10.8%	100.0%	86.7%	13.3%	100.0%			
84.8%	15.2%	100.0%	88.6%	11.4%	100.0%	80.7%	19.3%	100.0%			
82.7%	17.3%	100.0%	82.3%	17.7%	100.0%	83.2%	16.8%	100.0%			
83.3%	16.7%	100.0%	85.8%	14.2%	100.0%	80.8%	19.2%	100.0%			
85.3%	14.7%	100.0%	88.0%	12.0%	100.0%	82.7%	17.3%	100.0%			
83.7%	16.3%	100.0%	85.0%	15.0%	100.0%	82.3%	17.7%	100.0%			
85.0%	15.0%	100.0%	89.8%	10.2%	100.0%	80.7%	19.3%	100.0%			
82.1%	17.9%	100.0%	86.4%	13.6%	100.0%	77.8%	22.2%	100.0%			
81.9%	18.1%	100.0%	83.9%	16.1%	100.0%	80.0%	20.0%	100.0%			
78.6%	21.4%	100.0%	80.3%	19.7%	100.0%	76.9%	23.1%	100.0%			
77.4%	22.6%	100.0%	80.0%	20.0%	100.0%	75.0%	25.0%	100.0%			
80.2%	19.8%	100.0%	82.9%	17.1%	100.0%	77.5%	22.5%	100.0%			
76.1%	23.9%	100.0%	78.1%	21.9%	100.0%	74.3%	25.7%	100.0%			
80.4%	19.6%	100.0%	79.4%	20.6%	100.0%	81.1%	18.9%	100.0%			
75.5%	24.5%	100.0%	77.3%	22.7%	100.0%	73.9%	26.1%	100.0%			
79.2%	20.8%	100.0%	81.9%	18.1%	100.0%	76.9%	23.1%	100.0%			
77.3%	22.7%	100.0%	79.0%	21.0%	100.0%	75.9%	24.1%	100.0%			
78.7%	21.3%	100.0%	92.6%	7.4%	100.0%	67.0%	33.0%	100.0%			
76.8%	23.2%	100.0%	80.6%	19.4%	100.0%	73.6%	26.4%	100.0%			
75.4%	24.6%	100.0%	75.6%	24.4%	100.0%	75.3%	24.7%	100.0%			
75.6%	24.4%	100.0%	78.6%	21.4%	100.0%	73.0%	27.0%	100.0%			
73.0%	27.0%	100.0%	76.1%	23.9%	100.0%	70.7%	29.3%	100.0%			
73.0%	27.0%	100.0%	77.8%	22.2%	100.0%	69.0%	31.0%	100.0%			
75.5%	24.5%	100.0%	78.5%	21.5%	100.0%	73.1%	26.9%	100.0%			
69.8%	30.2%	100.0%	73.5%	26.5%	100.0%	66.5%	33.5%	100.0%			
74.1%	25.9%	100.0%	76.1%	23.9%	100.0%	72.5%	27.5%	100.0%			
65.7%	34.3%	100.0%	68.1%	31.9%	100.0%	63.8%	36.2%	100.0%			
67.3%	32.7%	100.0%	69.5%	30.5%	100.0%	65.7%	34.3%	100.0%			
71.0%	29.0%	100.0%	73.9%	26.1%	100.0%	68.7%	31.3%	100.0%			
75.1%	24.9%	100.0%	79.3%	20.7%	100.0%	71.6%	28.4%	100.0%			
41.5%	18.3%	100.0%	75.1%	24.9%	100.0%	69.1%	30.9%	100.0%			
41.5%	18.3%	100.0%	75.1%	24.9%	100.0%	69.1%	30.9%	100.0%			

## Intermezzo True Rx's (Source: IMS NPA/McKesson)

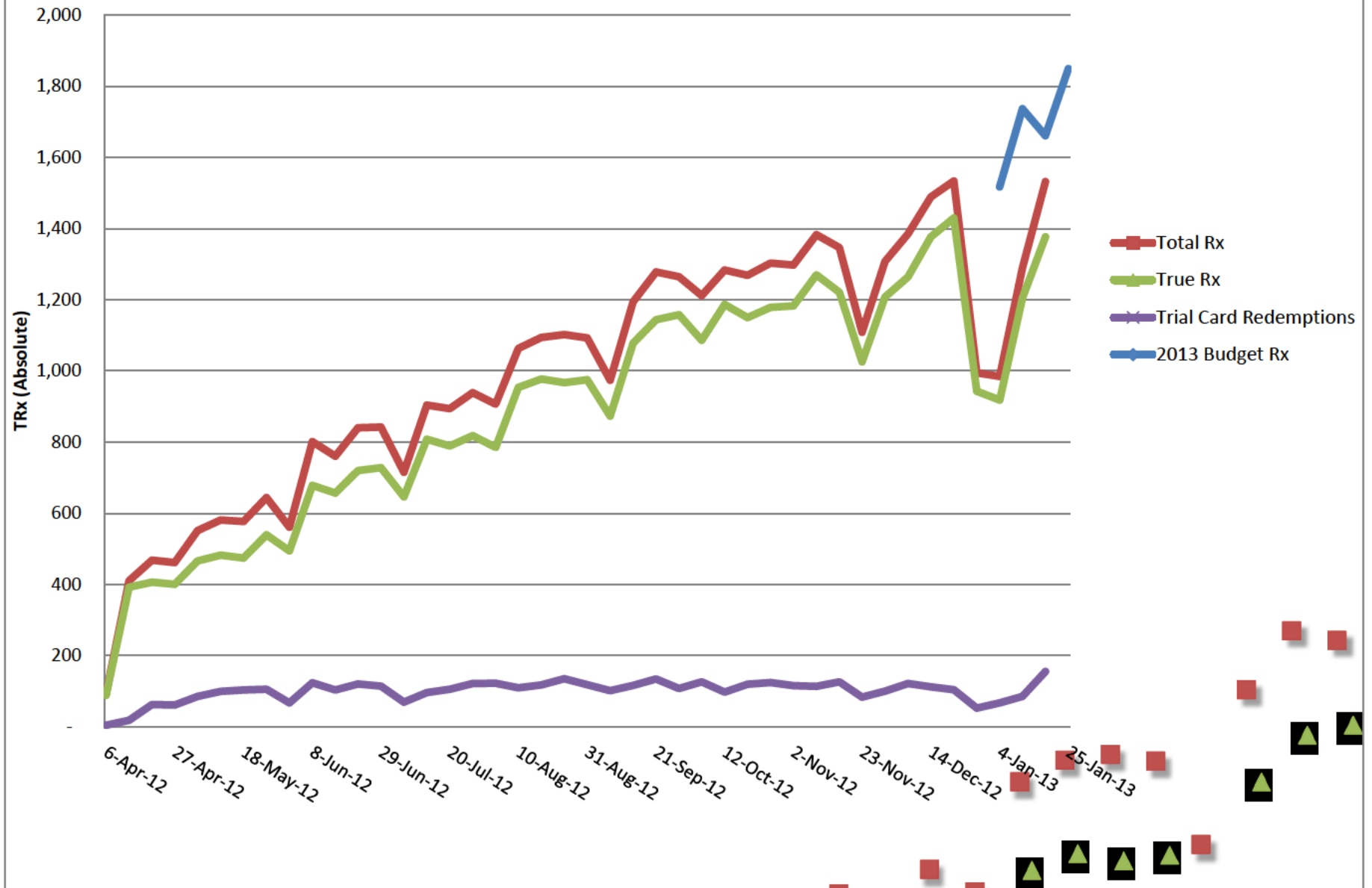


## Intermezzo True Rx's (Source: IMS NPA/McKesson) 2012

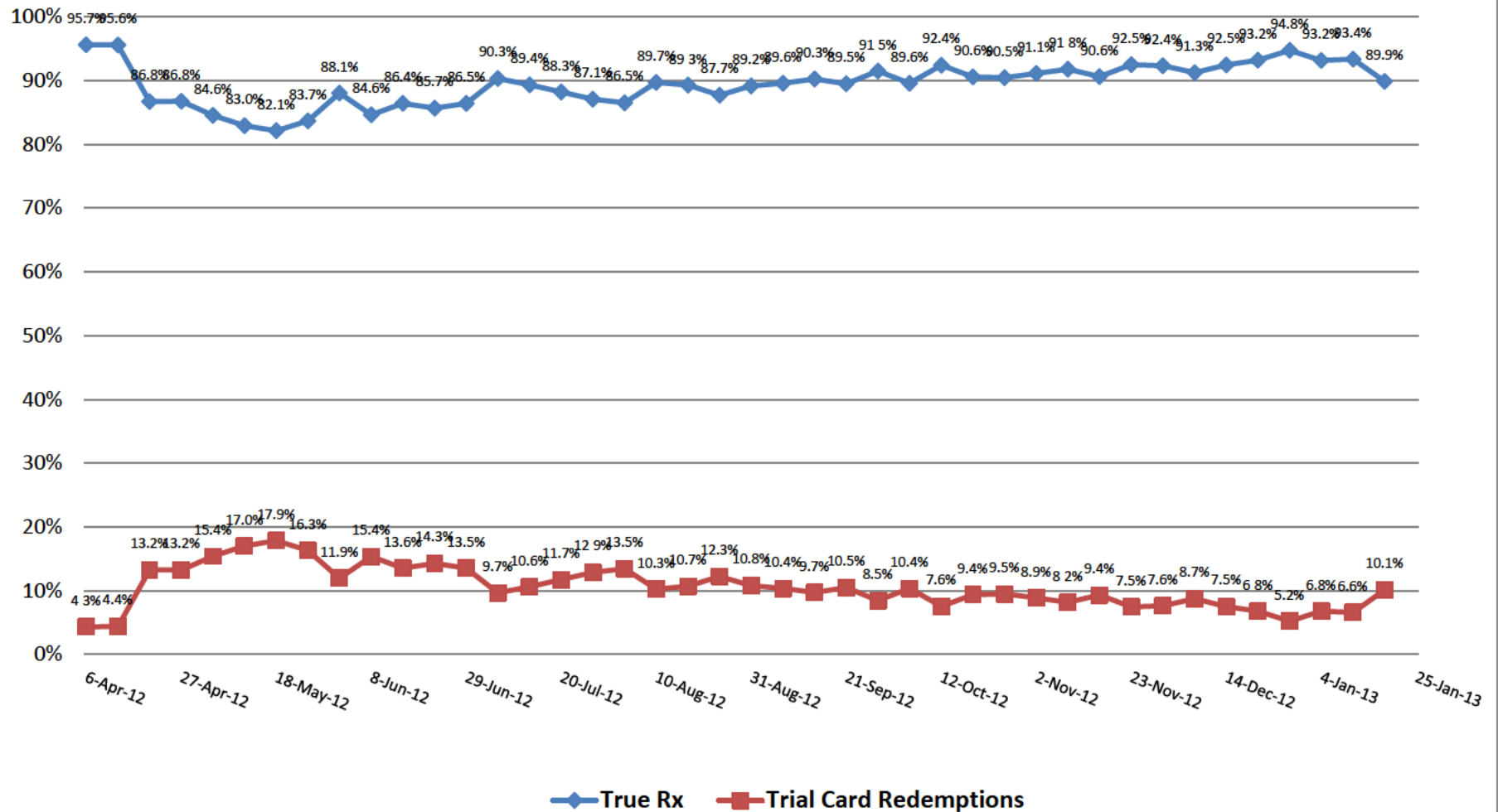


2012  
Budget Rx  
Total Rx

**Total TRx, True Rx and Trial Card Redemptions (Source: IMS NPA/McKesson)**

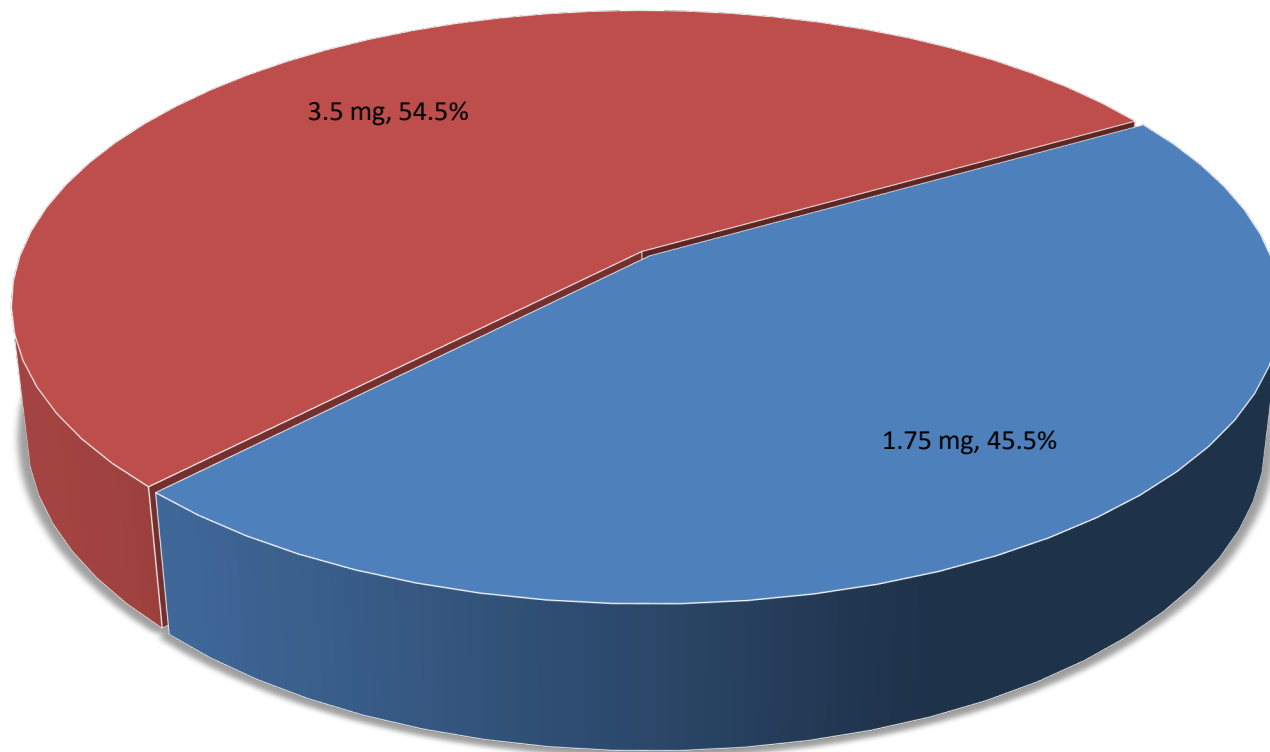


## True Rx vs. Trial Card Redemptions (Source: IMS NPA/McKesson)

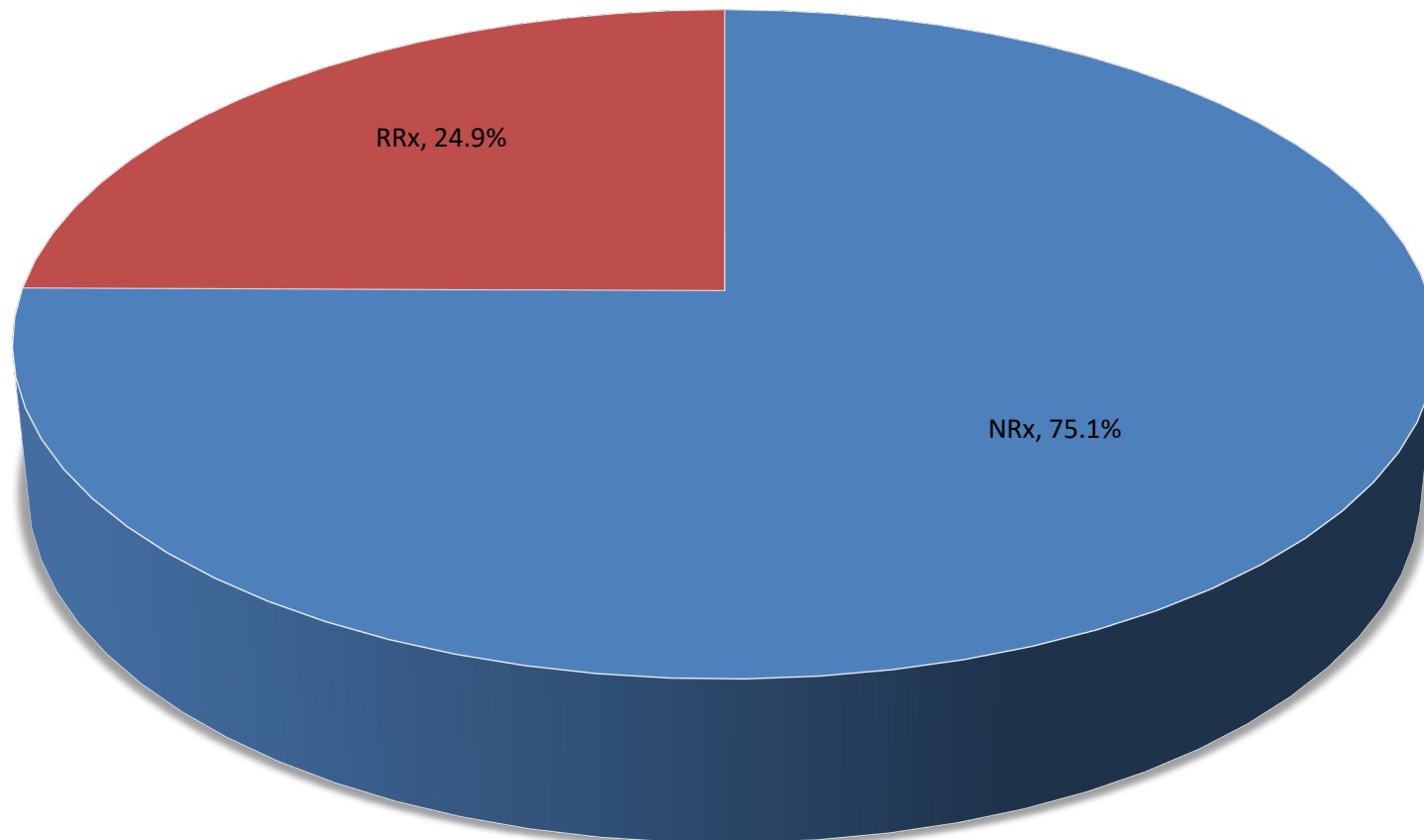




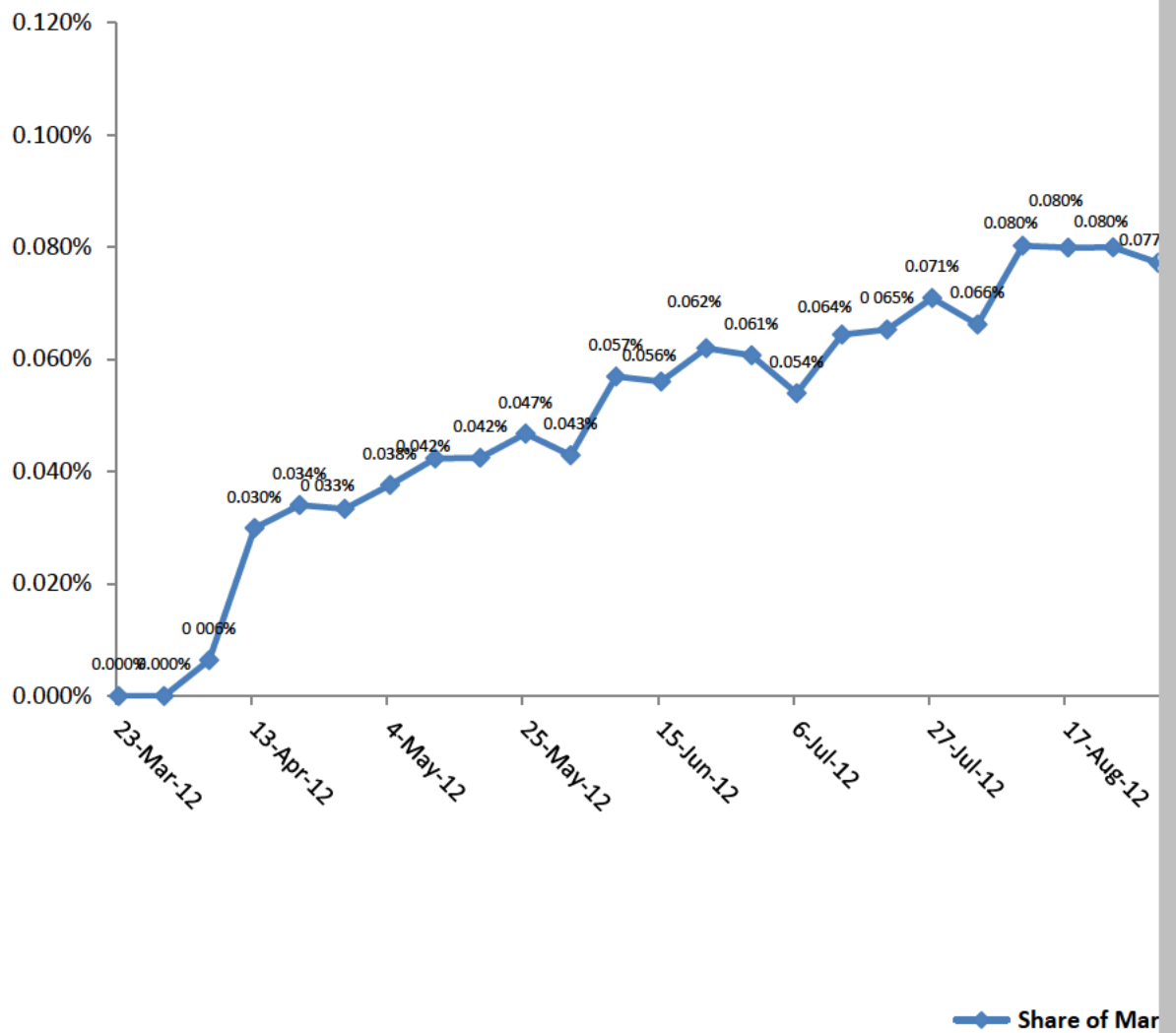
**Intermezzo Total Rxs by Dosage Strength**  
**Week ending January 18, 2013**  
**(Source: IMS NPA)**



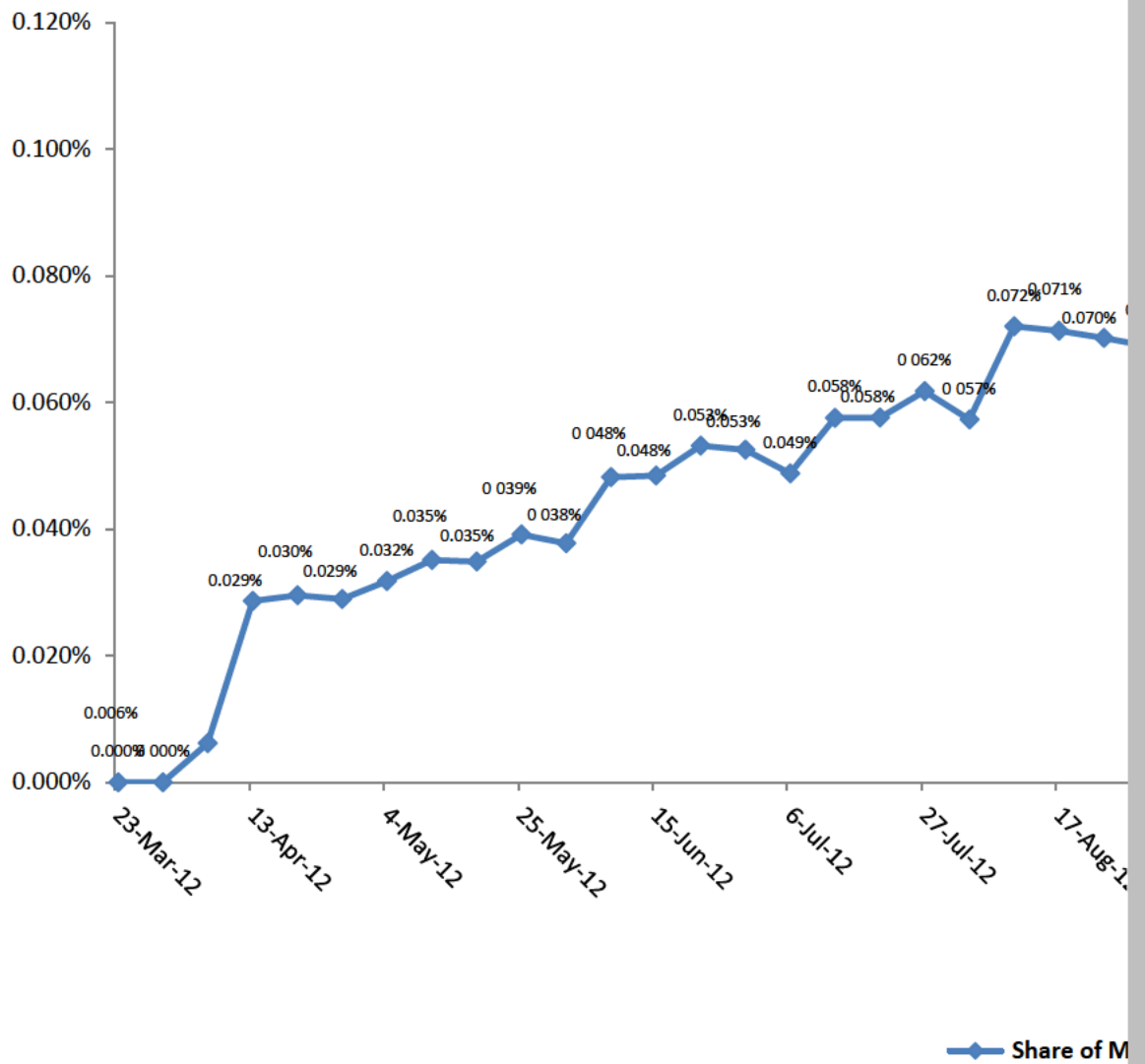
**Intermezzo Total NRx vs. Total RRx**  
**Week ending January 18, 2013**  
**(Source: IMS NPA)**



## Intermezzo Total Rx Share of Insomnia



## Intermezzo True Rx Share of Insomnia Ma



Source: IMS NPA Data

Data includes retail pharmacy, mail order and LTC channels

Numbers are absolute

	23-Mar-12	30-Mar-12	6-Apr-12	13-Apr-12
<b>Total Market TRx</b>	1,370,896	1,384,239	1,432,279	1,369,297
Intermezzo Total	-	0	92	410
Intermezzo True			88	392
<b>Share of Market (Total TRx)</b>			<b>0.006%</b>	<b>0.030%</b>
<b>Share of Market (True TRx)</b>			<b>0.006%</b>	<b>0.029%</b>

20-Apr-12	27-Apr-12	4-May-12	11-May-12	18-May-12	25-May-12
1,375,370	1,382,029	1,465,269	1,372,778	1,358,917	1,377,379
468	461	551	581	577	644
406	400	466	482	474	539
<b>0.034%</b>	<b>0.033%</b>	<b>0.038%</b>	<b>0.042%</b>	<b>0.042%</b>	<b>0.047%</b>
<b>0.030%</b>	<b>0.029%</b>	<b>0.032%</b>	<b>0.035%</b>	<b>0.035%</b>	<b>0.039%</b>

1-Jun-12	8-Jun-12	15-Jun-12	22-Jun-12	29-Jun-12	6-Jul-12	13-Jul-12
1,308,074	1,406,687	1,355,575	1,354,480	1,386,497	1,324,286	1,403,405
561	801	760	840	842	715	904
494	678	657	720	728	646	808
<b>0.043%</b>	<b>0.057%</b>	<b>0.056%</b>	<b>0.062%</b>	<b>0.061%</b>	<b>0.054%</b>	<b>0.064%</b>
<b>0.038%</b>	<b>0.048%</b>	<b>0.048%</b>	<b>0.053%</b>	<b>0.053%</b>	<b>0.049%</b>	<b>0.058%</b>

20-Jul-12	27-Jul-12	3-Aug-12	10-Aug-12	17-Aug-12	24-Aug-12
1,369,334	1,324,286	1,369,334	1,324,286	1,369,334	1,377,799
894	939	907	1,063	1,094	1,102
789	818	785	954	977	967
<b>0.065%</b>	<b>0.071%</b>	<b>0.066%</b>	<b>0.080%</b>	<b>0.080%</b>	<b>0.080%</b>
<b>0.058%</b>	<b>0.062%</b>	<b>0.057%</b>	<b>0.072%</b>	<b>0.071%</b>	<b>0.070%</b>



31-Aug-12	7-Sep-12	14-Sep-12	21-Sep-12	28-Sep-12
1,415,168	1,359,788	1,416,839	1,394,006	1,407,414
1,093	974	1,194	1,278	1,265
975	873	1,078	1,144	1,158
<b>0.077%</b>	<b>0.072%</b>	<b>0.084%</b>	<b>0.092%</b>	<b>0.090%</b>
<b>0.069%</b>	<b>0.064%</b>	<b>0.076%</b>	<b>0.082%</b>	<b>0.082%</b>

5-Oct-12	12-Oct-12	19-Oct-12	26-Oct-12	2-Nov-12
1,461,046	1,385,829	1,391,512	1,389,095	1,378,667
1,212	1,284	1,269	1,303	1,298
1,086	1,187	1,150	1,179	1,183
<b>0.083%</b>	<b>0.093%</b>	<b>0.091%</b>	<b>0.094%</b>	<b>0.094%</b>
<b>0.074%</b>	<b>0.086%</b>	<b>0.083%</b>	<b>0.085%</b>	<b>0.086%</b>

9-Nov-12	16-Nov-12	23-Nov-12	30-Nov-12	7-Dec-12
1,409,855	1,391,492	1,208,449	1,482,181	1,470,840
1,383	1,347	1,109	1,308	1,385
1,270	1,221	1,026	1,208	1,264
<b>0.098%</b>	<b>0.097%</b>	<b>0.092%</b>	<b>0.088%</b>	<b>0.094%</b>
<b>0.090%</b>	<b>0.088%</b>	<b>0.085%</b>	<b>0.082%</b>	<b>0.086%</b>

14-Dec-12	21-Dec-12	28-Dec-12	4-Jan-13	11-Jan-13
1,417,828	1,444,247	1,170,577	1,356,237	1,475,389
1,489	1,534	995	985	1,290
1,377	1,430	943	918	1,205
<b>0.105%</b>	<b>0.106%</b>	<b>0.085%</b>	<b>0.073%</b>	<b>0.087%</b>
<b>0.097%</b>	<b>0.099%</b>	<b>0.081%</b>	<b>0.068%</b>	<b>0.082%</b>

18-Jan-13	1/1 Week Growth
1,422,268	-3.6%
1,532	18.8%
1,377	14.3%
<b>0.108%</b>	
<b>0.097%</b>	



Intermezzo Total Rxs for the week ending January 18, 2013					
Strength	<u>NRx</u>	<u>RRx</u>	<u>TRxs</u>	<u>Trial Card Redemptions</u>	<u>"True" Rx</u>
1.75mg	553	144	697	72	625
3.5mg	598	237	835	83	752
Total	1,151	381	1,532	155	1,377

Distribution of Total New versus Refill Rxs for Intermezzo			
Strength	<u>NRx</u>	<u>RRx</u>	<u>TRxs</u>
1.75mg	79.3%	20.7%	100.0%
3.5mg	71.6%	28.4%	100.0%
Total	75.1%	24.9%	100.0%

Distribution of Intermezzo Total Rxs by Strength			
Strength	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>
1.75mg	48.0%	37.8%	45.5%
3.5mg	52.0%	62.2%	54.5%
Total	100.0%	100.0%	100.0%

**Produced Natively**





[NRx, RRx and TRx by Strength](#)  
[Distribution of Rxs by Strength](#)  
[Distribution of NRx, RRx and TRx by Strength](#)  
[Weekly Growth in Butrans TRxs](#)

		Butrans New, Refill and Total Prescriptions by Strength													
		Total			5 mcg/hour			10 mcg/hour			20 mcg/hour			Total	
<u>Week #</u>	<u>Week Ending</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>
Week 92	26-Oct-12	7,624	2,162	9,786	1,944	459	2,403	3,410	975	4,385	2,270	728	2,998	77.9%	22.1%
Week 93	2-Nov-12	7,366	2,171	9,537	1,880	434	2,314	3,319	994	4,313	2,167	743	2,910	77.2%	22.8%
Week 94	9-Nov-12	7,840	2,311	10,151	1,983	485	2,468	3,443	1,013	4,456	2,414	813	3,227	77.2%	22.8%



		Distribution of Butrans Prescriptions by Strength									Distribution of Butrans Ne					
			5 mcg/hour			10 mcg/hour			20 mcg/hour			Total			5 mcg/hour	
<u>Week #</u>	<u>Week Ending</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>
Week 92	26-Oct-12	100.0%	19.9%	4.7%	24.6%	34.8%	10.0%	44.8%	23.2%	7.4%	30.6%	77.9%	22.1%	100.0%	80.9%	19.1%
Week 93	2-Nov-12	100.0%	19.7%	4.6%	24.3%	34.8%	10.4%	45.2%	22.7%	7.8%	30.5%	77.2%	22.8%	100.0%	81.2%	18.8%
Week 94	9-Nov-12	100.0%	19.5%	4.8%	24.3%	33.9%	10.0%	43.9%	23.8%	8.0%	31.8%	77.2%	22.8%	100.0%	80.3%	19.7%



		w, Refill and Total Prescriptions by Strength							Weekly Growth in Butrans New, Refill and Total Presc							
		10 mcg/hour				20 mcg/hour			Total			5 mcg/hour			10 mcg/hour	
<u>Week #</u>	<u>Week Ending</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>
Week 92	26-Oct-12	100.0%	77.8%	22.2%	100.0%	75.7%	24.3%	100.0%	0.9%	1.9%	1.1%	-2.8%	9.5%	-0.7%	2.8%	5.1%
Week 93	2-Nov-12	100.0%	77.0%	23.0%	100.0%	74.5%	25.5%	100.0%	-3.4%	0.4%	-2.5%	-3.3%	-5.4%	-3.7%	-2.7%	1.9%
Week 94	9-Nov-12	100.0%	77.3%	22.7%	100.0%	74.8%	25.2%	100.0%	6.4%	6.4%	6.4%	5.5%	11.8%	6.7%	3.7%	1.9%



Prescriptions by Strength

Week #	Week Ending	20 mcg/hour			
		TRx	NRx	RRx	TRx
Week 92	26-Oct-12	3.3%	1.4%	-5.9%	-0.5%
Week 93	2-Nov-12	-1.6%	-4.5%	2.1%	-2.9%
Week 94	9-Nov-12	3.3%	11.4%	9.4%	10.9%



[Butrans 10mcg Equivalents](#)  
[Distribution of 10mcg Equivalents](#)  
[Weekly Growth in 10mcg Equivalents](#)

		Butrans 10mcg Equivalents				Trend Line Sept 1	Trend Line Jan 20	Distrib
		Total TRx	5 mcg/hour TRx	10 mcg/hour TRx	20 mcg/hour TRx	Total TRx	Total TRx	
Week #	Week Ending							
Week 92	26-Oct-12	11,583	1,202	4,385	5,996		11,583	100.0%
Week 93	2-Nov-12	11,290	1,157	4,313	5,820		11,290	100.0%
Week 94	9-Nov-12	12,144	1,234	4,456	6,454		12,144	100.0%



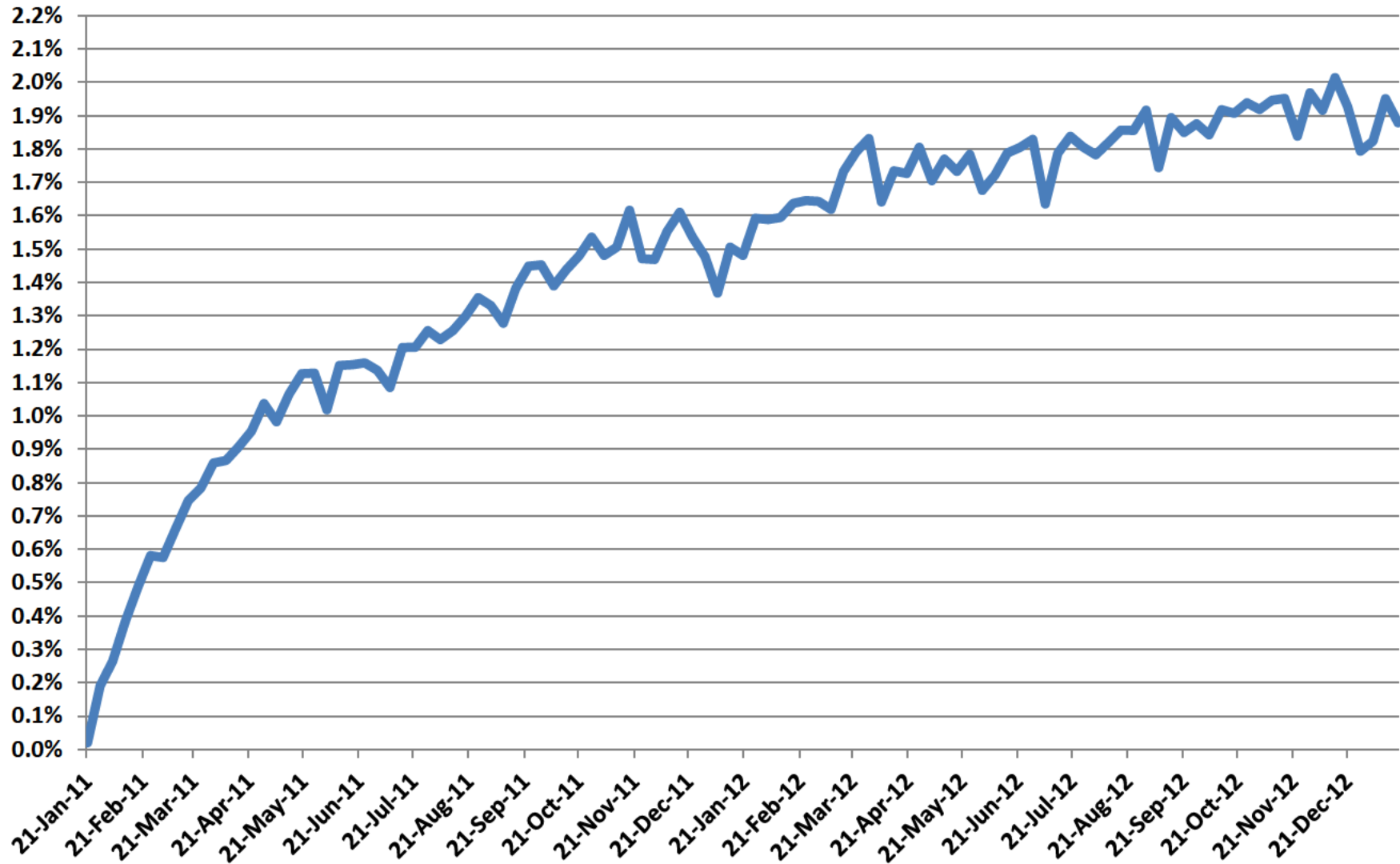
		Distribution of Butrans 10mcg Equivalents		
<u>Week #</u>	<u>Week Ending</u>	<b>5 mcg/hour</b> <u>TRx</u>	<b>10 mcg/hour</b> <u>TRx</u>	<b>20 mcg/hour</b> <u>TRx</u>
Week 92	26-Oct-12	10.4%	37.9%	51.8%
Week 93	2-Nov-12	10.2%	38.2%	51.6%
Week 94	9-Nov-12	10.2%	36.7%	53.1%

Weekly Growth - Butrans 10mcg Equivalents			
<b>Total</b> <u>TRx</u>	<b>5mcg</b> <u>TRx</u>	<b>10mcg</b> <u>TRx</u>	<b>20mcg</b> <u>TRx</u>
0.9%	-0.7%	3.3%	-0.5%
-2.5%	-3.7%	-1.6%	-2.9%
7.6%	6.7%	3.3%	10.9%

## Butrans Weekly Extended Release Opioid Rx Share

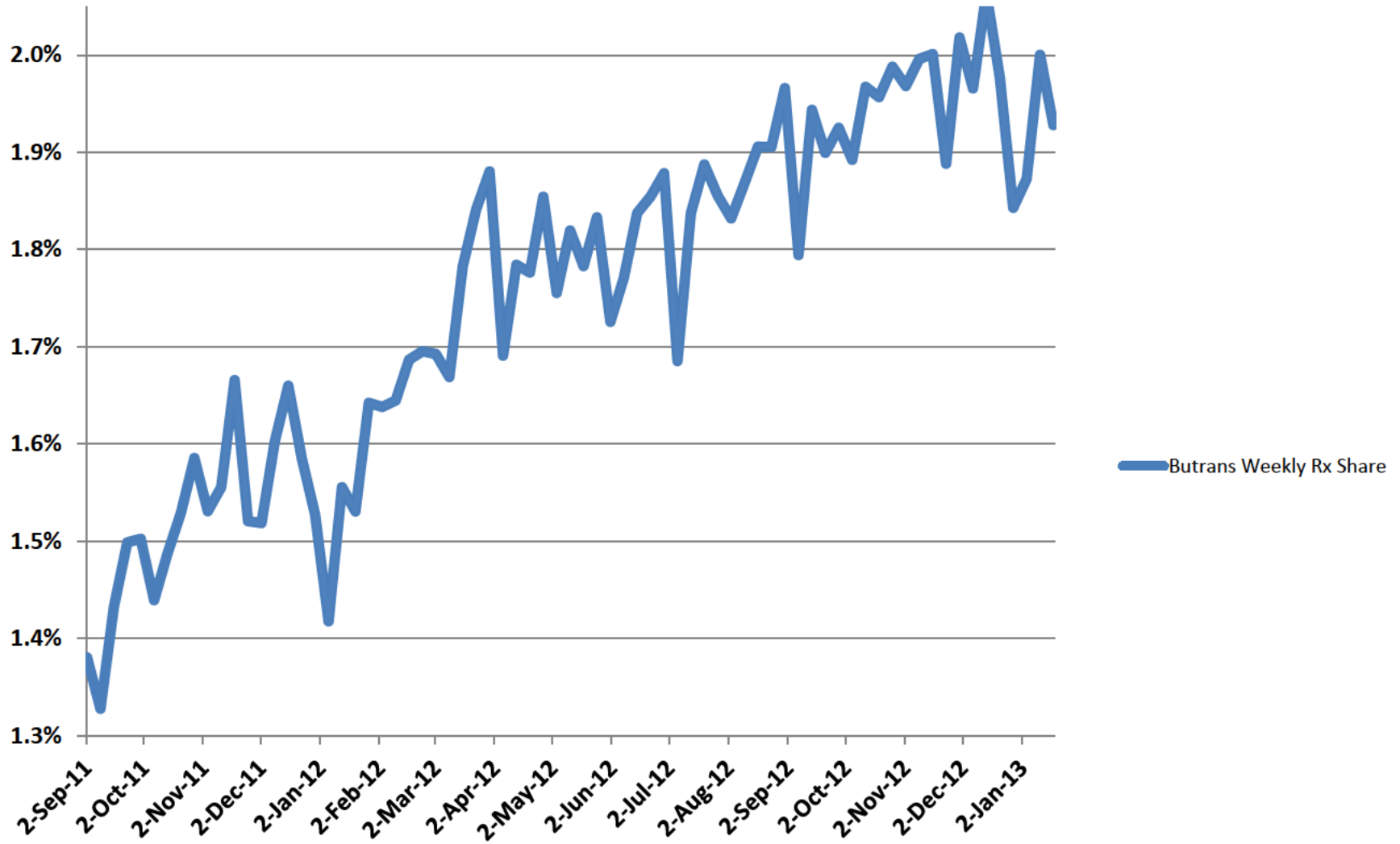
(Source: IMS National Prescription Audit; includes both brand and generic opioids)

Weekly TRx Share



## Detailed Butrans Weekly Extended Release Opioid Market Share

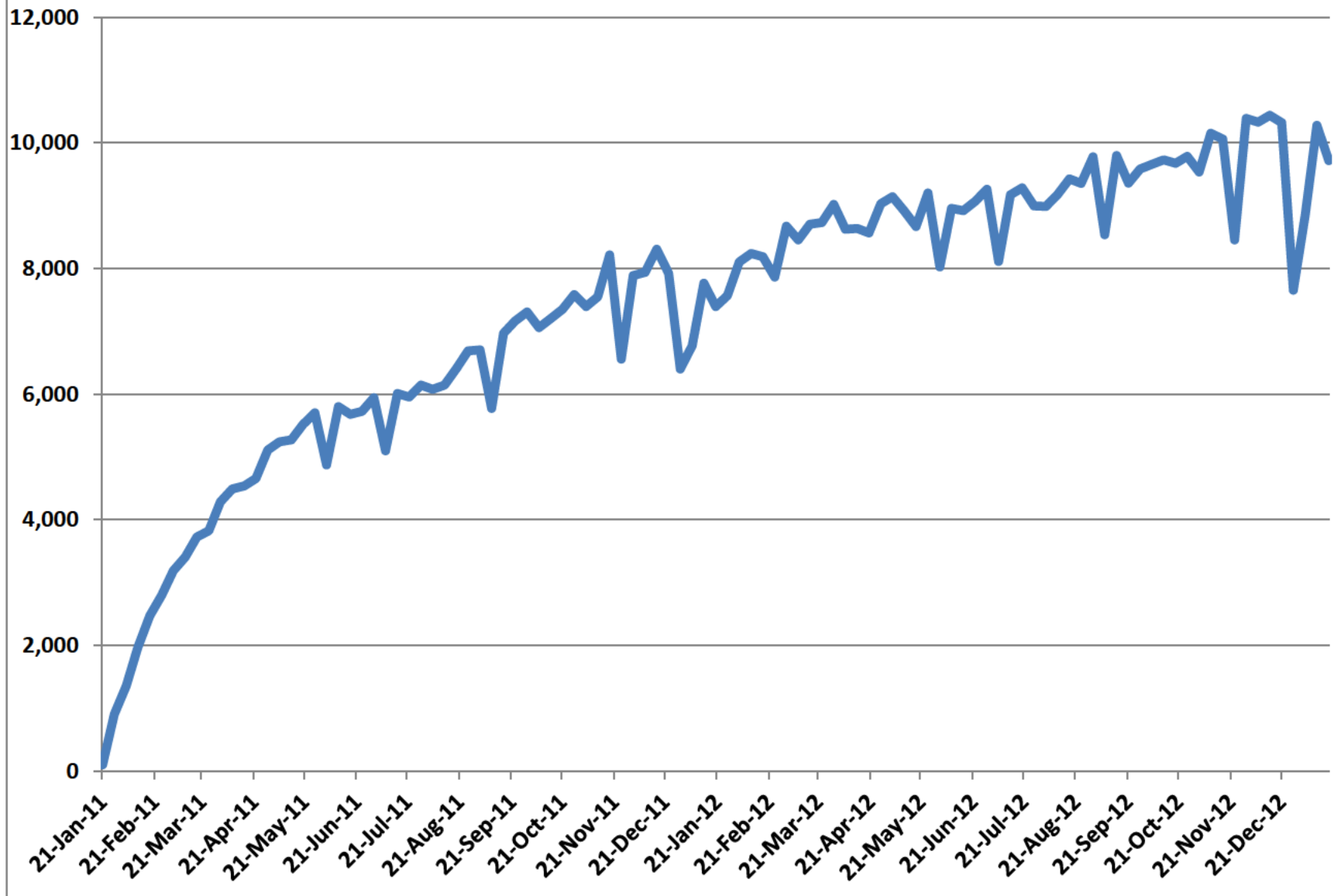
(Source: IMS National Prescription Audit; includes both branded and generic opioids)



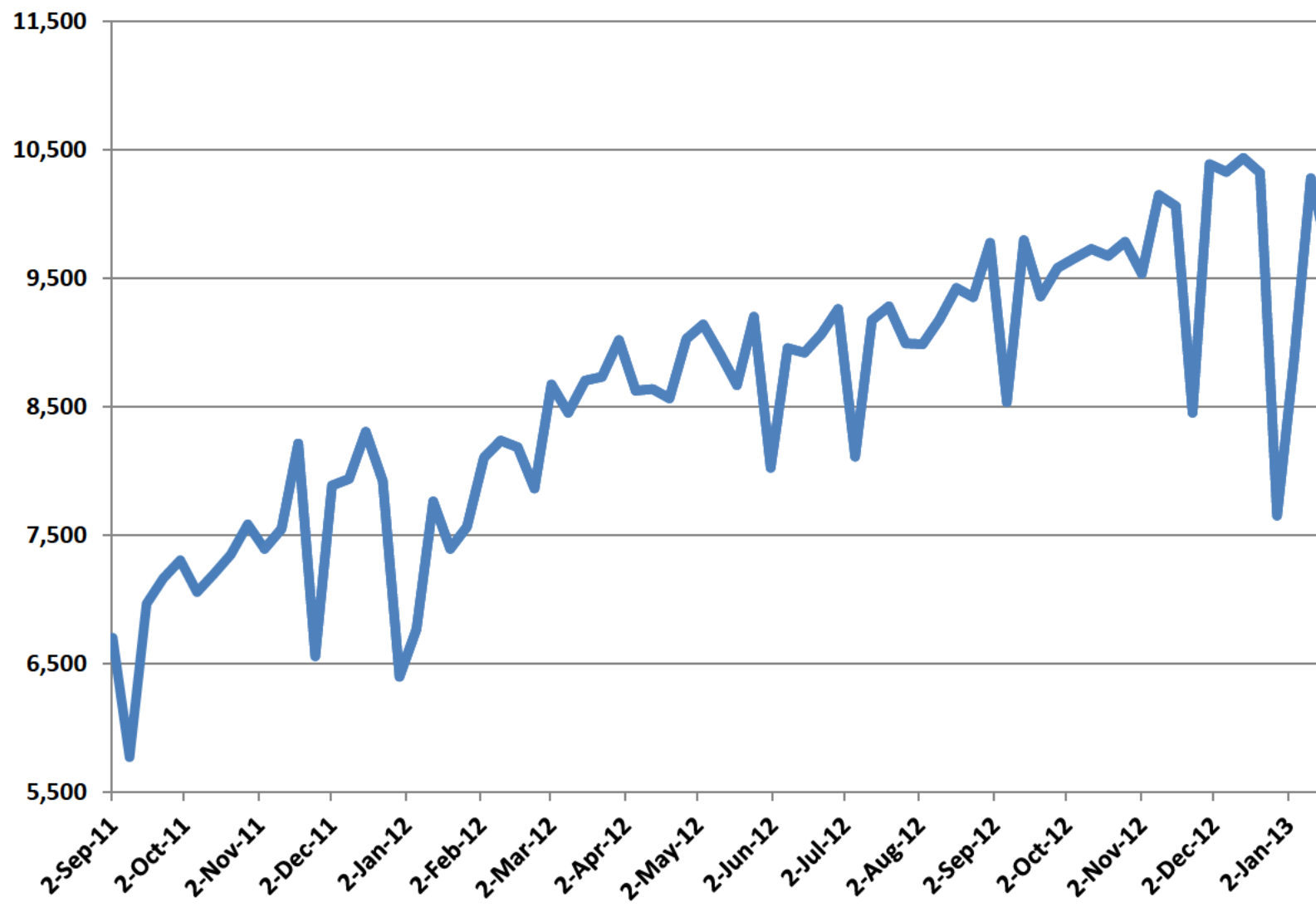


## Butrans Weekly Rx Graph (Source: IMS National Prescription Audit)

Weekly TRxs



## Detailed Butrans Weekly Rx's (Source: IMS National Prescription Audit)



Message

**From:** Sackler, Dr Richard [REDACTED]  
**Sent:** 1/29/2013 12:15:05 PM  
**To:** Sackler, Mortimer D.A. [REDACTED]  
**Subject:** Re: Data and graphs for Intermezzo and Butrans

Right.

There may be a sign of life in Intermezzo but then again, maybe not.

---

**From:** <Sackler>, Mortimer Sackler [REDACTED]@pharma.com>  
**Date:** Tuesday, January 29, 2013 11:49 AM  
**To:** "Richard S. Sackler" [REDACTED]@pharma.com>  
**Subject:** Re: Data and graphs for Intermezzo and Butrans

Neither of them look great to me.

Regards,

Mortimer

On Jan 29, 2013, at 11:44 AM, "Sackler, Dr Richard" [REDACTED]@pharma.com> wrote:

**From:** <Rosen>, "David (Sales and Marketing)" [REDACTED]@pharma.com<mailto:[REDACTED]@pharma.com>>  
**Date:** Tuesday, January 29, 2013 10:57 AM  
**To:** "Richard S. Sackler" [REDACTED]@pharma.com [REDACTED]@pharma.com>>  
**Cc:** John Stewart [REDACTED]@pharma.com<[REDACTED]@pharma.com>>, "Gasdia, Russell" [REDACTED]@pharma.com [REDACTED]@pharma.com>>, [REDACTED]@pharma.com [REDACTED]@pharma.com>>  
**Subject:** Data and graphs for Intermezzo and Butrans

Hi, Dr. Richard. Here are the data and graphs as per your request.

Thanks,  
David

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

**Redacted**

<Intermezzo Weekly Report 1-18-2013.xlsx>  
<Copy of Butrans Weekly Report 1-18-13.xlsm>

Message

**From:** Sackler, Dr Richard [REDACTED]  
**Sent:** 2/4/2013 1:56:50 PM  
**To:** [REDACTED]  
**Subject:** FW: Butrans=8,679; Intermezzo=1,354 (Week ending 1-25-13)

This is looking sad.

---

**From:** <Rosen>, "David (Sales and Marketing)" [REDACTED]@pharma.com>  
**Date:** Monday, February 4, 2013 1:55 PM  
**To:** "Richard S. Sackler" [REDACTED]@pharma.com>  
**Cc:** John Stewart [REDACTED]@pharma.com>, "Gasdia, Russell" [REDACTED]@pharma.com>, [REDACTED]@pharma.com>  
**Subject:** Butrans=8,679; Intermezzo=1,354 (Week ending 1-25-13)

Hi, Dr. Richard. Both products took a hit last week due to the Martin Luther King Holiday.

Butrans

Rx Increase from last week (9,719)	-10.7%
Share	1.87%
Share last week	1.88%

Intermezzo

Rx Increase from last week (1,377)	-1.7%
Share	0.103%
Share last week	0.097%

-David

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

Message

**From:** Mahony, Edward [REDACTED]  
**Sent:** 2/6/2013 4:26:00 PM  
**To:** Boer, Peter [REDACTED]  
[REDACTED] Lewent, Judy  
[REDACTED] Costa, Paulo  
[REDACTED]  
Sackler, Beverly [REDACTED]  
[REDACTED] Sackler, David  
[REDACTED]  
Sackler, Dr Katha [REDACTED]  
[REDACTED] Sackler, Dame Theresa  
[REDACTED] Sackler, Mortimer D.A.  
[REDACTED] Sackler, Dr Raymond R  
[REDACTED]  
Sackler, Dr Richard [REDACTED]  
[REDACTED] Sackler, Jonathan  
[REDACTED]  
Sackler Lefcourt, Ilene [REDACTED]  
[REDACTED] Baker, Stuart D.  
[REDACTED]  
[REDACTED] Stewart, John H. (US) [REDACTED]  
[REDACTED] Gasdia,  
[REDACTED] Landau, Dr. Craig [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] Weinstein, Bert [REDACTED]  
[REDACTED] Snyderman, Ralph  
**CC:** Rosen, David (Sales and Marketing) [REDACTED]  
[REDACTED] Lowne, Jon  
[REDACTED]  
**BCC:** Stewart, John H. (US) [REDACTED]  
**Subject:** January Finance Flash Report  
**Attachments:** January 2013 Flash Attachment.pdf

Colleagues:

The following is Purdue's January Flash<sup>[1]</sup> Report.

**NET SALES**

- January Net Sales totaled \$136.3 million. This amount is \$58 million less than budget and \$10 million higher than January 2012. The lower than budget sales is due to a decline in OxyContin trade inventory during the month. OxyContin and Butrans demand are running close to budget.
- A business condition report for the analgesic products is planned for the February 13, 2013 Board meeting.

<sup>[1]</sup> 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 January Purdue's unrestricted cash balance was \$979 million.
  - This cash is ≈\$70 million higher than budget due primarily to delays in rebate claims from commercial insurers and individual states.
  - The Q1 and year-end 2013 unrestricted cash budgets are \$1,016 million and \$600 million, respectively. In Q1 Purdue expects to make a number of material cash outlays including:
    - Incentive and sales bonus at ≈\$50 million
    - Rebates at ≈\$150 million
    - OxyContin royalties to Abbott and Grunenthal at ≈\$20 million
    - Tax and non-tax distributions at ≈\$240 million (first two weeks of April).

All the best,  
Ed

---

# Sales Summary by Product - Gross to Net

Expressed in 000's

	Jan. Year-to-Date			Full Year	
	2013 YTD	2013 YTD	2012 YTD	2013	2012
	Actual	Budget	Actual	Budget	Actual
<b>OxyContin</b>					
Gross Sales	\$ 170,123	\$ 239,200	\$ 164,330	\$ 2,916,463	\$ 2,777,064
Fee for Service	(3,411)	(4,912)	(4,153)	(59,887)	(66,950)
Sales Discounts and Allowances	(3,630)	(5,104)	(3,582)	(72,658)	(116,425)
Savings Cards Discounts	(2,456)	(1,871)	(1,305)	(22,813)	(18,330)
Rebates	(31,505)	(44,464)	(33,044)	(547,871)	(526,610)
Proposed Regulation Adjustment for Medicaid Rebates	(3,646)	(5,153)	(4,473)	(65,584)	(61,976)
<b>OxyContin Net Sales</b>	<b>125,476</b>	<b>177,696</b>	<b>117,772</b>	<b>2,147,650</b>	<b>1,986,773</b>
<b>Butrans</b>					
Gross Sales	\$ 6,338	\$ 9,442	\$ 6,441	\$ 160,025	\$ 112,887
Fee for Service	(127)	(203)	(163)	(3,432)	(2,803)
Sales Discounts and Allowances	(157)	(234)	(140)	(6,826)	(13,725)
Savings Cards Discounts	(492)	(506)	(61)	(8,573)	(6,198)
Rebates	(559)	(833)	(365)	(14,341)	(6,139)
<b>Butrans Net Sales</b>	<b>5,004</b>	<b>7,666</b>	<b>5,711</b>	<b>126,853</b>	<b>84,020</b>
<b>Intermezzo</b>					
Gross Sales	\$ 382	\$ 1,333	\$ -	\$ 57,622	\$ 16,556
Fee for Service	(8)	(27)	-	(1,147)	(395)
Sales Discounts and Allowances	(8)	(27)	-	(6,915)	(9,908)
Savings Cards Discounts	(69)	(73)	-	(3,150)	(576)
Rebates	(12)	(44)	-	(2,364)	(138)
<b>Intermezzo Net Sales</b>	<b>285</b>	<b>1,164</b>	<b>-</b>	<b>44,046</b>	<b>5,538</b>
<b>Total for All Products</b>					
Gross Sales	\$ 182,484	\$ 257,941	\$ 175,431	\$ 3,228,472	\$ 3,004,905
Fee for Service	(3,577)	(5,218)	(4,434)	(65,338)	(71,089)
Sales Discounts and Allowances	(3,926)	(5,549)	(3,824)	(88,198)	(134,031)
Savings Cards Discounts	(3,016)	(2,450)	(1,366)	(34,537)	(25,104)
Rebates	(32,168)	(45,469)	(35,276)	(566,117)	(534,619)
Proposed Regulation Adjustment for Medicaid Rebates	(3,646)	(5,153)	(4,473)	(65,584)	(61,976)
Other	138	138	95	1,651	2,455
<b>Total Net Sales</b>	<b>\$ 136,290</b>	<b>\$ 194,239</b>	<b>\$ 126,153</b>	<b>\$ 2,410,348</b>	<b>\$ 2,180,540</b>

Group	Year to Date Jan-13				Full Year						2012 Jan YTD Actual	Variance to Prior Year
	Actual	Budget	Var. to Budget	2013 Budget	2012 Actual	2011 Actual	2010 Actual	2009 Actual	2012 Jan YTD Actual	2011 Actual		
10mg	\$ 8,891	\$ 13,011	\$ (4,120)	\$ 156,987	\$ 152,741	\$ 146,784	\$ 121,344	\$ 133,629	\$ 9,155	\$ (263)		
15mg	2,452	3,025	(574)	37,814	33,992	27,136	23,620	16,548	1,701	750		
20mg	23,323	34,354	(11,131)	419,948	402,472	404,149	361,266	369,289	23,641	(418)		
30mg	13,844	18,872	(5,028)	237,429	205,335	171,730	161,048	114,431	11,237	2,607		
40mg	34,699	51,386	(16,687)	622,343	618,704	633,738	682,972	708,279	37,538	(2,838)		
60mg	22,233	30,948	(8,716)	388,817	340,746	300,721	315,742	226,251	19,229	3,003		
80mg	64,782	87,602	(22,821)	1,053,126	1,023,075	1,096,778	1,331,784	1,320,222	61,829	2,952		
160mg						(17)						
OxyContin	170,123	239,200	(69,077)	2,916,463	2,777,064	2,781,018	2,997,775	2,888,649	164,330	5,794		
Butrans	6,338	9,442	(3,103)	160,025	112,887	73,531	-	-	6,441	(102)		
Intermezzo	382	1,333	(951)	57,622	16,556	-	-	-	-	382		
Dilaudid Ampules	411	409	1	4,328	8,272	6,044	10,209	5,444	87	323		
Dilaudid Vials	138	76	62	797	1,306	1,302	6,638	2,417	42	96		
Dilaudid Tablets	569	1,023	(453)	11,856	14,191	17,495	18,234	24,977	981	(412)		
Dilaudid	1,118	1,508	(390)	16,981	23,769	24,842	35,081	32,838	1,111	7		
MS Contin	471	1,009	(539)	11,642	12,974	13,339	15,101	16,860	1,062	(591)		
Ryzolt	(33)	-	(33)	-	(6,924)	11,168	16,510	10,842	2,115	2,115		
Betadine First Aid	248	336	(89)	4,027	4,118	4,164	4,249	3,858	284	(36)		
Betadine Hospital	328	349	(20)	4,401	4,653	4,412	4,196	3,864	320	9		
Betadine Veterinary	58	64	(6)	830	850	793	765	729	55	3		
Betadine	634	749	(115)	9,258	9,621	9,369	9,210	8,451	658	(25)		
Betasept	113	151	(38)	1,878	1,971	1,753	1,715	1,500	108	4		
Colace	1,464	2,138	(674)	25,669	25,891	23,729	22,250	22,889	1,707	(243)		
Peri-Colace	299	392	(93)	4,708	4,403	3,968	3,637	3,058	271	28		
Colace / Peri-Colace	1,763	2,530	(767)	30,377	30,294	27,697	25,887	25,947	1,978	(215)		
Senokot	541	772	(231)	9,263	10,000	10,428	9,894	7,272	743	(202)		
Senokot - S	646	803	(157)	9,648	11,220	13,010	12,360	11,357	801	(155)		
Slow-Mag	1,187	1,575	(388)	18,911	21,220	23,437	22,253	18,629	1,544	(357)		
Discontinued Products	390	443	(53)	5,316	5,554	5,352	4,585	4,703	360	29		
Gross Branded Sales	\$ 182,484	\$ 257,941	\$ (75,457)	\$ 3,228,472	\$ 3,004,905	\$ 2,971,161	\$ 3,127,873	\$ 3,012,143	\$ 175,431	\$ 7,053		
Less: Deductions Subtotal	\$ (46,194)	\$ (63,701)	\$ 17,507	\$ (818,124)	\$ (824,364)	\$ (748,667)	\$ (777,784)	\$ (604,000)	\$ (49,278)	\$ 3,084		
Net Branded Sales	\$ 136,290	\$ 194,239	\$ 57,950	\$ 2,410,348	\$ 2,180,541	\$ 2,222,495	\$ 2,350,089	\$ 2,408,143	\$ 126,153	\$ 10,137		

Fee-for-Service -2.0%  
 Disc. & Allowances(Excl. -2.2%  
 Rebates -17.6%



Net Branded Sales - Variance to Budget Due to:

(\$ in millions)

Gross Sales

• Impact of trade inventories lower than budget. <sup>(1)</sup>	\$ (51.1)
• Lower OxyContin demand Vs. budget. <sup>(1)</sup>	(18.0)
Lower OxyContin Sales.	<u>(69.1)</u>

• Butrans sales due to lower trade inventory.	(3.1)
---	-------

• Intermezzo sales.	(1.0)
---------------------	-------

• All Other	<u>(2.3)</u>
-------------	--------------

Sub-Total Gross Sales Variance	(75.5)
--------------------------------	--------

Deductions

• Lower deductions due to lower Sales	\$ 17.5
---------------------------------------	---------

Net Branded Sales Variance to Budget	<u><u>\$ (57.9)</u></u>
--------------------------------------	-------------------------

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

**From:** Mahony, Edward

**Sent:** 2013年2月8日 10:30

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

**CC:** [REDACTED] Lowne, Jon; [REDACTED]

**Subject:** Full Year 2012 Financial Results

**Attachments:** December 2012 Financial Statement Cover Memo v6.docx; Financial Statements 12 31 2012 v2 (3).xlsx

Colleagues – Attached for your information are the Purdue Full Year 2012 financial results.

As these documents may be too long to read online, we are happy to supply a hard copy upon request.

Regards,  
Ed

To: John Stewart  
 From: Ed Mahony  
 CC: [REDACTED]  
 Jon Lowne, [REDACTED] Executive Committee  
 Date: February 8, 2013  
 Subject: Full year 2012 financial results

Attached are the full year 2012 Purdue unaudited financial statements.

Net sales – 2012 net sales totaled \$2.18 billion, which is \$172 million (or 7%) less than budget:

(million)	2012			2013	
	Actual	Budget	Variance	Budget	Variance vs. budget due to
OxyContin	\$2,777.1	\$2,877.4	(\$100.3)	\$2,916.5	Lower demand and higher returns, offset by higher trade inventory
Butrans	112.9	135.8	(22.9)	160.0	Lower demand
Intermezzo	16.6	49.2	(32.6)	57.6	Lower demand
Other	98.4	105.5	(7.1)	94.4	Ryzolt returns of \$7.3 million
Gross Sales	\$3,005.0	\$3,167.9	(\$162.9)	\$3,228.5	
Net Sales	\$2,180.5	\$2,352.8	(\$172.3)	\$2,410.3	Due to lower gross sales and higher OxyContin return reserve

Operating expenses - Total operating expenses were \$887.5 million:

(million)	2012			Variance vs. Budget	2013
	Actual	Nov. LE	Budget		Budget
G&A	\$ 155.0	\$ 153.4	\$ 159.5	\$ (4.5)	\$ 159.1
Legal Fees	61.3	56.9	56.9	4.4	50.5
R&D	315.5	328.7	321.1	(5.6)	377.3
R&D Other	2.3	2.4	4.2	(1.9)	6.7
S&P	303.5	315.5	343.4	(39.9)	312.6
New Health	31.3	31.3	26.6	4.7	31.8
Other - US	18.6	18.1	8.1	10.5	4.0
Total	\$ 887.5	\$ 906.3	\$ 919.8	\$ (32.3)	\$ 942.0

1. G&A spend through December 31, 2012 was \$155 million. This is \$4.5 million lower than budget due to lower spending in External Affairs.

2.

**Redacted**

3. R&D spend through December 31, 2012 was \$5.6 million lower than budget:

	2012			Variance	
(million)	Actual	Nov. LE	Budget	vs. Budget	2013 Budget
Oxycodone Nalaxone	\$ 83.0	\$ 93.3	\$ 86.1	\$ (3.1)	\$ 119.6
Hydrocodone QD TR	60.1	68.8	76.9	(16.8)	63.8
Butrans	34.6	35.1	36.2	(1.6)	50.2
OxyContin (primarily pediatric)	29.2	32.9	35.7	(6.5)	31.6
Oxycodone IR TR	8.2	8.4	-	8.2	13.9
TRPV 1 (Purdue)	11.7	13	19.5	(7.8)	26.8
POA	(0.1)	-	-	(0.1)	-
FAAH	1.5	1.6	5.8	(4.3)	-
ORL 1	4.4	2.1	10.5	(6.1)	0.5
Discovery Projects	18.6	21.8	21.3	(2.7)	24.5
Market Support Projects	64.3	69.5	63.8	0.5	72.1
Finance Underspend Estimate	-	(17.8)	(34.7)	34.7	(25.7)
Total	\$ 315.5	\$ 328.7	\$ 321.1	\$ (5.6)	\$ 377.3

#### Oxycodone Naloxone

2012 spend is \$3.1 million below budget due to slower than expected enrollment in the two pain plus OIC efficacy studies.

#### Hydrocodone QD TR

2012 spend is \$16.8 million below budget primarily due to suspending enrollment in the phase 3 program pending implementation of protocol amendments for audiological safety that were made in Q1 2012.

#### OxyContin (primarily pediatric)

2012 spend of \$29.2 million is \$6.5 million below budget due to cost reduction initiatives.

#### Oxycodone IR TR

Year to date spend was \$8.2 million. This project was not in the 2013 budget and was added to the work plan (with Board approval) during the year.

#### TRPV1 Lead (Purdue)

Year to date spend is \$7.8 million below budget due to a delay in the initiation of the proof of concept studies.

4. S&P spend through December 31, 2012 was \$303.5 million, which was \$39.9 million below budget.

(million)	2012			Variance vs. Budget	2013 Budget
	Actual	Nov. LE	Budget		
Marketing	\$ 96.8	\$ 97.1	\$ 113.5	\$ (16.7)	\$ 106.9
Field Sales	187.7	198.7	208.5	(20.8)	185.5
Sales Support	13.1	13.8	15.5	(2.4)	14.8
All other	5.9	5.9	5.9	-	5.4
Total	\$ 303.5	\$ 315.5	\$ 343.4	\$ (39.9)	\$ 312.6

The lower than budget spend is due to:

- i. Delay in planned Intermezzo DTC spending (\$16.0 million).
- ii. Lower sales bonus (\$9.2 million).
- iii. Higher vacancies driven by analgesic sales force (\$3.5 million).
- iv. Lower Intermezzo contract sales spend due to lower bonus and vacancies (\$2.4 million).
- v. Delay in initiating the Nurse Educators Pilot and other projects (\$2.3 million).
- vi. Lower market research spending (\$1.3 million).

Operating profit – December full year operating profit totaled \$984 million which is:

- \$110 million (or 10%) lower than budget due to the impact of lower net sales (-\$153.1 million) offset by favorability in S&P (\$39.9 million); and

Other US expense - is higher than budget by \$10.5 million due to the write-off of two Intermezzo milestone payments (\$20 million) offset by no spend against the Presidents reserve (\$2.2 million) and a planned license from Abbott (\$5 million) that was not pursued.

Cash - at the end of December, Purdue's unrestricted cash balance was \$756 million. This cash balance is within 6% of budget and November LE.

Working Capital - metrics such as days sales outstanding, unresolved customer deductions, days payable outstanding, early payment discounts realized versus opportunity and inventory turns are all on target and generally at or better than industry benchmarks. Financial health of our customers and our vendors is monitored, is stable and where necessary risk mitigation steps are taken proactively.

Liabilities - as of December 31, 2012 Purdue has \$1.01 billion of liabilities. These liabilities include rebates (\$568 million), defined benefit pension (\$116 million), retiree medical and life insurance benefits (\$79 million) and Redacted

Headcount - at the end of December, Purdue's headcount was 1,666 versus the budget of 1,782. The variance of 116 includes 12 positions on budget hold, 10 positions that have offers outstanding, 71 positions that are actively being recruited, and 23 positions that have yet to commence active recruiting.

The 2013 budget assumes 1,722 positions in place on January 1<sup>st</sup> and 1,771 positions by the end of the 2013 – both numbers are net of a sales force vacancy assumption of 13.

Infinity - stock carrying value of the Infinity shares at 12/31/12 was \$189.5 million based on a closing share price of \$35.00 per share. The closing price on January 29, 2013 was \$34.48. This is higher than our November LE and enabled Purdue to make an additional \$60 million non-tax distribution close to the end of 2012.

Areas of accounting judgment - In preparing financial statements, there are a number of areas that require accounting judgment including:

1. Reserves for the Medicaid OxyContin line extension rebate proposed rule total \$171 million as of 12/31/12.
2. Reserve for future returns of products sold in 2012 and prior total \$130 million as of 12/31/2012.
3. 2012 Intermezzo revenue recognition was recorded on the pull-through basis which resulted in \$9 million of sales being deferred into 2013.
4. Intermezzo milestones of \$20 million were written off in 2012 rather than amortized over the product life due to lower than expected sales and an uncertain profit outlook.

Areas of judgment are reviewed by the Executive Audit Committee and are subject to audit by Ernst and Young.

**Purdue U.S.  
Financial Statements  
December 2012**

Page Number

1	Financial Reporting Scorecard
2	Profit and Loss Statement
3	P&L Ratios
4	Balance Sheet
5	Balance Sheet Notes
6	Statement of Cash Flows
7	Sales Summary Gross to Net by Product
8	Sales Variance to Budget
9	Brand P&L's
10	General & Administrative Summary
11	Legal Fees Summary
12	Research & Development Summary
13	Other US
14	Headcount

## Purdue US - Financial Reporting Scorecard

Expressed in 000's

	Variance							
	2012 YTD Actual versus							
	2012 Actual	2012 November LE	2012 Budget	2011 Actual	2012 November LE	2012 Budget	2011 Actual	2013 Budget
Net Branded Revenues	\$ 2,180,541	\$ 2,210,442	\$ 2,352,813	\$ 2,222,495	-1.4%	-7.9%	-1.9%	\$ 2,410,348
Operating Profit Margin	\$ 983,765	\$ 994,498	\$ 1,094,217	\$ 1,186,089	-1.1%	-11.2%	-20.6%	\$ 1,124,604
EBITDA	\$ 1,027,099	\$ 1,006,981	\$ 1,070,182	\$ 1,173,772	2.0%	-4.2%	-14.3%	\$ 1,066,878
Net Profit Before Tax	\$ 999,709	\$ 978,588	\$ 1,038,083	\$ 1,145,824	2.1%	-3.8%	-14.6%	\$ 1,034,912
Owner's Equity	\$ 658,430	\$ 651,124	\$ 661,224	\$ 491,636	1.1%	-0.4%	25.3%	\$ 705,200
Non-tax Distributions	\$ 471,643	\$ 463,100	\$ 448,000	\$ 575,246	1.8%	5.0%	-22.0%	\$ 538,100
Days Sales Outstanding	33.2	35.0	35.0	35.6	on target	on target	on target	35.0
Accounts Receivable Outstanding > 90 Days Past Due	< 1%	< 1%	< 1%	< 1%	on target	on target	on target	< 1%
Capital Spending	\$ 30,468	\$ 35,000	\$ 35,500	\$ 26,823	-14.9%	-16.5%	12.0%	\$ 35,000
Unrestricted Cash on Hand	\$ 755,593	\$ 716,300	\$ 771,200	\$ 606,494	5.2%	-2.1%	19.7%	\$ 600,000
Available Liquidity	\$ 755,593	\$ 716,300	\$ 771,200	\$ 606,494	5.2%	-2.1%	19.7%	\$ 600,000
Available Liquidity - Average Months Sales	4.2	3.9	3.9	3.3	-	+0.5 months	+0.9 months	3.0
Headcount	1,666	1,782	1,782	1,627	-116 heads	-116 heads	+39 heads	1,784



**PURDUE US - Profit and Loss Statement**  
**Year Ended December 31, 2012**  
*Expressed in 000's*

									Variance			
									2012 Actual versus			
	2012											
	2012 Actual	% Sales	November LE	% Sales	2012 Budget	% Sales	2011 Actual	% Sales	2012 November LE	2012 Budget	2011 Actual	2013 Budget % Sales
<b>GROSS BRANDED PRODUCT SALES</b>	<b>\$ 3,004,905</b>		<b>\$ 2,999,667</b>		<b>\$ 3,167,870</b>		<b>\$ 2,971,161</b>		<b>\$ 5,238</b>	<b>\$ (162,965)</b>	<b>\$ 33,744</b>	<b>\$ 3,228,472</b>
Fee for Service	(71,089)	2.4%	(76,779)	2.6%	(79,812)	2.5%	(74,507)	2.5%	5,690	8,723	3,418	(65,338) 2.0%
Discounts and Allowances	(134,031)	4.5%	(100,925)	3.4%	(73,499)	2.3%	(56,222)	1.9%	(33,106)	(60,532)	(77,809)	(88,198) 2.7%
Patient Savings Card Discount	(25,104)	0.8%	(27,137)	0.9%	(30,411)	1.0%	(15,572)	0.5%	2,033	5,307	(9,532)	(34,537) 1.1%
Rebates on Branded Sales	(534,619)	17.8%	(524,436)	17.5%	(557,824)	17.6%	(545,891)	18.4%	(10,183)	23,205	11,272	(566,117) 17.5%
Proposed Regulation Adjustment for Medicaid Rebates (1)	(61,976)	2.1%	(62,506)	2.1%	(74,836)	2.4%	(68,854)	2.3%	530	12,860	6,878	(65,584) 2.0%
Other	2,455		2,558		1,325		12,380		(103)	1,130	(9,925)	1,651
<b>NET REVENUES</b>	<b>2,180,541</b>		<b>2,210,442</b>		<b>2,352,813</b>		<b>2,222,495</b>		<b>(29,901)</b>	<b>(172,272)</b>	<b>(41,954)</b>	<b>2,410,348</b>
Cost of Goods Sold	(148,456)	4.9%	(151,673)	5.1%	(158,569)	5.0%	(166,870)	5.6%	3,217	10,113	18,414	(162,211) 5.0%
Royalty Expense	(120,269)		(118,864)		(130,148)		(115,272)		(1,405)	9,879	(4,997)	(131,575)
Shipping and Warehousing	(11,814)	0.4%	(12,020)	0.4%	(10,956)	0.3%	(11,831)	0.4%	206	(858)	17	(10,807) 0.3%
<b>TOTAL COST OF GOODS SOLD</b>	<b>(280,539)</b>		<b>(282,557)</b>		<b>(299,673)</b>		<b>(293,973)</b>		<b>2,018</b>	<b>19,134</b>	<b>13,434</b>	<b>(304,592)</b>
<b>GROSS PROFIT</b>	<b>1,900,002</b>		<b>1,927,885</b>		<b>2,053,140</b>		<b>1,928,522</b>		<b>(27,883)</b>	<b>(153,138)</b>	<b>(28,520)</b>	<b>2,105,756</b>
General and Administrative (incl Legal Dept, excl Legal Fees)	(155,016)	7.1%	(153,417)	6.9%	(159,472)	6.8%	(146,857)	6.6%	(1,599)	4,456	(8,159)	(160,426) 5.0%
Research and Development	(315,458)	14.5%	(328,705)	14.9%	(321,136)	13.6%	(269,937)	12.1%	13,247	5,678	(45,521)	(377,347) 11.7%
Research and Development Other - Milestones and Alliances	(2,284)		(2,419)		(4,169)		(604)		135	1,885	(1,680)	(6,692)
Sales and Promotion	(303,525)	13.9%	(315,531)	14.3%	(343,369)	14.6%	(229,317)	10.3%	12,006	39,844	(74,208)	(309,913) 9.6%
Health Care Reform Fee	(31,251)	1.4%	(31,251)	1.4%	(26,600)	1.1%	(26,543)	1.2%	-	(4,651)	(4,708)	(31,800) 1.0%
Other US	(18,598)		(18,110)		(8,091)		(3,055)		(488)	(10,507)	(15,543)	(4,939)
<b>OPERATING EXPENSES</b>	<b>(887,442)</b>		<b>(906,293)</b>		<b>(919,697)</b>		<b>(733,245)</b>		<b>18,851</b>	<b>32,255</b>	<b>(154,197)</b>	<b>(942,092)</b>
<b>OPERATING MARGIN BEFORE INCENTIVES AND SETTLEMEN</b>	<b>1,012,560</b>		<b>1,021,592</b>		<b>1,133,443</b>		<b>1,195,277</b>		<b>(9,032)</b>	<b>(120,883)</b>	<b>(182,717)</b>	<b>1,163,664</b>
Incentive Bonus	(33,068)	1.5%	(30,818)	1.4%	(41,469)	1.8%	(33,054)	1.5%	(2,250)	8,401	(14)	(42,618) 1.3%
Insurance Income	3,520		3,558		743		30,639		(38)	2,777	(27,119)	3,558
<b>Redacted</b>												
<b>OPERATING PROFIT MARGIN</b>	<b>983,765</b>	<b>45.1%</b>	<b>994,498</b>	<b>45.0%</b>	<b>1,094,217</b>	<b>46.5%</b>	<b>1,186,089</b>	<b>53.4%</b>	<b>(10,733)</b>	<b>(110,452)</b>	<b>(202,324)</b>	<b>1,124,604 -34.8%</b>
Royalty Income - ex US	82,371		78,865		81,665		91,367		3,506	706	(8,996)	40,692
Ex US Expenses	(65,949)		(93,765)		(136,736)		(129,506)		27,816	70,787	63,557	(127,600)
One Time Charges / Other Items	(2,147)		(2,222)		(2,863)		(2,482)		75	716	335	(2,956)
Interest Income (Expense), net	1,669		1,212		1,800		356		457	(131)	1,313	172
<b>TOTAL OTHER ITEMS</b>	<b>15,944</b>		<b>(15,910)</b>		<b>(56,134)</b>		<b>(40,265)</b>		<b>31,854</b>	<b>72,078</b>	<b>56,209</b>	<b>(89,692)</b>
<b>PROFIT BEFORE TAX</b>	<b>999,709</b>		<b>978,588</b>		<b>1,038,083</b>		<b>1,145,824</b>		<b>21,121</b>	<b>(38,374)</b>	<b>(146,115)</b>	<b>1,034,912</b>
Tax Provision for Corporations	(4,361)		(4,361)		(4,361)		(1,371)		-	-	(2,990)	(4,674)
<b>PROFIT AFTER TAX</b>	<b>\$ 995,348</b>	<b>33.1%</b>	<b>\$ 974,227</b>	<b>32.5%</b>	<b>\$ 1,033,722</b>	<b>32.6%</b>	<b>\$ 1,144,453</b>	<b>38.5%</b>	<b>\$ 21,121</b>	<b>\$ (38,374)</b>	<b>\$ (149,105)</b>	<b>\$ 1,030,238 31.9%</b>

(1) The Proposed Rule was issued in Q1 2012, which when finalized could result 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 tie to previously issued reports.

PURDUE US - Profit and Loss Statement Ratios

	ACTUAL						BUDGET
	2007	2008	2009	2010	2011	2012	2013
<b>GROSS BRANDED PRODUCT SALES</b>	100%	100%	100%	100%	100%	100%	100%
Fee for Service	-2.1%	-1.5%	-2.2%	-2.5%	-2.5%	-2.4%	-2.0%
Discounts and Allowances	-3.5%	-3.1%	-2.2%	-1.6%	-1.9%	-4.5%	-2.7%
Patient Savings Card Discount	0.0%	-0.5%	-0.6%	-0.5%	-0.5%	-0.8%	-1.1%
Rebates on Branded Sales	-12.4%	-13.4%	-15.1%	-19.9%	-18.4%	-17.8%	-17.5%
Proposed Regulation Adjustment for Medicaid Rebates	0.0%	0.0%	0.0%	-1.3%	-2.3%	-2.1%	-2.0%
Other	8.2%	0.9%	1.5%	1.2%	0.4%	0.1%	0.1%
<b>NET REVENUES</b>	<b>82.0%</b>	<b>81.5%</b>	<b>79.9%</b>	<b>74.3%</b>	<b>74.4%</b>	<b>72.5%</b>	<b>74.6%</b>
Cost of Goods Sold	-8.5%	-5.9%	-5.6%	-5.2%	-5.6%	-4.9%	-5.0%
Royalty Expense	-0.4%	-0.1%	-0.4%	-2.3%	-3.9%	-4.0%	-4.1%
Shipping and Warehousing	-0.9%	-0.5%	-0.5%	-0.5%	-0.4%	-0.4%	-0.3%
<b>TOTAL COST OF GOODS SOLD</b>	<b>-9.8%</b>	<b>-6.5%</b>	<b>-6.4%</b>	<b>-7.9%</b>	<b>-9.9%</b>	<b>-9.3%</b>	<b>-9.4%</b>
<b>GROSS PROFIT</b>	<b>72.2%</b>	<b>75.0%</b>	<b>73.5%</b>	<b>66.3%</b>	<b>64.5%</b>	<b>63.1%</b>	<b>65.2%</b>
General and Administrative (incl Legal Dept, excl Legal Fees)	-11.7%	-6.0%	-5.4%	-5.9%	-6.6%	-7.1%	-6.7%
Research and Development	-11.0%	-5.8%	-5.5%	-7.1%	-12.1%	-14.5%	-15.7%
Research and Development Other - Milestones and Alliances	-0.5%	-0.4%	-2.5%	-0.4%	0.0%	-0.1%	-0.3%
Sales and Promotion	-11.9%	-6.5%	-6.5%	-8.4%	-10.3%	-13.9%	-12.9%
Health Care Reform Fee	0.0%	0.0%	0.0%	0.0%	-1.2%	-1.4%	-1.3%
Other US	-0.7%	-0.7%	-0.4%	0.7%	-0.1%	-0.9%	-0.2%
<b>OPERATING EXPENSES</b>	<b>-42.4%</b>	<b>-23.1%</b>	<b>-23.1%</b>	<b>-23.3%</b>	<b>-33.0%</b>	<b>-40.7%</b>	<b>-39.1%</b>
<b>OPERATING MARGIN BEFORE INCENTIVES AND SETTLEMENTS</b>	<b>29.8%</b>	<b>51.9%</b>	<b>50.4%</b>	<b>43.1%</b>	<b>53.8%</b>	<b>46.4%</b>	<b>48.3%</b>
Incentive Bonus	-4.3%	-1.5%	-1.4%	-1.7%	-1.5%	-1.5%	-1.8%
Insurance Income	3.5%	0.6%	0.4%	0.7%	1.4%	0.2%	0.1%
<b>Redacted</b>							
<b>OPERATING PROFIT MARGIN</b>	<b>28.8%</b>	<b>48.8%</b>	<b>47.8%</b>	<b>41.3%</b>	<b>53.4%</b>	<b>45.1%</b>	<b>46.7%</b>
Royalty Income - ex US	6.6%	3.4%	3.2%	3.7%	4.1%	3.8%	1.7%
Ex US Expenses	-0.7%	-6.0%	-5.1%	-5.7%	-5.8%	-3.0%	-5.3%
One Time Charges / Other Items	-0.2%	-0.1%	0.0%	-1.1%	-0.1%	-0.1%	-0.1%
Interest Income (Expense), net	3.4%	0.7%	0.0%	0.0%	0.0%	0.1%	0.0%
<b>TOTAL OTHER ITEMS</b>	<b>9.1%</b>	<b>-2.0%</b>	<b>-1.8%</b>	<b>-3.1%</b>	<b>-1.8%</b>	<b>0.7%</b>	<b>-3.7%</b>
<b>PROFIT BEFORE TAX</b>	<b>37.9%</b>	<b>46.9%</b>	<b>45.9%</b>	<b>38.2%</b>	<b>51.6%</b>	<b>45.8%</b>	<b>42.9%</b>

Income statement line items as a percent of gross sales

Income statement line items as a percent of net sales

**PURDUE US - Balance Sheet**

*Expressed in 000's*

<i>Expressed in 000's</i>		December 31, 2012			December 31, 2011
	Footnotes	Actual	November LE	Budget	Actual
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		\$ 755,593	\$ 716,271	\$ 771,202	\$ 606,494
Accounts receivable	(1)	185,361	146,243	255,224	218,801
Due from associated companies	(2)	30,236	20,465	22,900	27,820
Other receivables	(3)	1,643	6,510	6,412	10,075
Inventories	(4)	50,631	44,282	43,686	44,207
Prepaid expenses and other assets	(5)	22,685	25,955	35,808	32,658
Restricted cash - current	(6)	23,927	26,972	-	16,000
<b>TOTAL CURRENT ASSETS</b>		<b>1,070,076</b>	<b>986,698</b>	<b>1,135,232</b>	<b>956,055</b>
Property and equipment, net	(7)	149,484	153,811	152,924	143,163
Investments in associated companies	(8)	6,976	8,952	6,712	19,787
Due from associated companies		3,000	3,250	3,350	3,250
Restricted cash - long term	(6)	17,205	17,200	18,852	42,469
Goodwill		23,396	23,396	23,396	23,396
Product rights, trademarks and other intangibles, net	(9)	173,249	172,756	185,099	168,206
Other assets	(10)	22,504	22,689	71,888	73,266
Investment in Infinity Common Stock	(11)	189,550	138,772	-	-
Deferred income taxes		17,188	17,425	16,157	17,188
<b>TOTAL ASSETS</b>		<b>\$ 1,672,628</b>	<b>\$ 1,544,949</b>	<b>\$ 1,613,610</b>	<b>\$ 1,446,780</b>
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable		74,390	88,800	\$ 103,100	\$ 87,361
Accrued expenses and taxes payable	(12)	700,567	570,685	613,568	632,809
Due to associated companies		12,392	13,000	12,129	11,346
<b>TOTAL CURRENT LIABILITIES</b>		<b>787,349</b>	<b>672,485</b>	<b>728,797</b>	<b>731,516</b>
Other liabilities		226,849	221,393	223,589	223,628
<b>TOTAL LIABILITIES</b>		<b>1,014,198</b>	<b>893,878</b>	<b>952,386</b>	<b>955,144</b>
<b>EQUITY</b>					
Capital stock - common		9	9	9	9
Additional paid in capital		1,982	1,982	1,982	1,982
Subscription receivable		(999)	(999)	(999)	(999)
Accumulated other comprehensive income		(140,271)	(134,436)	(142,336)	(145,136)
Unrealized gain on Infinity stock	(13)	97,469	60,232	-	-
Retained earnings and partners' capital		700,240	724,283	802,568	635,780
<b>TOTAL EQUITY</b>	(14)	<b>658,430</b>	<b>651,071</b>	<b>661,224</b>	<b>491,636</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 1,672,628</b>	<b>\$ 1,544,949</b>	<b>\$ 1,613,610</b>	<b>\$ 1,446,780</b>

PURDUE US - Balance Sheet Footnotes

*Expressed in 000's*

(1) Accounts receivable is \$33.9 million lower than prior year primarily due to increase in trade receivables of \$38.6 million as a result of higher December sales as compared to 2011 offset by an increase in the accrued return reserves of \$70.2 million. Increase of \$39 million from Nov. LE is primarily due to higher accounts receivable as a result of higher sales (\$60 million) offset by a higher accrued return reserve (\$24 million).

(2) Increase from Nov. LE is due to higher than expected ex-US royalties (\$4 million) and a higher receivable from Rhodes due to timing (\$5 million).

**Redacted**

(4) Increase from prior year of \$6.4 million in inventory balance is due to higher WIP/bulk OxyContin inventories primarily driven by elevated November/December 2012 production levels as compared to 2011.

(5) Decrease from prior year of \$10 million in prepaid expenses and other assets is primarily due to the return of German injunction bond (\$10.2 million) in

**Redacted**

(7) Change in Property and equipment is as follows:

Balance @ 01/01/12	143,163
Capital expenditures	30,468
Depreciation	(24,120)
Loss on disposals	(27)
Balance @ 12/31/12	<u>149,484</u>

(8) Investments represent cash investments net of losses in Lucien, Germany and Japan.

Balance @ 01/01/12	19,787
Cash investments in Lucien & Japan, net	91,900
Equity losses in Lucien & Japan	(91,900)
100% of Germany losses	(10,000)
Cash investment in Germany, net	<u>(2,811)</u>
Balance @ 12/31/12	<u>6,976</u>

(9) Increase from prior year is due to two milestone payments to Grunenthal 1) \$13.4 million for the first patent with a broad claim in the US relating to oxycodone and 2) \$6.6 million for the first patent with a further claim and a \$10 million milestone payment to Transcept upon the Orange book listing of an Intermezzo patent, offset by \$20 million of impairment of two milestone payments to Transcept and amortization of intangible assets. The balance as of December 31, 2012 consists of:

Dilaudid product rights	87,000
Shire assets (Colace, PeriColace and Slow-mag)	65,000
Grunenthal milestones (OxyContin)	18,000
Abbott/McGinley patent (OxyContin)	2,600
Butrans milestone	700
Total	<u>173,300</u>

(10) The majority of other assets balance of \$22.5 million includes the payments made by Purdue (covering UBS free rent related to floors 2-8, commission and closing costs) to OSR in prior years (\$13.2 million) which are being amortized over the lease term of floors 9 and 10 and a \$6 million lease deposit paid to OSR to be returned in 2016. Decrease from prior year end of \$50.8 million is primarily due to Infinity repaying the LOC with common stock in September 2012 (\$51 million).

(11) Represents investment in shares of Infinity common stock at the fair value of \$35 per share as of December 31, 2012. Any change in the share price subsequent to the acquisition date is recorded as an unrealized gain/loss in shareholders equity until it is realized (see note 13 below). The Nov. LE assumed a share price of \$25.62 which was the actual price as of 10/4/12.

(12) The majority of accrued expenses and taxes payable balance of \$700.6 million includes \$266.6 million in accrued rebates, \$301.1 million in accrued Medicaid and Medicaid Part D (\$170.9 million relating to the proposed CMS rule); **Redacted** and \$35.7 million in salaries and bonuses. The increase from prior year end of \$67.8 million is primarily due to overall increase in accrued rebates and Medicaid rebates of \$79.5 million (\$62.0 million relating to proposed CMS rule); **Redacted** The increase from the Nov. LE of \$130 million is

primarily due to increased rebate accruals of \$97 million relating to HMO rebates (\$37 million) due to timing, Tricare rebates (\$20 million) due to additional accrual for payment on new formulation utilization at old formula rates and wholesaler inventory rebates (\$44 million) due to increased estimates of Pharmacy inventory.

(13) Represents unrealized gain on the investment in Infinity common stock (see note 11 above) based on an increase in the fair value of the stock subsequent to the acquisition date. Future changes in the stock price will result in an increase or decrease in the unrealized gain.

(14) Equity rolforward:

Balance @ 01/01/12	491,636
Cash distributions (tax and non-tax)	(930,888)
Change in Other Comprehensive Income	4,865
Unrealized gain on Infinity common stock	97,469
Net Income	<u>995,348</u>
Balance @ 12/31/12	<u>658,430</u>

# PURDUE US - Statement of Cash Flows

*Expressed in 000's*

	December 31, 2012			December 31, 2011
	Actual	November LE	Budget	Actual
<b>Operating activities</b>				
Net income	\$ 995,348	\$ 974,227	\$ 1,033,722	\$ 1,144,453
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	29,059	29,605	33,899	28,304
Impairment of intangible asset	20,000	20,000	-	3,953
Deferred income taxes	-	(237)	1,031	(4,275)
Loss on unconsolidated, associated companies	101,900	107,020	131,449	112,368
Loss on disposal of assets	27	-	-	56
Changes to working capital (1)	100,208	22,066	(31,007)	162,044
Long-term assets and liabilities	(5,733)	8,002	6,997	29,846
Changes to extraordinary item	-	-	-	(988)
<b>Total cash provided by operating activities</b>	<b>1,240,809</b>	<b>1,160,683</b>	<b>1,176,091</b>	<b>1,475,761</b>
<b>Investing activities</b>				
Capital expenditures	(30,468)	(35,000)	(35,500)	(26,823)
Purchase of product marketing rights and other intangibles	(29,982)	(29,803)	(21,100)	(10,000)
Restricted cash, net	17,337	14,297	39,617	12,944
Investments in associated companies, net	(89,089)	(96,185)	(118,374)	(100,323)
Investment in Infinity Common Stock	(27,500)	(27,500)	-	-
Funding of Infinity Line of Credit	-	-	-	(50,000)
<b>Total cash used in investing activities</b>	<b>(159,702)</b>	<b>(174,191)</b>	<b>(135,357)</b>	<b>(174,202)</b>
<b>Financing activities</b>				
Payments (to) from associates, net	(1,120)	9,009	5,702	(3,823)
Capital contributions	-	-	-	303
Distributions to partners for required tax payments	(459,245)	(422,624)	(449,200)	(553,393)
Distributions to partners non-tax (2)	(471,643)	(463,100)	(448,000)	(575,246)
<b>Total cash used in financing activities</b>	<b>(932,008)</b>	<b>(876,715)</b>	<b>(891,498)</b>	<b>(1,132,159)</b>
<b>Increase in cash and cash equivalents</b>	<b>149,099</b>	<b>109,777</b>	<b>149,236</b>	<b>169,400</b>
Cash and cash equivalents:				
Unrestricted cash at the beginning of the period	606,494	606,494	621,966	437,094
<b>Unrestricted cash at the end of the period</b>	<b>\$ 755,593</b>	<b>\$ 716,271</b>	<b>\$ 771,202</b>	<b>\$ 606,494</b>

(1) Increase of \$78 million over the November LE in changes to working capital due to increase of \$125 million in accrued expenses, primarily rebates (\$97 million), offset by increase in accounts receivable of \$39 million (see explanations on page 5).

(2) Includes the Norwell annual fixed equity distributions of \$543k.

## Sales Summary Gross to Net by Product

*Expressed in 000's*

	Variance 2012 Actual versus							
	2012 Actual	2012 November LE	2012 Budget	2011 Actual	2012 November LE	2012 Budget	2011 Actual	2013 Budget
<b>OxyContin</b>								
Gross Sales	\$ 2,777,064	\$ 2,773,757	\$ 2,877,360	\$ 2,781,018	\$ 3,307	\$ (100,296)	\$ (3,954)	\$ 2,916,463
Fee for Service	(66,950)	(72,464)	(73,631)	(70,993)	5,514	6,681	4,043	(59,887)
Sales Discounts and Allowances	(116,425)	(88,536)	(58,181)	(58,928)	(27,889)	(58,244)	(57,497)	(72,658)
Savings Cards Discounts	(18,330)	(18,890)	(19,890)	(10,935)	560	1,560	(7,395)	(22,813)
Rebates	(526,610)	(513,882)	(542,148)	(540,410)	(12,728)	15,538	13,800	(547,871)
Proposed Regulation Adjustment for Medicaid Rebates	(61,976)	(62,506)	(74,836)	(68,854)	530	12,860	6,878	(65,584)
<b>OxyContin Net Sales</b>	<b>1,986,773</b>	<b>2,017,479</b>	<b>2,108,674</b>	<b>2,030,898</b>	<b>(30,706)</b>	<b>(121,901)</b>	<b>(44,125)</b>	<b>2,147,650</b>
<b>Butrans</b>								
Gross Sales	\$ 112,887	\$ 117,332	\$ 135,808	\$ 73,531	\$ (4,445)	\$ (22,921)	\$ 39,356	\$ 160,025
Fee for Service	(2,804)	(3,028)	(3,685)	(1,827)	224	881	(977)	(3,432)
Sales Discounts and Allowances	(13,726)	(12,953)	(16,123)	(8,254)	(773)	2,397	(5,472)	(6,826)
Savings Cards Discounts	(6,198)	(7,632)	(9,671)	(4,392)	1,434	3,473	(1,806)	(8,574)
Rebates	(6,139)	(7,949)	(10,387)	(3,123)	1,810	4,248	(3,016)	(14,341)
<b>Butrans Net Sales</b>	<b>84,020</b>	<b>85,770</b>	<b>95,942</b>	<b>55,935</b>	<b>(1,750)</b>	<b>(11,922)</b>	<b>28,085</b>	<b>126,852</b>
<b>Intermezzo</b>								
Gross Sales	\$ 16,556	\$ 14,764	\$ 49,185	\$ -	\$ 1,792	\$ (32,629)	\$ 16,556	\$ 57,622
Fee for Service	(395)	(380)	(1,244)	-	(15)	849	(395)	(1,147)
Sales Discounts and Allowances	(9,908)	(8,744)	(1,000)	-	(1,164)	(8,908)	(9,908)	(6,914)
Savings Cards Discounts	(576)	(615)	(500)	-	39	(76)	(576)	(3,150)
Rebates	(139)	(342)	(3,000)	-	203	2,861	(139)	(2,365)
<b>Intermezzo Net Sales</b>	<b>5,538</b>	<b>4,683</b>	<b>43,441</b>	<b>-</b>	<b>855</b>	<b>(37,903)</b>	<b>5,538</b>	<b>44,046</b>
<b>Other Products</b>								
Gross Sales	\$ 98,398	\$ 93,814	\$ 105,517	\$ 116,612	\$ 4,584	\$ (7,119)	\$ (18,214)	\$ 94,362
Fee for Service	(940)	(907)	(1,252)	(1,687)	(33)	312	747	(872)
Sales Discounts and Allowances	6,028	9,308	1,805	10,960	(3,280)	4,223	(4,932)	(1,800)
Savings Cards Discounts	-	-	(350)	(245)	-	350	245	-
Rebates	(1,731)	(2,263)	(2,289)	(2,358)	532	558	627	(1,541)
<b>Other Products Net Sales</b>	<b>101,755</b>	<b>99,952</b>	<b>103,431</b>	<b>123,282</b>	<b>1,803</b>	<b>(1,676)</b>	<b>(21,527)</b>	<b>90,149</b>
<b>Total for All Products</b>								
Gross Sales	\$ 3,004,905	\$ 2,999,667	\$ 3,167,870	\$ 2,971,161	\$ 5,238	\$ (162,965)	\$ 33,744	\$ 3,228,472
Fee for Service	(71,089)	(76,779)	(79,812)	(74,507)	5,690	8,723	3,418	(65,338)
Sales Discounts and Allowances	(134,031)	(100,925)	(73,499)	(56,222)	(33,106)	(60,532)	(77,809)	(88,198)
Savings Cards Discounts	(25,104)	(27,137)	(30,411)	(15,572)	2,033	5,307	(9,532)	(34,537)
Rebates	(534,619)	(524,436)	(557,824)	(545,891)	(10,183)	23,205	11,272	(566,118)
Proposed Regulation Adjustment for Medicaid Rebates	(61,976)	(62,506)	(74,836)	(68,854)	530	12,860	6,878	(65,584)
<b>Total Net Sales</b>	<b>\$ 2,178,086</b>	<b>\$ 2,207,884</b>	<b>\$ 2,351,488</b>	<b>\$ 2,210,115</b>	<b>\$ (29,798)</b>	<b>\$ (173,402)</b>	<b>\$ (32,029)</b>	<b>\$ 2,408,697</b>

## Sales Variance to Budget

Expressed in 000's

### Net Branded Sales Variance Analysis - 2012 Actual versus 2012 Budget:

#### Gross Sales:

• Impact of trade inventories lower than budget (1)	\$ (42,970)	
• Lower OxyContin demand as Rxs are running ~5% below budget (1)	(57,326)	
Subtotal - Lower OxyContin sales		\$ (100,296)
• Butrans sales		(22,922)
• Intermezzo sales		(32,629)
• Ryzolt returns		(7,315)
• All other		197
Subtotal - Gross sales variance		(162,965)

#### Deductions:

• Lower Fee for Service due to new negotiated lower FFS rate (\$5.7 million) from 3rd Quarter and lower sales (\$3.0 million).	8,723	
• Higher Discounts and Allowances primarily due to OxyContin (\$61.6 million) and Intermezzo Return Reserves (\$9.0 million), offset by the change in Ryzolt return reserve (\$8.3 million) and lower sales/other (\$1.8 million).	(60,532)	
• Lower Savings Card Discount due to lower OxyContin sales and redemption rates (\$1.5 million), lower Butrans sales (\$3.5 million) and all other (\$0.3 million).	5,307	
• Lower Rebates due to lower sales .	23,205	
• Lower Proposed regulation adjustment primarily due to lower Medicaid eligible sales.	12,860	
Subtotal - Deductions variance		(10,437)

### Net Branded Sales Variance

\$ (173,402)

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

## Brand Profit and Loss Statements

*Expressed in 000's*

	2012 Actual	2012 Budget	2011 Actual	Variance 2012 Actual versus	
				2012 Budget	2011 Actual
<b>OxyContin</b>					
Gross Sales	\$ 2,777,064	\$ 2,877,360	\$ 2,781,018	\$ (100,296)	\$ (3,954)
Net Sales	1,986,773	2,108,674	2,030,898	(121,901)	(44,125)
Gross Profit	1,802,446	1,917,016	1,838,411	(114,570)	(35,965)
S&P Expense	(62,465)	(71,221)	(50,758)	8,756	(11,707)
All Other	(182,681)	(189,435)	(173,763)	6,754	(8,918)
<b>Product Contribution</b>	<b>\$ 1,557,300</b>	<b>\$ 1,656,360</b>	<b>\$ 1,613,890</b>	<b>\$ (99,060)</b>	<b>\$ (56,590)</b>
<b>Butrans</b>					
Gross Sales	\$ 112,887	\$ 135,808	\$ 73,531	\$ (22,921)	\$ 39,356
Net Sales	84,020	95,942	55,935	(11,922)	28,085
Gross Profit	70,949	83,981	45,728	(13,032)	25,221
S&P Expense	(105,912)	(116,037)	(120,536)	10,125	14,624
All Other	(24,307)	(24,251)	(26,308)	(56)	2,001
<b>Product Contribution</b>	<b>\$ (59,270)</b>	<b>\$ (56,307)</b>	<b>\$ (101,116)</b>	<b>\$ (2,963)</b>	<b>\$ 41,846</b>
<b>Intermezzo</b>					
Gross Sales	\$ 16,556	\$ 49,185	\$ -	\$ (32,629)	\$ 16,556
Net Sales	5,538	43,441	-	(37,903)	5,538
Gross Profit	2,348	32,826	-	(30,478)	2,348
S&P Expense	(78,469)	(98,621)	-	20,152	(78,469)
All Other	(3,235)	(5,875)	-	2,640	(3,235)
<b>Product Contribution</b>	<b>\$ (79,356)</b>	<b>\$ (71,670)</b>	<b>\$ -</b>	<b>\$ (7,686)</b>	<b>\$ (79,356)</b>
<b>Laxatives</b>					
Gross Sales	\$ 51,514	\$ 51,853	\$ 51,134	\$ (339)	\$ 380
Net Sales	50,088	50,597	50,043	(509)	45
Gross Profit	38,811	40,550	37,224	(1,739)	1,587
S&P Expense	(18,969)	(19,807)	(17,704)	838	(1,265)
All Other	(1,300)	(1,300)	(1,250)	-	(50)
<b>Product Contribution</b>	<b>\$ 18,542</b>	<b>\$ 19,443</b>	<b>\$ 18,270</b>	<b>\$ (901)</b>	<b>\$ 272</b>

Note: All Other includes Pharma Fee, Legal Fees, R&D Support for the marketed product and an allocation of G&A.



General and Administrative Summary

Expressed in 000's

					Variance 2012 Actual versus			2013 Budget	HEADCOUNT					Comments - 2012 Actual versus 2012 Budget
	2012 Actual	2012 November LE	2012 Budget	2011 Actual	2012 November LE	2012 Budget	2011 Actual		2012 Actual	2012 Budget	Var to Budget	2011 Actual		
Finance	\$ 13,325	\$ 13,585	\$ 13,903	\$ 13,087	\$ (260)	\$ (578)	\$ 238	\$ 13,520	62	63	1	60		\$0.6 million favorable due to \$0.4 million related to open positions and \$0.2 million for consultants, software and all other.
Information Technology	32,264	32,864	32,768	29,948	(600)	(504)	2,316	35,466	96	100	4	92		\$0.5 million favorable due to \$0.4 million related for open positions, \$0.1 million for all other.
Corporate Procurement	3,214	3,296	3,390	3,326	(82)	(176)	(112)	3,500	13	13	-	13		\$0.2 million favorable due to a \$96k rebate check for office supplies, \$23k in staff extenders and \$67k in software.
Insurance	2,846	3,281	3,281	2,905	(435)	(435)	(59)	3,492	-	-	-	-		\$0.4 million due to lower negotiated property premium rates, lower than anticipated business interruption insurance, lower international clinical trial insurance and lower negotiated rates for broker fees and umbrella insurance.
IPAP	3,747	3,700	4,200	3,822	47	(453)	(75)	3,900	-	-	-	-		\$0.5 million favorable due to a lower patient population.
<b>Subtotal - Mahory</b>	<b>55,396</b>	<b>56,726</b>	<b>57,542</b>	<b>53,088</b>	<b>(1,330)</b>	<b>(2,146)</b>	<b>2,308</b>	<b>59,878</b>	<b>171</b>	<b>176</b>	<b>5</b>	<b>165</b>		
Human Resources	5,901	6,229	6,229	5,858	(328)	(328)	43	6,587	23	24	1	23		\$0.3 million favorable due to an open position, as well as lower consulting and software spend.
EHS Corporate	2,322	2,669	2,669	2,129	(347)	(347)	193	2,587	6	6	-	5		\$0.3 million favorable due to delay of Material Data Safety Sheet implementation to Q1 2013, open positions, and lower wellness and safety supply purchases.
Administration Building	8,156	8,025	8,288	8,128	131	(132)	28	8,322	34	34	-	34		\$0.3 million favorable for American Express incentive rebate received, offset by \$0.2 million unfavorable in duplication supplies.
Stamford Facilities	22,325	22,297	21,957	20,953	28	368	1,372	22,837	-	-	-	-		\$0.4 million unfavorable due to \$0.2 million related to true ups for updated technology and Microsoft licenses, \$0.1 million for printer click charges and \$0.1 million all other.
Facilities Allocation Out	(22,649)	(22,649)	(22,649)	(22,226)	-	-	(423)	(22,837)	-	-	-	-		
<b>Subtotal - Long</b>	<b>16,055</b>	<b>16,571</b>	<b>16,494</b>	<b>14,842</b>	<b>(516)</b>	<b>(439)</b>	<b>1,213</b>	<b>17,496</b>	<b>63</b>	<b>64</b>	<b>1</b>	<b>62</b>		
Public Affairs	5,256	7,556	8,346	5,919	(2,300)	(3,090)	(663)	6,029	4	4	-	4		\$3.1 million favorable due to consulting and special promotions projects anticipated for Intermezzo, ORF, reputation management and corporate identity programs that did not occur in 2012.
Federal Government Affairs	3,473	3,567	3,718	3,603	(94)	(245)	(130)	3,495	2	2	-	2		\$0.2 million favorable due to lower PhRMA dues than anticipated and lower salary and related spend associated with intern transition and travel.
State Government Affairs	10,659	10,877	10,917	8,268	(218)	(258)	2,391	11,322	12	12	-	12		\$0.3 million favorable due to \$0.5 million favorable in grants and special programs that did not occur in 2012, offset by a \$0.3 million unfavorable for transfer of dues from license and business development.
Subtotal - External Affairs	19,388	22,000	22,981	17,790	(2,612)	(3,593)	1,598	20,846	18	18	-	18		\$0.4 million favorable due to impact of Litigation Support layoffs in July, open positions and lower records management storage costs.
Purdue Pharma Fund	969	1,922	2,246	3,763	(953)	(1,277)	(2,794)	1,922	-	-	-	-		\$1.3 million favorable due to public affairs advocacy and corporate responsibility grants not utilized in 2012.
DEA Compliance	448	520	589	557	(72)	(141)	(109)	362	1	2	1	2		\$0.1 million favorable due to transfer of headcount to Internal Audit.
Executive Administration	7,064	6,325	7,062	8,905	739	2	(1,841)	7,133	6	7	1	5		\$1.7 million favorable due to (1) \$0.3 million for the CT sales tax audit refund, (2) \$0.3 million in bank charges due to fee restructuring, (3) \$0.5 million in state taxes due to replacing Michigan franchise tax with an income tax, (4) \$0.3 million due to the elimination of Ohio commercial activity tax, and (5) \$0.3 million in reduced audit fees. This is offset by \$1.7 million of unfavorability due to: (1) \$0.7 for consulting, (2) \$0.6 in grants, (3) \$0.3 for hiring expense related to VP Marketing and Corporate Affairs searches, \$0.1 million all other.
General Underspend ("Haircut")	-	(5,028)	(3,487)	-	5,028	3,487	-	(901)	-	-	-	-		
<b>Subtotal - Executive Administration</b>	<b>7,064</b>	<b>1,297</b>	<b>3,575</b>	<b>8,905</b>	<b>5,767</b>	<b>3,489</b>	<b>(1,841)</b>	<b>6,232</b>	<b>6</b>	<b>7</b>	<b>1</b>	<b>5</b>		
Depreciation and Occupancy	17,116	17,219	17,219	16,380	(103)	(103)	736	16,471	-	-	-	-		- Depreciation true up.
Quality	7,439	7,706	8,356	4,621	(267)	(917)	2,818	8,757	31	34	3	22		\$0.9 million favorable due to \$0.3 million in salary and related, \$0.3 million in staff extender/consulting, \$0.2 million lower travel expense, \$0.1 million in outside services due to lower product complaint processing related to
Security	5,549	5,814	5,815	5,446	(265)	(266)	103	5,897	15	15	-	16		\$0.2 million favorability due to lower grants/rewards and reduced salary and related expense.
Corporate Compliance	3,385	3,756	3,992	3,193	(371)	(607)	192	3,606	11	13	2	9		\$0.6 million favorable for elimination of 1 open headcount and delay of a 2nd open headcount (\$160k); lower speaker program monitoring (\$150k); lower OWL fees and aggregate spend (\$180k) and lower Huron Independent Research Organization spend (\$65k).
Business Development	3,181	3,120	3,555	2,486	61	(374)	695	3,442	7	8	1	7		\$0.4 million favorable due to transfer of BIO dues to State Government Affairs (\$0.3 million) and elimination of open headcount (\$0.2 million).
Employee Benefits	5,005	3,008	3,008	2,572	1,997	1,997	2,433	(1,447)	-	-	-	-		\$2.0 million net unfavorable is due to \$4.8 million unfavorable in: (1) \$2.3 million in lower allocations due to open positions, (2) \$1.3 million unfavorable is related to the curtailment expense recognized as a result of moving from a Defined Benefit plan to a Defined Contribution plan, (3) \$1.2 million higher than anticipated relocation expense. This is offset by favorable variances of \$2.8 million due to: (1) \$1.6 million pension plan favorability, due to market performance and discount rate favorability, and (2) \$1.2 million favorable in medical expenses.
Fleet	(349)	(700)	(700)	(576)	351	351	227	-	-	-	-	-		- Higher than anticipated auto liability claims.
<b>Subtotal - Other</b>	<b>41,326</b>	<b>39,923</b>	<b>41,245</b>	<b>34,122</b>	<b>1,403</b>	<b>81</b>	<b>7,204</b>	<b>36,726</b>	<b>64</b>	<b>70</b>	<b>6</b>	<b>54</b>		
<b>Total General and Administrative</b>	<b>\$ 155,016</b>	<b>\$ 153,417</b>	<b>\$ 159,472</b>	<b>\$ 146,857</b>	<b>\$ 1,599</b>	<b>\$ (4,456)</b>	<b>\$ 8,159</b>	<b>\$ 159,126</b>	<b>368</b>	<b>381</b>	<b>13</b>	<b>351</b>		

# Redacted

Research and Development

Expressed in 000's

	2012 Actual	2012 November LE	2012 Budget	2011 Actual	Variance 2012 Actual versus			2013 Budget	HEADCOUNT				Comments - 2012 Actual versus 2012 Budget
					2012 November LE	2012 Budget	2011 Actual		2012 Actual	2012 Budget	Var to Budget	2011 Actual	
Clinical Program	\$ 138,629	\$ 156,514	\$ 159,141	\$ 112,169	\$ (17,885)	\$ (20,512)	\$ 26,460	\$ 191,025	-	-	-	-	Underspend of \$20.5 million is due to: 1) ONU lower by \$7.4 million due to slower than expected enrollment in the ONU pain plus OIC studies (\$13.4 million) offset by increase in spend on the pain only NDA compilation costs of \$2.6 million to incorporate European studies and cost increases and timing of spend on the abuse liability studies (\$2.2 million); 2) OTR lower by \$6.4 million due to initiatives in the pediatric studies to drive down costs including site reductions and consolidating the CRO's clinical team across the phase 3 efficacy study and the extension study, and significantly reducing the CRO's staffing levels during the remainder of the conduct phase of the studies; 3) HYD lower by \$11.0 million due to suspending enrollment in the phase 3 program pending implementation of protocol amendments for audiological safety that were made in Q1 2012 (\$9.3 million) and timing of initiating the abuse liability studies (\$3.0 million); 4) TRPV-1 lower by \$3.2 million driven by lower spends on the phase 2 proof of concept studies due to timing of study start (\$1.8 million) and cancellation of the phase 2 dose finding study (\$1.3 million) These underspends are partially offset by higher than budget spends in: 1) BUP higher by \$3.4 million primarily due to higher than anticipated total study costs as well as timing of spend in the BUP1025 thorough qtc study. 2) OCI spend of \$4.8 million added after 2012 budget was approved.
Non-Clinical	52,750	57,642	58,086	42,518	(4,892)	(5,336)	10,232	50,134	50	53	3	47	Underspend of \$5.3 million is primarily driven by timing of outsourcing spend on packaging and bioanalysis for HYD (\$3.9 million) and TRPV1 (\$3.5 million) partially offset by delayed spending in ONU.
Medical Research	27,324	29,023	28,313	23,687	(1,699)	(989)	3,637	33,455	73	79	6	64	Underspend of \$1.0 million primarily driven by underspend related to the PhlexGlobal contract for submission of documents into the Clinical Trial Masterfile data repository (\$0.3 million) and underspend relating to staff extenders (\$0.5 million).
Discovery Research	20,728	21,764	24,695	19,920	(1,036)	(3,967)	808	24,522	50	55	5	46	Underspend of \$4.0 million is driven by timing of spend in outsourcing and lab supplies related to exploratory projects of \$3.0 million and reduced people costs associated with delayed hires of \$0.7 million. Although advancing, exploratory projects did not reach the bridging study phase which resulted in the underspend.
Health Policy	16,693	17,399	17,619	17,548	(706)	(926)	(855)	16,502	40	40	-	38	Underspend of \$0.9 million is driven by \$0.4 million in special programs and \$0.1 million in each software, consulting, outside services, library subscriptions and educational materials.
Risk Management	12,047	14,493	16,678	10,102	(2,446)	(4,631)	1,945	16,246	14	15	1	11	Underspend of \$4.6 million is driven by the delay of various projects/studies including the FDA's approval of the class-wide REMS, which was approved on July 9th.
Drug Safety	9,476	10,496	12,297	13,112	(1,020)	(2,821)	(3,636)	11,122	33	41	8	37	Underspend of \$2.8 million is driven by 1) \$1.0 million of lower people related cost, 2) \$0.6 million lower spend in staff extender/consulting 3) \$1.2 million lower outsourced adverse events processing primarily due to lower Intermezzo volumes.
Regulatory	10,560	11,385	10,788	9,571	(825)	(228)	989	15,423	26	27	1	23	
Stamford Occupancy and Depreciation	9,412	9,415	9,415	9,752	(3)	(3)	(340)	10,678	-	-	-	-	
Tech Transfer	4,575	4,299	5,209	6,746	276	(634)	(2,171)	8,075	-	-	-	-	Underspend of \$0.6 million relates to eliminated MSC work. This work was due to the spray coat issue we were having with the indicia being covered.
Medical Affairs	1,205	2,299	4,242	143	(1,094)	(3,037)	1,062	4,142	3	4	1	1	Underspend is primarily due to no spend to date on Investigator Initiated Studies and underspend in consulting on product lifecycle management strategy.
Project Management	4,549	4,286	4,110	5,647	263	439	(1,098)	4,929	20	20	-	228	Overspend of \$0.4 million due to overspend in people costs (\$0.6 million) as a result of 4 positions being transferred in June 2012 from Clinical Packaging which was not anticipated in the Budget, offset by underspend in consulting (\$0.2 million).
Shionogi Collaboration	2,961	960	53	(1,336)	2,001	2,908	4,297	4,249	-	-	-	-	Overspend of \$2.9 million relates to the \$2.0 million IND filing milestone for the TRPV1 back-up compound budgeted to be received in 2012, but now expected to be received in 2013 due to contract interpretation differences between Purdue and Shionogi and the ORL1 program which has been placed on clinical hold.
R&D Innovation	1,066	2,436	2,326	-	(1,370)	(1,260)	1,066	5,310	2	1	(1)	-	Underspend is of \$1.3 million primarily due to timing of spend on innovation projects such as El-Minda consulting. The 2012 budget was based on a \$2.0 million exploratory placeholder for consulting, 2012 actual spend against this placeholder was \$0.6 million.
Outsource Management	1,393	1,573	2,048	-	(180)	(655)	1,393	1,488	6	8	2	-	Underspend of \$0.7 million primarily due to underspend in people costs (\$0.3 million) as a result of two positions being transferred to Medical Research which was not anticipated in the Budget, and underspend in staff extenders (\$0.2 million).
Health Outcomes	2,200	2,633	851	-	(433)	1,349	2,200	5,654	3	2	(1)	-	Overspend of \$1.3 million primarily due to consulting to develop budget impact models and other HOPE projects. The 2012 budget was based on a \$0.5 million exploratory placeholder for consulting, 2012 actual spend against this placeholder was \$1.7 million.
Cranbury Occupancy	(110)	-	(127)	358	(110)	17	(468)	-	14	14	-	9	
Underspend Estimate	-	(17,912)	(34,608)	-	17,912	34,608	-	(25,607)	-	-	-	-	
Total Research and Development	<u>\$ 315,458</u>	<u>\$ 328,705</u>	<u>\$ 321,136</u>	<u>\$ 269,937</u>	<u>\$ (13,247)</u>	<u>\$ (5,678)</u>	<u>\$ 45,521</u>	<u>\$ 377,347</u>	<u>334</u>	<u>359</u>	<u>25</u>	<u>298</u>	

# Other US

Expressed in 000's

	Variance 2012 Actual versus								
	2012 Actual	2012 November LE	2012 Budget	2011 Actual	2012 November LE	2012 Budget	2011 Actual	2013 Budget	Comments
Other Income (Expense):									
Purdue Pharma Tech	\$ 2,689	\$ 2,866	\$ 1,897	\$ 2,380	\$ (177)	\$ 792	\$ 309	\$ 1,683	Purdue Pharma Tech (PP Tech) provides EHS, security and other services to Purdue at cost plus markup. PP Tech is consolidated as one line - its returned margin shown here.
Norwell rent income (Totowa)	749	750	750	751	(1)	(1)	(2)	750	
Purchase discounts	898	700	600	668	198	298	230	700	
Reversal of use tax	307	350	-	1,709	(43)	307	(1,402)		- Sales and use taxes are recorded automatically when invoices are processed. When tax should not have been charged the credit is captured here after review by the tax department.
Fee for right to reference Abbott data	-	-	(5,000)	-	-	5,000	-		- Represents fee to be paid for the right to reference Abbott clinical data for Vicoprofen. The payment is no longer expected to be made.
Amortization expense - Intermezzo milestone	(20,000)	(20,000)	-	-	-	(20,000)	(20,000)		- Balance represents the write off of two \$10 million milestone payments upon Orange Book listing of Intermezzo patents paid in 2012 which were not included in the original budget.
Amortization expense - Dilaudid	(2,485)	(2,486)	(2,486)	(2,486)	1	1	1	(2,486)	Balance represents amortization of marketing rights of Dilaudid acquired in 2007 and 2008 for approximately \$100 million which is being amortized over its estimated useful life of 40 years.
Amortization expense - Labopharm settlement	-	-	(1,325)	(1,317)	-	1,325	1,317	-	Redacted
Write off Labopharm Intangible	-	-	-	(3,952)	-	-	3,952	-	
President's reserve	-	-	(2,219)	-	-	2,219	-	(5,000)	The President's reserve was not used in 2012.
Trust expenses	(328)	(320)	(500)	(697)	(8)	172	369	(100)	Redacted
Depreciation - Norwell & Other	(290)	(208)	(208)	(213)	(82)	(82)	(77)	(220)	
Miscellaneous	(138)	238	400	102	(376)	(538)	(240)	634	
Net Other Income (Expense)	\$ (18,598)	\$ (18,110)	\$ (8,091)	\$ (3,055)	\$ (488)	\$ (10,507)	\$ (15,543)	\$ (4,039)	

## Headcount Summary

	<u>December 2012 Actual</u>	<u>2012 Budget</u>	<u>Variance to Budget</u>	<u>2011 Actual</u>
G&A	368	381	13	351
R&D	334	359	25	299
Marketing / Sales Support	77	85	8	68
Field Sales	625	671	46	646
Total S&P	702	756	54	714
Totowa	18	18	-	17
Supply Chain Operations	57	57	-	57
Wilson	187	199	12	189
Total Technical Operations	262	274	12	263
President's Reserve	-	12	12	-
Total Headcount	<u>1,666</u>	<u>1,782</u>	<u>116</u>	<u>1,627</u>

**From:** Mahony, Edward  
[REDACTED]  
**Sent:** 2/8/2013 10:29:53 AM  
**To:** Boer, Peter  
[REDACTED]  
[REDACTED] Lewent, Judy  
[REDACTED] Pickett, Cecil  
[REDACTED] Costa, Paulo  
[REDACTED]  
Snyderman, Ralph  
[REDACTED] Sackler, Dr Raymond R  
[REDACTED]  
Sackler, Dr Kathe  
[REDACTED] Sackler Lefcourt, Ilene  
[REDACTED]  
Sackler, Beverly  
[REDACTED] Sackler, Dame Theresa  
[REDACTED] Sackler, David  
[REDACTED] Sackler, Dr Richard  
[REDACTED]  
Sackler, Jonathan  
[REDACTED] Sackler, Mortimer D.A.  
[REDACTED]  
Baker, Stuart D.  
[REDACTED] Stewart, John H. (US)  
[REDACTED]  
[REDACTED] Gasdia, Russe  
[REDACTED] Landau, Dr. Craig  
[REDACTED]  
[REDACTED] Lundie, David  
[REDACTED]  
[REDACTED]  
[REDACTED] Weinstein, Bert  
[REDACTED]  
[REDACTED]  
[REDACTED]  
**CC:** [REDACTED] Lowne, Jon  
[REDACTED]  
[REDACTED]  
[REDACTED]  
**BCC:** Stewart, John H. (US)  
**Subject:** Full Year 2012 Financial Results  
**Attachments:** December 2012 Financial Statement Cover Memo v6.docx; Financial Statements 12 31 2012 v2 (3).xlsx

As these documents may be too long to read online, we are happy to supply a hard copy upon request.

CONFIDENTIAL TREATMENT REQUESTED  
NOT FOR CIRCULATION/COMMITTEE MEMBERS AND STAFF ONLY

PURDUE-COR-00014156

To: John Stewart  
 From: Ed Mahony  
 CC: [REDACTED]  
 Jon Lowne [REDACTED] Executive Committee  
 Date: February 8, 2013  
 Subject: Full year 2012 financial results

Attached are the full year 2012 Purdue unaudited financial statements.

Net sales – 2012 net sales totaled \$2.18 billion, which is \$172 million (or 7%) less than budget:

	2012			2013	
(million)	Actual	Budget	Variance	Budget	Variance vs. budget due to
OxyContin	\$2,777.1	\$2,877.4	(\$100.3)	\$2,916.5	Lower demand and higher returns, offset by higher trade inventory
Butrans	112.9	135.8	(22.9)	160.0	Lower demand
Intermezzo	16.6	49.2	(32.6)	57.6	Lower demand
Other	98.4	105.5	(7.1)	94.4	Ryzolt returns of \$7.3 million
Gross Sales	\$3,005.0	\$3,167.9	(\$162.9)	\$3,228.5	
Net Sales	\$2,180.5	\$2,352.8	(\$172.3)	\$2,410.3	Due to lower gross sales and higher OxyContin return reserve

Operating expenses- Total operating expenses were \$887.5 million:

[ EMBED Excel.Sheet.12 ]

1. G&A spend through December 31, 2012 was \$155 million. This is \$4.5 million lower than budget due to lower spending in External Affairs.

2.

**Redacted**

3. R&D spend through December 31, 2012 was \$5.6 million lower than budget:

[ EMBED Excel.Sheet.12 ]

Oxycodone Naloxone

2012 spend is \$3.1 million below budget due to slower than expected enrollment in the two pain plus OIC efficacy studies.

Hydrocodone QD TR

2012 spend is \$16.8 million below budget primarily due to suspending enrollment in the phase 3 program pending implementation of protocol amendments for audiological safety that were made in Q1 2012.

OxyContin (primarily pediatric)

2012 spend of \$29.2 million is \$6.5 million below budget due to cost reduction initiatives.

Oxycodone IR TR

Year to date spend was \$8.2 million. This project was not in the 2013 budget and was added to the work plan (with Board approval) during the year.

TRPV1 Lead (Purdue)

Year to date spend is \$7.8 million below budget due to a delay in the initiation of the proof of concept studies.

4. S&P spend through December 31, 2012 was \$303.5 million, which was \$39.9 million below budget.

[ EMBED Excel.Sheet.12 ]

The lower than budget spend is due to:

- i. Delay in planned Intermezzo DTC spending (\$16.0 million).
- ii. Lower sales bonus (\$9.2 million).
- iii. Higher vacancies driven by analgesic sales force (\$3.5 million).
- iv. Lower Intermezzo contract sales spend due to lower bonus and vacancies (\$2.4 million).
- v. Delay in initiating the Nurse Educators Pilot and other projects (\$2.3 million).
- vi. Lower market research spending (\$1.3 million).

Operating profit – December full year operating profit totaled \$984 million which is:

- \$110 million (or 10%) lower than budget due to the impact of lower net sales (-\$153.1 million) offset by favorability in S&P (\$39.9 million); and

Other US expense - is higher than budget by \$10.5 million due to the write-off of two Intermezzo milestone payments (\$20 million) offset by no spend against the Presidents reserve (\$2.2 million) and a planned license from Abbott (\$5 million) that was not pursued.

Cash - at the end of December, Purdue's unrestricted cash balance was \$756 million. This cash balance is within 6% of budget and November LE.

Working Capital - metrics such as days sales outstanding, unresolved customer deductions, days payable outstanding, early payment discounts realized versus opportunity and inventory turns are all on target and generally at or better than industry benchmarks. Financial health of our customers and our vendors is monitored, is stable and where necessary risk mitigation steps are taken proactively.



Liabilities - as of December 31, 2012 Purdue has \$1.01 billion of liabilities. These liabilities include rebates (\$568 million), defined benefit pension (\$116 million), retiree medical and life insurance benefits (\$79 million) and reserves for legal settlements (\$10 million) and numerous smaller items.

Headcount - at the end of December, Purdue's headcount was 1,666 versus the budget of 1,782. The variance of 116 includes 12 positions on budget hold, 10 positions that have offers outstanding, 71 positions that are actively being recruited, and 23 positions that have yet to commence active recruiting.

The 2013 budget assumes 1,722 positions in place on January 1<sup>st</sup> and 1,771 positions by the end of the 2013 – both numbers are net of a sales force vacancy assumption of 13.

Infinity - stock carrying value of the Infinity shares at 12/31/12 was \$189.5 million based on a closing share price of \$35.00 per share. The closing price on January 29, 2013 was \$34.48. This is higher than our November LE and enabled Purdue to make an additional \$60 million non-tax distribution close to the end of 2012.

Areas of accounting judgment - In preparing financial statements, there are a number of areas that require accounting judgment including:

1. Reserves for the Medicaid OxyContin line extension rebate proposed rule total \$171 million as of 12/31/12.
2. Reserve for future returns of products sold in 2012 and prior total \$130 million as of 12/31/2012.
3. 2012 Intermezzo revenue recognition was recorded on the pull-through basis which resulted in \$9 million of sales being deferred into 2013.
4. Intermezzo milestones of \$20 million were written off in 2012 rather than amortized over the product life due to lower than expected sales and an uncertain profit outlook.

Areas of judgment are reviewed by the Executive Audit Committee and are subject to audit by Ernst and Young.

	A	B	C	D	E	F	G	H
1		2012				Variance		2013
2	(million)	Actual	Nov. LE	Budget		vs. Budget		Budget
3	G&A	\$ 155.0	\$ 153.4	\$ 159.5		\$ (4.5)		\$ 159.1
4		<del>Redacted</del>						
5	R&D	315.5	328.7	321.1		(5.6)		377.3
6	R&D Other - Milestones and Alliances	2.3	2.4	4.2		(1.9)		6.7
7	S&P	303.5	315.5	343.4		(39.9)		312.6
8	New Health Care Reform Pharma Fee	31.3	31.3	26.6		4.7		31.8
9	Other - US	18.6	18.1	8.1		10.5		4.0
10	Total	\$ 887.5	\$ 906.3	\$ 919.8		\$ (32.3)		\$ 942.0

**Produced Natively**

(million)	2012			Variance vs. Budget	2013 Budget
	Actual	Nov. LE	Budget		
Oxycodone Nalaxone	\$ 83.0	\$ 93.3	\$ 86.1	\$ (3.1)	\$ 119.6
Hydrocodone QD TR	60.1	68.8	76.9	(16.8)	63.8
Butrans	34.6	35.1	36.2	(1.6)	50.2
OxyContin (primarily pediatric)	29.2	32.9	35.7	(6.5)	31.6
Oxycodone IR TR	8.2	8.4	-	8.2	13.9
TRPV 1 (Purdue)	11.7	13	19.5	(7.8)	26.8
POA	(0.1)	-	-	(0.1)	-
FAAH	1.5	1.6	5.8	(4.3)	-
ORL 1	4.4	2.1	10.5	(6.1)	0.5
Discovery Projects	18.6	21.8	21.3	(2.7)	24.5
Market Support Projects	64.3	69.5	63.8	0.5	72.1
Finance Underspend Estimate	-	(17.8)	(34.7)	34.7	(25.7)
Total	\$ 315.5	\$ 328.7	\$ 321.1	\$ (5.6)	\$ 377.3

**Produced Natively**

(million)	2012			Variance vs. Budget	2013
	Actual	Nov. LE	Budget		Budget
Marketing	\$ 96.8	\$ 97.1	\$ 113.5	\$ (16.7)	\$ 106.9
Field Sales	187.7	198.7	208.5	(20.8)	185.5
Sales Support	13.1	13.8	15.5	(2.4)	14.8
All other	5.9	5.9	5.9	-	5.4
Total	\$ 303.5	\$ 315.5	\$ 343.4	\$ (39.9)	\$ 312.6

**Purdue U.S.  
Financial Statements  
December 2012**

Page Number

1	Financial Reporting Scorecard
2	Profit and Loss Statement
3	P&L Ratios
4	Balance Sheet
5	Balance Sheet Notes
6	Statement of Cash Flows
7	Sales Summary Gross to Net by Product
8	Sales Variance to Budget
9	Brand P&L's
10	General & Administrative Summary
11	Legal Fees Summary
12	Research & Development Summary
13	Other US
14	Headcount

## Purdue US - Financial Reporting Scorecard

Expressed in 000's

	2012 Actual	2012 November LE	2012 Budget	2011 Actual	Variance 2012 YTD Actual versus			
					2012 November LE	2012 Budget	2011 Actual	2013 Budget
Net Branded Revenues	\$ 2,180,541	\$ 2,210,442	\$ 2,352,813	\$ 2,222,495	-1.4%	-7.9%	-1.9%	\$ 2,410,348
Operating Profit Margin	\$ 983,765	\$ 994,498	\$ 1,094,217	\$ 1,186,089	-1.1%	-11.2%	-20.6%	\$ 1,124,604
EBITDA	\$ 1,027,099	\$ 1,006,981	\$ 1,070,182	\$ 1,173,772	2.0%	-4.2%	-14.3%	\$ 1,066,878
Net Profit Before Tax	\$ 999,709	\$ 978,588	\$ 1,038,083	\$ 1,145,824	2.1%	-3.8%	-14.6%	\$ 1,034,912
Owner's Equity	\$ 658,430	\$ 651,124	\$ 661,224	\$ 491,636	1.1%	-0.4%	25.3%	\$ 705,200
Non-tax Distributions	\$ 471,643	\$ 463,100	\$ 448,000	\$ 575,246	1.8%	5.0%	-22.0%	\$ 538,100
Days Sales Outstanding	33.2	35.0	35.0	35.6	on target	on target	on target	35.0
Accounts Receivable Outstanding > 90 Days Past Due	< 1%	< 1%	< 1%	< 1%	on target	on target	on target	< 1%
Capital Spending	\$ 30,468	\$ 35,000	\$ 35,500	\$ 26,823	-14.9%	-16.5%	12.0%	\$ 35,000
Unrestricted Cash on Hand	\$ 755,593	\$ 716,300	\$ 771,200	\$ 606,494	5.2%	-2.1%	19.7%	\$ 600,000
Available Liquidity	\$ 755,593	\$ 716,300	\$ 771,200	\$ 606,494	5.2%	-2.1%	19.7%	\$ 600,000
Available Liquidity - Average Months Sales	4.2	3.9	3.9	3.3	-	+0.5 months	+0.9 months	3.0
Headcount	1,666	1,782	1,782	1,627	-116 heads	-116 heads	+39 heads	1,784



**PURDUE US - Profit and Loss Statement**  
**Year Ended December 31, 2012**  
*Expressed in 000's*

Expressed in 000's

									Variance				
									2012 Actual versus				
	2012								2012	2012	2011	2013	
	2012 Actual	% Sales	November LE	% Sales	2012 Budget	% Sales	2011 Actual	% Sales	November LE	Budget	Actual	Budget	% Sales
GROSS BRANDED PRODUCT SALES	\$ 3,004,905		\$ 2,999,667		\$ 3,167,870		\$ 2,971,161		\$ 5,238	\$ (162,965)	\$ 33,744	\$ 3,228,472	
Fee for Service	(71,089)	2.4%	(76,779)	2.6%	(79,812)	2.5%	(74,507)	2.5%	5,690	8,723	3,418	(65,338)	2.0%
Discounts and Allowances	(134,031)	4.5%	(100,925)	3.4%	(73,499)	2.3%	(56,222)	1.9%	(33,106)	(60,532)	(77,809)	(88,198)	2.7%
Patient Savings Card Discount	(25,104)	0.8%	(27,137)	0.9%	(30,411)	1.0%	(15,572)	0.5%	2,033	5,307	(9,532)	(34,537)	1.1%
Rebates on Branded Sales	(534,619)	17.8%	(524,436)	17.5%	(557,824)	17.6%	(545,891)	18.4%	(10,183)	23,205	11,272	(566,117)	17.5%
Proposed Regulation Adjustment for Medicaid Rebates (1)	(61,976)	2.1%	(62,506)	2.1%	(74,836)	2.4%	(68,854)	2.3%	530	12,860	6,878	(65,584)	2.0%
Other	2,455		2,558		1,325		12,380		(103)	1,130	(9,925)	1,651	
NET REVENUES	2,180,541		2,210,442		2,352,813		2,222,495		(29,901)	(172,272)	(41,954)	2,410,348	
Cost of Goods Sold	(148,456)	4.9%	(151,673)	5.1%	(158,569)	5.0%	(166,870)	5.6%	3,217	10,113	18,414	(162,211)	5.0%
Royalty Expense	(120,269)		(118,864)		(130,148)		(115,272)		(1,405)	9,879	(4,997)	(131,575)	
Shipping and Warehousing	(11,814)	0.4%	(12,020)	0.4%	(10,956)	0.3%	(11,831)	0.4%	206	(858)	17	(10,807)	0.3%
TOTAL COST OF GOODS SOLD	(280,539)		(282,557)		(299,673)		(293,973)		2,018	19,134	13,434	(304,592)	
GROSS PROFIT	1,900,002		1,927,885		2,053,140		1,928,522		(27,883)	(153,138)	(28,520)	2,105,756	
General and Administrative (incl Legal Dept, excl Legal Fees)	(155,016)	7.1%	(153,417)	6.9%	(159,472)	6.8%	(146,857)	6.6%	(1,599)	4,456	(8,159)	(160,426)	5.0%
Research and Development	(315,458)	14.5%	(328,705)	14.9%	(321,136)	13.6%	(269,937)	12.1%	13,247	5,678	(45,521)	(377,347)	11.7%
Research and Development Other - Milestones and Alliances	(2,284)		(2,419)		(4,169)		(604)		135	1,885	(1,680)	(6,692)	
Sales and Promotion	(303,525)	13.9%	(315,531)	14.3%	(343,369)	14.6%	(229,317)	10.3%	12,006	39,844	(74,208)	(309,913)	9.6%
Health Care Reform Fee	(31,251)	1.4%	(31,251)	1.4%	(26,600)	1.1%	(26,543)	1.2%	-	(4,651)	(4,708)	(31,800)	1.0%
Other US	(18,598)		(18,110)		(8,091)		(3,055)		(488)	(10,507)	(15,543)	(4,939)	
OPERATING EXPENSES	(887,442)		(906,293)		(919,697)		(733,245)		18,851	32,255	(154,197)	(942,092)	
OPERATING MARGIN BEFORE INCENTIVES AND SETTLEMEN	1,012,560		1,021,592		1,133,443		1,195,277		(9,032)	(120,883)	(182,717)	1,163,664	
Incentive Bonus	(33,068)	1.5%	(30,818)	1.4%	(41,469)	1.8%	(33,054)	1.5%	(2,250)	8,401	(14)	(42,618)	1.3%
Insurance Income	3,520		3,558		743		30,639		(38)	2,777	(27,119)	3,558	
Redacted													
OPERATING PROFIT MARGIN	983,765	45.1%	994,498	45.0%	1,094,217	46.5%	1,186,089	53.4%	(10,733)	(110,452)	(202,324)	1,124,604	-34.8%
Royalty Income - ex US	82,371		78,865		81,665		91,367		3,506	706	(8,996)	40,692	
Ex US Expenses	(65,949)		(93,765)		(136,736)		(129,506)		27,816	70,787	63,557	(127,600)	
One Time Charges / Other Items	(2,147)		(2,222)		(2,863)		(2,482)		75	716	335	(2,956)	
Interest Income (Expense), net	1,669		1,212		1,800		356		457	(131)	1,313	172	
TOTAL OTHER ITEMS	15,944		(15,910)		(56,134)		(40,265)		31,854	72,078	56,209	(89,692)	
PROFIT BEFORE TAX	999,709		978,588		1,038,083		1,145,824		21,121	(38,374)	(146,115)	1,034,912	
Tax Provision for Corporations	(4,361)		(4,361)		(4,361)		(1,371)		-	-	(2,990)	(4,674)	
PROFIT AFTER TAX	\$ 995,348	33.1%	\$ 974,227	32.5%	\$ 1,033,722	32.6%	\$ 1,144,453	38.5%	\$ 21,121	\$ (38,374)	\$ (149,105)	\$ 1,030,238	31.9%

(1) The Proposed Rule was issued in Q1 2012, which when finalized could result 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 tie to previously issued reports.

PURDUE US - Profit and Loss Statement Ratios

	ACTUAL						BUDGET
	2007	2008	2009	2010	2011	2012	2013
<b>GROSS BRANDED PRODUCT SALES</b>	100%	100%	100%	100%	100%	100%	100%
Fee for Service	-2.1%	-1.5%	-2.2%	-2.5%	-2.5%	-2.4%	-2.0%
Discounts and Allowances	-3.5%	-3.1%	-2.2%	-1.6%	-1.9%	-4.5%	-2.7%
Patient Savings Card Discount	0.0%	-0.5%	-0.6%	-0.5%	-0.5%	-0.8%	-1.1%
Rebates on Branded Sales	-12.4%	-13.4%	-15.1%	-19.9%	-18.4%	-17.8%	-17.5%
Proposed Regulation Adjustment for Medicaid Rebates	0.0%	0.0%	0.0%	-1.3%	-2.3%	-2.1%	-2.0%
Other	8.2%	0.9%	1.5%	1.2%	0.4%	0.1%	0.1%
<b>NET REVENUES</b>	<b>82.0%</b>	<b>81.5%</b>	<b>79.9%</b>	<b>74.3%</b>	<b>74.4%</b>	<b>72.5%</b>	<b>74.6%</b>
Cost of Goods Sold	-8.5%	-5.9%	-5.6%	-5.2%	-5.6%	-4.9%	-5.0%
Royalty Expense	-0.4%	-0.1%	-0.4%	-2.3%	-3.9%	-4.0%	-4.1%
Shipping and Warehousing	-0.9%	-0.5%	-0.5%	-0.5%	-0.4%	-0.4%	-0.3%
<b>TOTAL COST OF GOODS SOLD</b>	<b>-9.8%</b>	<b>-6.5%</b>	<b>-6.4%</b>	<b>-7.9%</b>	<b>-9.9%</b>	<b>-9.3%</b>	<b>-9.4%</b>
<b>GROSS PROFIT</b>	<b>72.2%</b>	<b>75.0%</b>	<b>73.5%</b>	<b>66.3%</b>	<b>64.5%</b>	<b>63.1%</b>	<b>65.2%</b>
General and Administrative (incl Legal Dept, excl Legal Fees)	-11.7%	-6.0%	-5.4%	-5.9%	-6.6%	-7.1%	-6.7%
Redacted							
Research and Development	-11.0%	-5.8%	-5.5%	-7.1%	-12.1%	-14.5%	-15.7%
Research and Development Other - Milestones and Alliances	-0.5%	-0.4%	-2.5%	-0.4%	0.0%	-0.1%	-0.3%
Sales and Promotion	-11.9%	-6.5%	-6.5%	-8.4%	-10.3%	-13.9%	-12.9%
Health Care Reform Fee	0.0%	0.0%	0.0%	0.0%	-1.2%	-1.4%	-1.3%
Other US	-0.7%	-0.7%	-0.4%	0.7%	-0.1%	-0.9%	-0.2%
<b>OPERATING EXPENSES</b>	<b>-42.4%</b>	<b>-23.1%</b>	<b>-23.1%</b>	<b>-23.3%</b>	<b>-33.0%</b>	<b>-40.7%</b>	<b>-39.1%</b>
<b>OPERATING MARGIN BEFORE INCENTIVES AND SETTLEMENTS</b>	<b>29.8%</b>	<b>51.9%</b>	<b>50.4%</b>	<b>43.1%</b>	<b>53.8%</b>	<b>46.4%</b>	<b>48.3%</b>
Incentive Bonus	-4.3%	-1.5%	-1.4%	-1.7%	-1.5%	-1.5%	-1.8%
Insurance Income	3.5%	0.6%	0.4%	0.7%	1.4%	0.2%	0.1%
Redacted							
<b>OPERATING PROFIT MARGIN</b>	<b>28.8%</b>	<b>48.8%</b>	<b>47.8%</b>	<b>41.3%</b>	<b>53.4%</b>	<b>45.1%</b>	<b>46.7%</b>
Royalty Income - ex US	6.6%	3.4%	3.2%	3.7%	4.1%	3.8%	1.7%
Ex US Expenses	-0.7%	-6.0%	-5.1%	-5.7%	-5.8%	-3.0%	-5.3%
One Time Charges / Other Items	-0.2%	-0.1%	0.0%	-1.1%	-0.1%	-0.1%	-0.1%
Interest Income (Expense), net	3.4%	0.7%	0.0%	0.0%	0.0%	0.1%	0.0%
<b>TOTAL OTHER ITEMS</b>	<b>9.1%</b>	<b>-2.0%</b>	<b>-1.8%</b>	<b>-3.1%</b>	<b>-1.8%</b>	<b>0.7%</b>	<b>-3.7%</b>
<b>PROFIT BEFORE TAX</b>	<b>37.9%</b>	<b>46.9%</b>	<b>45.9%</b>	<b>38.2%</b>	<b>51.6%</b>	<b>45.8%</b>	<b>42.9%</b>

Income statement line items as a percent of gross sales

Income statement line items as a percent of net sales

**PURDUE US - Balance Sheet**

*Expressed in 000's*

<i>Expressed in 000's</i>		December 31, 2012			December 31, 2011
	Footnotes	Actual	November LE	Budget	Actual
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		\$ 755,593	\$ 716,271	\$ 771,202	\$ 606,494
Accounts receivable	(1)	185,361	146,243	255,224	218,801
Due from associated companies	(2)	30,236	20,465	22,900	27,820
Other receivables	(3)	1,643	6,510	6,412	10,075
Inventories	(4)	50,631	44,282	43,686	44,207
Prepaid expenses and other assets	(5)	22,685	25,955	35,808	32,658
Restricted cash - current	(6)	23,927	26,972	-	16,000
<b>TOTAL CURRENT ASSETS</b>		<b>1,070,076</b>	<b>986,698</b>	<b>1,135,232</b>	<b>956,055</b>
Property and equipment, net	(7)	149,484	153,811	152,924	143,163
Investments in associated companies	(8)	6,976	8,952	6,712	19,787
Due from associated companies		3,000	3,250	3,350	3,250
Restricted cash - long term	(6)	17,205	17,200	18,852	42,469
Goodwill		23,396	23,396	23,396	23,396
Product rights, trademarks and other intangibles, net	(9)	173,249	172,756	185,099	168,206
Other assets	(10)	22,504	22,689	71,888	73,266
Investment in Infinity Common Stock	(11)	189,550	138,772	-	-
Deferred income taxes		17,188	17,425	16,157	17,188
<b>TOTAL ASSETS</b>		<b>\$ 1,672,628</b>	<b>\$ 1,544,949</b>	<b>\$ 1,613,610</b>	<b>\$ 1,446,780</b>
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable		74,390	88,800	\$ 103,100	\$ 87,361
Accrued expenses and taxes payable	(12)	700,567	570,685	613,568	632,809
Due to associated companies		12,392	13,000	12,129	11,346
<b>TOTAL CURRENT LIABILITIES</b>		<b>787,349</b>	<b>672,485</b>	<b>728,797</b>	<b>731,516</b>
Other liabilities		226,849	221,393	223,589	223,628
<b>TOTAL LIABILITIES</b>		<b>1,014,198</b>	<b>893,878</b>	<b>952,386</b>	<b>955,144</b>
<b>EQUITY</b>					
Capital stock - common		9	9	9	9
Additional paid in capital		1,982	1,982	1,982	1,982
Subscription receivable		(999)	(999)	(999)	(999)
Accumulated other comprehensive income		(140,271)	(134,436)	(142,336)	(145,136)
Unrealized gain on Infinity stock	(13)	97,469	60,232	-	-
Retained earnings and partners' capital		700,240	724,283	802,568	635,780
<b>TOTAL EQUITY</b>	(14)	<b>658,430</b>	<b>651,071</b>	<b>661,224</b>	<b>491,636</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 1,672,628</b>	<b>\$ 1,544,949</b>	<b>\$ 1,613,610</b>	<b>\$ 1,446,780</b>

PURDUE US - Balance Sheet Footnotes

*Expressed in 000's*

(1) Accounts receivable is \$33.9 million lower than prior year primarily due to increase in trade receivables of \$38.6 million as a result of higher December sales as compared to 2011 offset by an increase in the accrued return reserves of \$70.2 million. Increase of \$39 million from Nov. LE is primarily due to higher accounts receivable as a result of higher sales (\$60 million) offset by a higher accrued return reserve (\$24 million).

(2) Increase from Nov. LE is due to higher than expected ex-US royalties (\$4 million) and a higher receivable from Rhodes due to timing (\$5 million).

**Redacted**

(4) Increase from prior year of \$6.4 million in inventory balance is due to higher WIP/bulk OxyContin inventories primarily driven by elevated November/December 2012 production levels as compared to 2011.

(5) Decrease from prior year of \$10 million in prepaid expenses and other assets is primarily due to the return of German injunction bond (\$10.2 million) in

**Redacted**

(7) Change in Property and equipment is as follows:

Balance @ 01/01/12	143,163
Capital expenditures	30,468
Depreciation	(24,120)
Loss on disposals	(27)
Balance @ 12/31/12	<u>149,484</u>

(8) Investments represent cash investments net of losses in Lucien, Germany and Japan.

Balance @ 01/01/12	19,787
Cash investments in Lucien & Japan, net	91,900
Equity losses in Lucien & Japan	(91,900)
100% of Germany losses	(10,000)
Cash investment in Germany, net	(2,811)
Balance @ 12/31/12	<u>6,976</u>

(9) Increase from prior year is due to two milestone payments to Grunenthal 1) \$13.4 million for the first patent with a broad claim in the US relating to oxycodone and 2) \$6.6 million for the first patent with a further claim and a \$10 million milestone payment to Transcept upon the Orange book listing of an Intermezzo patent, offset by \$20 million of impairment of two milestone payments to Transcept and amortization of intangible assets. The balance as of December 31, 2012 consists of:

Dilaudid product rights	87,000
Shire assets (Colace, PeriColace and Slow-mag)	65,000
Grunenthal milestones (OxyContin)	18,000
Abbott/McGinity patent (OxyContin)	2,600
Butrans milestone	700
Total	<u>173,300</u>

(10) The majority of other assets balance of \$22.5 million includes the payments made by Purdue (covering UBS free rent related to floors 2-8, commission and closing costs) to OSR in prior years (\$13.2 million) which are being amortized over the lease term of floors 9 and 10 and a \$6 million lease deposit paid to OSR to be returned in 2016. Decrease from prior year end of \$50.8 million is primarily due to Infinity repaying the LOC with common stock in September 2012 (\$51 million).

(11) Represents investment in shares of Infinity common stock at the fair value of \$35 per share as of December 31, 2012. Any change in the share price subsequent to the acquisition date is recorded as an unrealized gain/loss in shareholders equity until it is realized (see note 13 below). The Nov. LE assumed a share price of \$25.62 which was the actual price as of 10/4/12.

(12) The majority of accrued expenses and taxes payable balance of \$700.6 million includes \$266.6 million in accrued rebates, \$301.1 million in accrued Medicaid and Medicaid Part D (\$170.9 million relating to the proposed CMS rule), **Redacted** and \$35.7 million in salaries and bonuses. The increase from prior year end of \$67.8 million is primarily due to overall increase in accrued rebates and Medicaid rebates of \$79.5 million (\$62.0 million relating to proposed CMS rule), **Redacted**. The increase from the Nov. LE of \$130 million is primarily due to increased rebate accruals of \$97 million relating to HMO rebates (\$37 million) due to timing, Tricare rebates (\$20 million) due to additional accrual for payment on new formulation utilization at old formula rates and wholesaler inventory rebates (\$44 million) due to increased estimates of Pharmacy inventory.

(13) Represents unrealized gain on the investment in Infinity common stock (see note 11 above) based on an increase in the fair value of the stock subsequent to the acquisition date. Future changes in the stock price will result in an increase or decrease in the unrealized gain.

(14) Equity rolforward:

Balance @ 01/01/12	491,636
Cash distributions (tax and non-tax)	(930,888)
Change in Other Comprehensive Income	4,865
Unrealized gain on Infinity common stock	97,469
Net Income	<u>995,348</u>
Balance @ 12/31/12	<u>658,430</u>

# PURDUE US - Statement of Cash Flows

*Expressed in 000's*

	December 31, 2012			December 31, 2011
	Actual	November LE	Budget	Actual
<b>Operating activities</b>				
Net income	\$ 995,348	\$ 974,227	\$ 1,033,722	\$ 1,144,453
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	29,059	29,605	33,899	28,304
Impairment of intangible asset	20,000	20,000	-	3,953
Deferred income taxes	-	(237)	1,031	(4,275)
Loss on unconsolidated, associated companies	101,900	107,020	131,449	112,368
Loss on disposal of assets	27	-	-	56
Changes to working capital (1)	100,208	22,066	(31,007)	162,044
Long-term assets and liabilities	(5,733)	8,002	6,997	29,846
Changes to extraordinary item	-	-	-	(988)
<b>Total cash provided by operating activities</b>	<b>1,240,809</b>	<b>1,160,683</b>	<b>1,176,091</b>	<b>1,475,761</b>
<b>Investing activities</b>				
Capital expenditures	(30,468)	(35,000)	(35,500)	(26,823)
Purchase of product marketing rights and other intangibles	(29,982)	(29,803)	(21,100)	(10,000)
Restricted cash, net	17,337	14,297	39,617	12,944
Investments in associated companies, net	(89,089)	(96,185)	(118,374)	(100,323)
Investment in Infinity Common Stock	(27,500)	(27,500)	-	-
Funding of Infinity Line of Credit	-	-	-	(50,000)
<b>Total cash used in investing activities</b>	<b>(159,702)</b>	<b>(174,191)</b>	<b>(135,357)</b>	<b>(174,202)</b>
<b>Financing activities</b>				
Payments (to) from associates, net	(1,120)	9,009	5,702	(3,823)
Capital contributions	-	-	-	303
Distributions to partners for required tax payments	(459,245)	(422,624)	(449,200)	(553,393)
Distributions to partners non-tax (2)	(471,643)	(463,100)	(448,000)	(575,246)
<b>Total cash used in financing activities</b>	<b>(932,008)</b>	<b>(876,715)</b>	<b>(891,498)</b>	<b>(1,132,159)</b>
<b>Increase in cash and cash equivalents</b>	<b>149,099</b>	<b>109,777</b>	<b>149,236</b>	<b>169,400</b>
Cash and cash equivalents:				
Unrestricted cash at the beginning of the period	606,494	606,494	621,966	437,094
<b>Unrestricted cash at the end of the period</b>	<b>\$ 755,593</b>	<b>\$ 716,271</b>	<b>\$ 771,202</b>	<b>\$ 606,494</b>

(1) Increase of \$78 million over the November LE in changes to working capital due to increase of \$125 million in accrued expenses, primarily rebates (\$97 million), offset by increase in accounts receivable of \$39 million (see explanations on page 5).

(2) Includes the Norwell annual fixed equity distributions of \$543k.

## Sales Summary Gross to Net by Product

*Expressed in 000's*

	Variance 2012 Actual versus							
	2012 Actual	2012 November LE	2012 Budget	2011 Actual	2012 November LE	2012 Budget	2011 Actual	2013 Budget
<b>OxyContin</b>								
Gross Sales	\$ 2,777,064	\$ 2,773,757	\$ 2,877,360	\$ 2,781,018	\$ 3,307	\$ (100,296)	\$ (3,954)	\$ 2,916,463
Fee for Service	(66,950)	(72,464)	(73,631)	(70,993)	5,514	6,681	4,043	(59,887)
Sales Discounts and Allowances	(116,425)	(88,536)	(58,181)	(58,928)	(27,889)	(58,244)	(57,497)	(72,658)
Savings Cards Discounts	(18,330)	(18,890)	(19,890)	(10,935)	560	1,560	(7,395)	(22,813)
Rebates	(526,610)	(513,882)	(542,148)	(540,410)	(12,728)	15,538	13,800	(547,871)
Proposed Regulation Adjustment for Medicaid Rebates	(61,976)	(62,506)	(74,836)	(68,854)	530	12,860	6,878	(65,584)
<b>OxyContin Net Sales</b>	<b>1,986,773</b>	<b>2,017,479</b>	<b>2,108,674</b>	<b>2,030,898</b>	<b>(30,706)</b>	<b>(121,901)</b>	<b>(44,125)</b>	<b>2,147,650</b>
<b>Butrans</b>								
Gross Sales	\$ 112,887	\$ 117,332	\$ 135,808	\$ 73,531	\$ (4,445)	\$ (22,921)	\$ 39,356	\$ 160,025
Fee for Service	(2,804)	(3,028)	(3,685)	(1,827)	224	881	(977)	(3,432)
Sales Discounts and Allowances	(13,726)	(12,953)	(16,123)	(8,254)	(773)	2,397	(5,472)	(6,826)
Savings Cards Discounts	(6,198)	(7,632)	(9,671)	(4,392)	1,434	3,473	(1,806)	(8,574)
Rebates	(6,139)	(7,949)	(10,387)	(3,123)	1,810	4,248	(3,016)	(14,341)
<b>Butrans Net Sales</b>	<b>84,020</b>	<b>85,770</b>	<b>95,942</b>	<b>55,935</b>	<b>(1,750)</b>	<b>(11,922)</b>	<b>28,085</b>	<b>126,852</b>
<b>Intermezzo</b>								
Gross Sales	\$ 16,556	\$ 14,764	\$ 49,185	\$ -	\$ 1,792	\$ (32,629)	\$ 16,556	\$ 57,622
Fee for Service	(395)	(380)	(1,244)	-	(15)	849	(395)	(1,147)
Sales Discounts and Allowances	(9,908)	(8,744)	(1,000)	-	(1,164)	(8,908)	(9,908)	(6,914)
Savings Cards Discounts	(576)	(615)	(500)	-	39	(76)	(576)	(3,150)
Rebates	(139)	(342)	(3,000)	-	203	2,861	(139)	(2,365)
<b>Intermezzo Net Sales</b>	<b>5,538</b>	<b>4,683</b>	<b>43,441</b>	<b>-</b>	<b>855</b>	<b>(37,903)</b>	<b>5,538</b>	<b>44,046</b>
<b>Other Products</b>								
Gross Sales	\$ 98,398	\$ 93,814	\$ 105,517	\$ 116,612	\$ 4,584	\$ (7,119)	\$ (18,214)	\$ 94,362
Fee for Service	(940)	(907)	(1,252)	(1,687)	(33)	312	747	(872)
Sales Discounts and Allowances	6,028	9,308	1,805	10,960	(3,280)	4,223	(4,932)	(1,800)
Savings Cards Discounts	-	-	(350)	(245)	-	350	245	-
Rebates	(1,731)	(2,263)	(2,289)	(2,358)	532	558	627	(1,541)
<b>Other Products Net Sales</b>	<b>101,755</b>	<b>99,952</b>	<b>103,431</b>	<b>123,282</b>	<b>1,803</b>	<b>(1,676)</b>	<b>(21,527)</b>	<b>90,149</b>
<b>Total for All Products</b>								
Gross Sales	\$ 3,004,905	\$ 2,999,667	\$ 3,167,870	\$ 2,971,161	\$ 5,238	\$ (162,965)	\$ 33,744	\$ 3,228,472
Fee for Service	(71,089)	(76,779)	(79,812)	(74,507)	5,690	8,723	3,418	(65,338)
Sales Discounts and Allowances	(134,031)	(100,925)	(73,499)	(56,222)	(33,106)	(60,532)	(77,809)	(88,198)
Savings Cards Discounts	(25,104)	(27,137)	(30,411)	(15,572)	2,033	5,307	(9,532)	(34,537)
Rebates	(534,619)	(524,436)	(557,824)	(545,891)	(10,183)	23,205	11,272	(566,118)
Proposed Regulation Adjustment for Medicaid Rebates	(61,976)	(62,506)	(74,836)	(68,854)	530	12,860	6,878	(65,584)
<b>Total Net Sales</b>	<b>\$ 2,178,086</b>	<b>\$ 2,207,884</b>	<b>\$ 2,351,488</b>	<b>\$ 2,210,115</b>	<b>\$ (29,798)</b>	<b>\$ (173,402)</b>	<b>\$ (32,029)</b>	<b>\$ 2,408,697</b>

## Sales Variance to Budget

Expressed in 000's

### Net Branded Sales Variance Analysis - 2012 Actual versus 2012 Budget:

#### Gross Sales:

• Impact of trade inventories lower than budget (1)	\$ (42,970)	
• Lower OxyContin demand as Rxs are running ~5% below budget (1)	(57,326)	
Subtotal - Lower OxyContin sales		\$ (100,296)
• Butrans sales		(22,922)
• Intermezzo sales		(32,629)
• Ryzolt returns		(7,315)
• All other		197
Subtotal - Gross sales variance		(162,965)

#### Deductions:

• Lower Fee for Service due to new negotiated lower FFS rate (\$5.7 million) from 3rd Quarter and lower sales (\$3.0 million).	8,723	
• Higher Discounts and Allowances primarily due to OxyContin (\$61.6 million) and Intermezzo Return Reserves (\$9.0 million), offset by the change in Ryzolt return reserve (\$8.3 million) and lower sales/other (\$1.8 million).	(60,532)	
• Lower Savings Card Discount due to lower OxyContin sales and redemption rates (\$1.5 million), lower Butrans sales (\$3.5 million) and all other (\$0.3 million).	5,307	
• Lower Rebates due to lower sales .	23,205	
• Lower Proposed regulation adjustment primarily due to lower Medicaid eligible sales.	12,860	
Subtotal - Deductions variance		(10,437)

### Net Branded Sales Variance

\$ (173,402)

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

## Brand Profit and Loss Statements

*Expressed in 000's*

	2012 Actual	2012 Budget	2011 Actual	Variance 2012 Actual versus	
				2012 Budget	2011 Actual
<b>OxyContin</b>					
Gross Sales	\$ 2,777,064	\$ 2,877,360	\$ 2,781,018	\$ (100,296)	\$ (3,954)
Net Sales	1,986,773	2,108,674	2,030,898	(121,901)	(44,125)
Gross Profit	1,802,446	1,917,016	1,838,411	(114,570)	(35,965)
S&P Expense	(62,465)	(71,221)	(50,758)	8,756	(11,707)
All Other	(182,681)	(189,435)	(173,763)	6,754	(8,918)
<b>Product Contribution</b>	<b>\$ 1,557,300</b>	<b>\$ 1,656,360</b>	<b>\$ 1,613,890</b>	<b>\$ (99,060)</b>	<b>\$ (56,590)</b>
<b>Butrans</b>					
Gross Sales	\$ 112,887	\$ 135,808	\$ 73,531	\$ (22,921)	\$ 39,356
Net Sales	84,020	95,942	55,935	(11,922)	28,085
Gross Profit	70,949	83,981	45,728	(13,032)	25,221
S&P Expense	(105,912)	(116,037)	(120,536)	10,125	14,624
All Other	(24,307)	(24,251)	(26,308)	(56)	2,001
<b>Product Contribution</b>	<b>\$ (59,270)</b>	<b>\$ (56,307)</b>	<b>\$ (101,116)</b>	<b>\$ (2,963)</b>	<b>\$ 41,846</b>
<b>Intermezzo</b>					
Gross Sales	\$ 16,556	\$ 49,185	\$ -	\$ (32,629)	\$ 16,556
Net Sales	5,538	43,441	-	(37,903)	5,538
Gross Profit	2,348	32,826	-	(30,478)	2,348
S&P Expense	(78,469)	(98,621)	-	20,152	(78,469)
All Other	(3,235)	(5,875)	-	2,640	(3,235)
<b>Product Contribution</b>	<b>\$ (79,356)</b>	<b>\$ (71,670)</b>	<b>\$ -</b>	<b>\$ (7,686)</b>	<b>\$ (79,356)</b>
<b>Laxatives</b>					
Gross Sales	\$ 51,514	\$ 51,853	\$ 51,134	\$ (339)	\$ 380
Net Sales	50,088	50,597	50,043	(509)	45
Gross Profit	38,811	40,550	37,224	(1,739)	1,587
S&P Expense	(18,969)	(19,807)	(17,704)	838	(1,265)
All Other	(1,300)	(1,300)	(1,250)	-	(50)
<b>Product Contribution</b>	<b>\$ 18,542</b>	<b>\$ 19,443</b>	<b>\$ 18,270</b>	<b>\$ (901)</b>	<b>\$ 272</b>

Note: All Other includes Pharma Fee, Legal Fees, R&D Support for the marketed product and an allocation of G&A.



General and Administrative Summary

Expressed in 000's

					Variance 2012 Actual versus			2013 Budget	HEADCOUNT					Comments - 2012 Actual versus 2012 Budget
	2012 Actual	2012 November LE	2012 Budget	2011 Actual	2012 November LE	2012 Budget	2011 Actual		2012 Actual	2012 Budget	Var to Budget	2011 Actual		
Finance	\$ 13,325	\$ 13,585	\$ 13,903	\$ 13,087	\$ (260)	\$ (578)	\$ 238	\$ 13,520	62	63	1	60		\$0.6 million favorable due to \$0.4 million related to open positions and \$0.2 million for consultants, software and all other.
Information Technology	32,264	32,864	32,768	29,948	(600)	(504)	2,316	35,466	96	100	4	92		\$0.5 million favorable due to \$0.4 million related for open positions, \$0.1 million for all other.
Corporate Procurement	3,214	3,296	3,390	3,326	(82)	(176)	(112)	3,500	13	13	-	13		\$0.2 million favorable due to a \$96k rebate check for office supplies, \$23k in staff extenders and \$67k in software.
Insurance	2,846	3,281	3,281	2,905	(435)	(435)	(59)	3,492	-	-	-	-		\$0.4 million due to lower negotiated property premium rates, lower than anticipated business interruption insurance, lower international clinical trial insurance and lower negotiated rates for broker fees and umbrella insurance.
IPAP	3,747	3,700	4,200	3,822	47	(453)	(75)	3,900	-	-	-	-		\$0.5 million favorable due to a lower patient population.
<b>Subtotal - Mahory</b>	<b>55,396</b>	<b>56,726</b>	<b>57,542</b>	<b>53,088</b>	<b>(1,330)</b>	<b>(2,146)</b>	<b>2,308</b>	<b>59,878</b>	<b>171</b>	<b>176</b>	<b>5</b>	<b>165</b>		
Human Resources	5,901	6,229	6,229	5,858	(328)	(328)	43	6,587	23	24	1	23		\$0.3 million favorable due to an open position, as well as lower consulting and software spend.
EHS Corporate	2,322	2,669	2,669	2,129	(347)	(347)	193	2,587	6	6	-	5		\$0.3 million favorable due to delay of Material Data Safety Sheet implementation to Q1 2013, open positions, and lower wellness and safety supply purchases.
Administration Building	8,156	8,025	8,288	8,128	131	(132)	28	8,322	34	34	-	34		\$0.3 million favorable for American Express incentive rebate received, offset by \$0.2 million unfavorable in duplication supplies.
Stamford Facilities	22,325	22,297	21,957	20,953	28	368	1,372	22,837	-	-	-	-		\$0.4 million unfavorable due to \$0.2 million related to true ups for updated technology and Microsoft licenses, \$0.1 million for printer click charges and \$0.1 million all other.
Facilities Allocation Out	(22,649)	(22,649)	(22,649)	(22,226)	-	-	(423)	(22,837)	-	-	-	-		
<b>Subtotal - Long</b>	<b>16,055</b>	<b>16,571</b>	<b>16,494</b>	<b>14,842</b>	<b>(516)</b>	<b>(439)</b>	<b>1,213</b>	<b>17,496</b>	<b>63</b>	<b>64</b>	<b>1</b>	<b>62</b>		
Public Affairs	5,256	7,556	8,346	5,919	(2,300)	(3,090)	(663)	6,029	4	4	-	4		\$3.1 million favorable due to consulting and special promotions projects anticipated for Intermezzo, ORF, reputation management and corporate identity programs that did not occur in 2012.
Federal Government Affairs	3,473	3,567	3,718	3,603	(94)	(245)	(130)	3,495	2	2	-	2		\$0.2 million favorable due to lower PhRMA dues than anticipated and lower salary and related spend associated with intern transition and travel.
State Government Affairs	10,659	10,877	10,917	8,268	(218)	(258)	2,391	11,322	12	12	-	12		\$0.3 million favorable due to \$0.5 million favorable in grants and special programs that did not occur in 2012, offset by a \$0.3 million unfavorable for transfer of dues from license and business development.
<b>Subtotal - External Affairs</b>	<b>19,388</b>	<b>22,000</b>	<b>22,981</b>	<b>17,790</b>	<b>(2,612)</b>	<b>(3,593)</b>	<b>1,598</b>	<b>20,846</b>	<b>18</b>	<b>18</b>	<b>-</b>	<b>18</b>		
				<b>Redacted</b>										\$0.4 million favorable due to impact of Litigation Support layoffs in July, open positions and lower records management storage costs.
Purdue Pharma Fund	969	1,922	2,246	3,763	(953)	(1,277)	(2,794)	1,922	-	-	-	-		\$1.3 million favorable due to public affairs advocacy and corporate responsibility grants not utilized in 2012.
DEA Compliance	448	520	589	557	(72)	(141)	(109)	362	1	2	1	2		\$0.1 million favorable due to transfer of headcount to Internal Audit.
				<b>Redacted</b>										
Executive Administration	7,064	6,325	7,062	8,905	739	2	(1,841)	7,133	6	7	1	5		\$1.7 million favorable due to (1) \$0.3 million for the CT sales tax audit refund, (2) \$0.3 million in bank charges due to fee restructuring, (3) \$0.5 million in state taxes due to replacing Michigan franchise tax with an income tax, (4) \$0.3 million due to the elimination of Ohio commercial activity tax, and (5) \$0.3 million in reduced audit fees. This is offset by \$1.7 million of unfavorability due to: (1) \$0.7 for consulting, (2) \$0.6 in grants, (3) \$0.3 for hiring expense related to VP Marketing and Corporate Affairs searches, \$0.1 million all other.
General Underspend ("Haircut")	-	(5,028)	(3,487)	-	5,028	3,487	-	(901)	-	-	-	-		
<b>Subtotal - Executive Administration</b>	<b>7,064</b>	<b>1,297</b>	<b>3,575</b>	<b>8,905</b>	<b>5,767</b>	<b>3,489</b>	<b>(1,841)</b>	<b>6,232</b>	<b>6</b>	<b>7</b>	<b>1</b>	<b>5</b>		
Depreciation and Occupancy	17,116	17,219	17,219	16,380	(103)	(103)	736	16,471	-	-	-	-		- Depreciation true up.
Quality	7,439	7,706	8,356	4,621	(267)	(917)	2,818	8,757	31	34	3	22		\$0.9 million favorable due to \$0.3 million in salary and related, \$0.3 million in staff extender/consulting, \$0.2 million lower travel expense, \$0.1 million in outside services due to lower product complaint processing related to
Security	5,549	5,814	5,815	5,446	(265)	(266)	103	5,897	15	15	-	16		\$0.2 million favorability due to lower grants/rewards and reduced salary and related expense.
Corporate Compliance	3,385	3,756	3,992	3,193	(371)	(607)	192	3,606	11	13	2	9		\$0.6 million favorable for elimination of 1 open headcount and delay of a 2nd open headcount (\$160k); lower speaker program monitoring (\$150k); lower OWL fees and aggregate spend (\$180k) and lower Huron Independent Research Organization spend (\$65k).
Business Development	3,181	3,120	3,555	2,486	61	(374)	695	3,442	7	8	1	7		\$0.4 million favorable due to transfer of BIO dues to State Government Affairs (\$0.3 million) and elimination of open headcount (\$0.2 million).
Employee Benefits	5,005	3,008	3,008	2,572	1,997	1,997	2,433	(1,447)	-	-	-	-		\$2.0 million net unfavorable is due to \$4.8 million unfavorable in: (1) \$2.3 million in lower allocations due to open positions, (2) \$1.3 million unfavorable is related to the curtailment expense recognized as a result of moving from a Defined Benefit plan to a Defined Contribution plan, (3) \$1.2 million higher than anticipated relocation expense. This is offset by favorable variances of \$2.8 million due to: (1) \$1.6 million pension plan favorability, due to market performance and discount rate favorability, and (2) \$1.2 million favorable in medical expenses.
Fleet	(349)	(700)	(700)	(576)	351	351	227	-	-	-	-	-		- Higher than anticipated auto liability claims.
<b>Subtotal - Other</b>	<b>41,326</b>	<b>39,923</b>	<b>41,245</b>	<b>34,122</b>	<b>1,403</b>	<b>81</b>	<b>7,204</b>	<b>36,726</b>	<b>64</b>	<b>70</b>	<b>6</b>	<b>54</b>		
<b>Total General and Administrative</b>	<b>\$ 155,016</b>	<b>\$ 153,417</b>	<b>\$ 159,472</b>	<b>\$ 146,857</b>	<b>\$ 1,599</b>	<b>\$ (4,456)</b>	<b>\$ 8,159</b>	<b>\$ 159,126</b>	<b>368</b>	<b>381</b>	<b>13</b>	<b>351</b>		

# Redacted

Research and Development

Expressed in 000's

	Variance 2012 Actual versus							HEADCOUNT					Comments - 2012 Actual versus 2012 Budget
	2012 Actual	2012 November LE	2012 Budget	2011 Actual	2012 November LE	2012 Budget	2011 Actual	2013 Budget	2012 Actual	2012 Budget	Var to Budget	2011 Actual	
Clinical Program	\$ 138,629	\$ 156,514	\$ 159,141	\$ 112,169	\$ (17,885)	\$ (20,512)	\$ 26,460	\$ 191,025	-	-	-	-	Underspend of \$20.5 million is due to: 1) ONU lower by \$7.4 million due to slower than expected enrollment in the ONU pain plus OIC studies (\$13.4 million) offset by increase in spend on the pain only NDA compilation costs of \$2.6 million to incorporate European studies and cost increases and timing of spend on the abuse liability studies (\$2.2 million); 2) OTR lower by \$6.4 million due to initiatives in the pediatric studies to drive down costs including site reductions and consolidating the CRO's clinical team across the phase 3 efficacy study and the extension study, and significantly reducing the CRO's staffing levels during the remainder of the conduct phase of the studies; 3) HYD lower by \$11.0 million due to suspending enrollment in the phase 3 program pending implementation of protocol amendments for audiological safety that were made in Q1 2012 (\$9.3 million) and timing of initiating the abuse liability studies (\$3.0 million); 4) TRPV-1 lower by \$3.2 million driven by lower spends on the phase 2 proof of concept studies due to timing of study start (\$1.8 million) and cancellation of the phase 2 dose finding study (\$1.3 million) These underspends are partially offset by higher than budget spends in: 1) BUP higher by \$3.4 million primarily due to higher than anticipated total study costs as well as timing of spend in the BUP1025 thorough qtc study. 2) OCI spend of \$4.8 million added after 2012 budget was approved.
Non-Clinical	52,750	57,642	58,086	42,518	(4,892)	(5,336)	10,232	50,134	50	53	3	47	Underspend of \$5.3 million is primarily driven by timing of outsourcing spend on packaging and bioanalysis for HYD (\$3.9 million) and TRPV1 (\$3.5 million) partially offset by delayed spending in ONU.
Medical Research	27,324	29,023	28,313	23,687	(1,699)	(989)	3,637	33,455	73	79	6	64	Underspend of \$1.0 million primarily driven by underspend related to the PhlexGlobal contract for submission of documents into the Clinical Trial Masterfile data repository (\$0.3 million) and underspend relating to staff extenders (\$0.5 million).
Discovery Research	20,728	21,764	24,695	19,920	(1,036)	(3,967)	808	24,522	50	55	5	46	Underspend of \$4.0 million is driven by timing of spend in outsourcing and lab supplies related to exploratory projects of \$3.0 million and reduced people costs associated with delayed hires of \$0.7 million. Although advancing, exploratory projects did not reach the bridging study phase which resulted in the underspend.
Health Policy	16,693	17,399	17,619	17,548	(706)	(926)	(855)	16,502	40	40	-	38	Underspend of \$0.9 million is driven by \$0.4 million in special programs and \$0.1 million in each software, consulting, outside services, library subscriptions and educational materials.
Risk Management	12,047	14,493	16,678	10,102	(2,446)	(4,631)	1,945	16,246	14	15	1	11	Underspend of \$4.6 million is driven by the delay of various projects/studies including the FDA's approval of the class-wide REMS, which was approved on July 9th.
Drug Safety	9,476	10,496	12,297	13,112	(1,020)	(2,821)	(3,636)	11,122	33	41	8	37	Underspend of \$2.8 million is driven by 1) \$1.0 million of lower people related cost, 2) \$0.6 million lower spend in staff extender/consulting 3) \$1.2 million lower outsourced adverse events processing primarily due to lower Intermezzo volumes.
Regulatory	10,560	11,385	10,788	9,571	(825)	(228)	989	15,423	26	27	1	23	
Stamford Occupancy and Depreciation	9,412	9,415	9,415	9,752	(3)	(3)	(340)	10,678	-	-	-	-	
Tech Transfer	4,575	4,299	5,209	6,746	276	(634)	(2,171)	8,075	-	-	-	-	Underspend of \$0.6 million relates to eliminated MSC work. This work was due to the spray coat issue we were having with the indicia being covered.
Medical Affairs	1,205	2,299	4,242	143	(1,094)	(3,037)	1,062	4,142	3	4	1	1	Underspend is primarily due to no spend to date on Investigator Initiated Studies and underspend in consulting on product lifecycle management strategy.
Project Management	4,549	4,286	4,110	5,647	263	439	(1,098)	4,929	20	20	-	228	Overspend of \$0.4 million due to overspend in people costs (\$0.6 million) as a result of 4 positions being transferred in June 2012 from Clinical Packaging which was not anticipated in the Budget, offset by underspend in consulting (\$0.2 million).
Shionogi Collaboration	2,961	960	53	(1,336)	2,001	2,908	4,297	4,249	-	-	-	-	Overspend of \$2.9 million relates to the \$2.0 million IND filing milestone for the TRPV1 back-up compound budgeted to be received in 2012, but now expected to be received in 2013 due to contract interpretation differences between Purdue and Shionogi and the ORL1 program which has been placed on clinical hold.
R&D Innovation	1,066	2,436	2,326	-	(1,370)	(1,260)	1,066	5,310	2	1	(1)	-	Underspend is of \$1.3 million primarily due to timing of spend on innovation projects such as El-Minda consulting. The 2012 budget was based on a \$2.0 million exploratory placeholder for consulting, 2012 actual spend against this placeholder was \$0.6 million.
Outsource Management	1,393	1,573	2,048	-	(180)	(655)	1,393	1,488	6	8	2	-	Underspend of \$0.7 million primarily due to underspend in people costs (\$0.3 million) as a result of two positions being transferred to Medical Research which was not anticipated in the Budget, and underspend in staff extenders (\$0.2 million).
Health Outcomes	2,200	2,633	851	-	(433)	1,349	2,200	5,654	3	2	(1)	-	Overspend of \$1.3 million primarily due to consulting to develop budget impact models and other HOPE projects. The 2012 budget was based on a \$0.5 million exploratory placeholder for consulting, 2012 actual spend against this placeholder was \$1.7 million.
Cranbury Occupancy	(110)	-	(127)	358	(110)	17	(468)	-	14	14	-	9	
Underspend Estimate	-	(17,912)	(34,608)	-	17,912	34,608	-	(25,607)	-	-	-	-	
Total Research and Development	<u>\$ 315,458</u>	<u>\$ 328,705</u>	<u>\$ 321,136</u>	<u>\$ 269,937</u>	<u>\$ (13,247)</u>	<u>\$ (5,678)</u>	<u>\$ 45,521</u>	<u>\$ 377,347</u>	<u>334</u>	<u>359</u>	<u>25</u>	<u>298</u>	

# Other US

Expressed in 000's

	Variance 2012 Actual versus								
	2012 Actual	2012 November LE	2012 Budget	2011 Actual	2012 November LE	2012 Budget	2011 Actual	2013 Budget	Comments
Other Income (Expense):									
Purdue Pharma Tech	\$ 2,689	\$ 2,866	\$ 1,897	\$ 2,380	\$ (177)	\$ 792	\$ 309	\$ 1,683	Purdue Pharma Tech (PP Tech) provides EHS, security and other services to Purdue at cost plus markup. PP Tech is consolidated as one line - its returned margin shown here.
Norwell rent income (Totowa)	749	750	750	751	(1)	(1)	(2)	750	
Purchase discounts	898	700	600	668	198	298	230	700	
Reversal of use tax	307	350	-	1,709	(43)	307	(1,402)		- Sales and use taxes are recorded automatically when invoices are processed. When tax should not have been charged the credit is captured here after review by the tax department.
Fee for right to reference Abbott data	-	-	(5,000)	-	-	5,000	-		- Represents fee to be paid for the right to reference Abbott clinical data for Vicoprofen. The payment is no longer expected to be made.
Amortization expense - Intermezzo milestone	(20,000)	(20,000)	-	-	-	(20,000)	(20,000)		- Balance represents the write off of two \$10 million milestone payments upon Orange Book listing of Intermezzo patents paid in 2012 which were not included in the original budget.
Amortization expense - Dilaudid	(2,485)	(2,486)	(2,486)	(2,486)	1	1	1	(2,486)	Balance represents amortization of marketing rights of Dilaudid acquired in 2007 and 2008 for approximately \$100 million which is being amortized over its estimated useful life of 40 years.
Amortization expense - Labopharm settlement	-	-	(1,325)	(1,317)	-	1,325	1,317	-	Redacted
Write off Labopharm Intangible	-	-	-	(3,952)	-	-	3,952	-	
President's reserve	-	-	(2,219)	-	-	2,219	-	(5,000)	The President's reserve was not used in 2012.
Trust expenses	(328)	(320)	(500)	(697)	(8)	172	369	(100)	Redacted
Depreciation - Norwell & Other	(290)	(208)	(208)	(213)	(82)	(82)	(77)	(220)	
Miscellaneous	(138)	238	400	102	(376)	(538)	(240)	634	
Net Other Income (Expense)	\$ (18,598)	\$ (18,110)	\$ (8,091)	\$ (3,055)	\$ (488)	\$ (10,507)	\$ (15,543)	\$ (4,039)	

## Headcount Summary

	<u>December 2012 Actual</u>	<u>2012 Budget</u>	<u>Variance to Budget</u>	<u>2011 Actual</u>
G&A	368	381	13	351
R&D	334	359	25	299
Marketing / Sales Support	77	85	8	68
Field Sales	625	671	46	646
Total S&P	702	756	54	714
Totowa	18	18	-	17
Supply Chain Operations	57	57	-	57
Wilson	187	199	12	189
Total Technical Operations	262	274	12	263
President's Reserve	-	12	12	-
Total Headcount	<u>1,666</u>	<u>1,782</u>	<u>116</u>	<u>1,627</u>

**To:** Baker, Stuart D. [REDACTED]@chadbourne.com]; Beer, Peter [REDACTED]@pharma.com]; [REDACTED]  
[REDACTED]@pharma.com]; Gasdia, Russell [REDACTED]@pharma.com]; Landau, Dr.  
[REDACTED]@pharma.com]; [REDACTED]@pharma.com]; [REDACTED]  
David [REDACTED]@pharma.com]; Lundie, David [REDACTED]@pharma.com]; Mahony,  
Edward [REDACTED]@pharma.com]; [REDACTED]@pharma.com]; [REDACTED]  
[REDACTED]@pharma.com]; [REDACTED]@me.com]; Pickett,  
Cecil [REDACTED]@pharma.com]; Sackler Lefcourt, Ilene [REDACTED]@pharma.com]; Sackler,  
Beverly [REDACTED]@pharma.com]; Sackler, Dame Theresa [REDACTED]@mdsackler.co.uk];  
Sackler, David [REDACTED]@pharma.com]; Sackler, Dr Kathe [REDACTED]@pharma.com]; Sackler,  
Dr Raymond R [REDACTED]@pharma.com]; Sackler, Dr [REDACTED]  
Richard [REDACTED]@pharma.com]; Sackler, Jonathan [REDACTED]@pharma.com]; Sackler,  
Mortimer D.A. [REDACTED]@pharma.com]; Snyderman, Ralph [REDACTED]@pharma.com]; Stewart,  
John H. (US) [REDACTED]@pharma.com]; [REDACTED]@pharma.com]; [REDACTED]  
[REDACTED]@pharma.com]  
**Cc:** Stewart, John H. (US) [REDACTED]@pharma.com]  
**Bcc:** Stewart, John H. (US) [REDACTED]@pharma.com]  
**From:** [REDACTED]  
**Sent:** Fri 2/8/2013 12:24:15 PM  
**Subject:** 4Q 2012 Purdue Report to the Board  
4Q 2012 PURDUE Report to the Board2.8.13.docx

All,

Please find attached the 4<sup>th</sup> Quarter Purdue Report to the Board. You will find considerable detail relating to Marketing and Sales initiatives as well as updates on the progress that has been made against other important business objectives for the 4<sup>th</sup> quarter of 2012.

As always, please let me know if you have questions or need additional information.

Regards.. [REDACTED]

[REDACTED]  
Senior Vice President, Human Resources  
Purdue Pharma LP

**Redacted**

[REDACTED]@pharma.com

# **Purdue Quarterly Report to the Board 4th Quarter, 2012**

**February 8, 2013**

# TABLE OF CONTENTS

FINANCE .....	3
SALES & MARKETING .....	7
MANUFACTURING & SUPPLY CHAIN .....	
31	
QUALITY .....	
33	
RESEARCH & DEVELOPMENT .....	
35	
DISCOVERY RESEARCH .....	
39	
LICENSING & BUSINESS DEVELOPMENT.....	
41	
CORPORATE COMPLIANCE .....	
44	
EXTERNAL AFFAIRS .....	
45	
HEALTH POLICY .....	
47	
HUMAN RESOURCES .....	
51	
INFORMATION TECHNOLOGY .....	
55	



---

## 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.

---

Topics covered:

- 2012 Financial Performance
  - Purdue's Equity Investment in Infinity Pharmaceuticals
  - 2013 Budget
  - Executive Audit Committee
  - Pension Investment Committee
  - Information Technology
- 

### 2012 Financial Performance

\$ Millions	2012			2011	2010	2013 Budget
	Actual / Estimate (1)	Nov LE	Budget			
Net Branded Revenues	2,206	2,210	2,353	2,222	2,350	2,410
Operating Profit Margin (after Incentives and Settlements)	1,004	994	1,094	1,186	1,544	1,125
EBITDA	1,044	1,009	1,070	1,178	1,545	1,067
Net Profit Before Tax	1,014	979	1,038	1,146	1,472	1,035
Owner's Equity	685	651	661	492	577	705
Non-tax Distributions	472	463	448	575	890	538
Days Sales Outstanding	34.7	35.0	35.0	33.9	33.5	35.0
Accounts Receivable Outstanding > 90 Days Past Due	< 1%	< 1%	< 1%	< 1%	< 1%	< 1%
Capital Spending	29	35	36	27	30	35
Unrestricted Cash on Hand	756	716	771	607	437	600
Available Liquidity	756	716	771	607	437	600
Available Liquidity - Average Months Sales	4.1	3.9	3.9	3.3	2.2	3.0
Headcount	1,666	1,782	1,782	1,699	1,623	1,784

#### Notes:

1. The numbers above are our best estimate. Pre-audit financials will be published in February 2013 and audited financials in April 2013.
2. Please also see Ed Mahony's January 11<sup>th</sup>, 2013 e-mail titled "December Finance Flash Report" for sales by products and comments on cash balance, etc.

3. Purdue ended December 2012 with \$797 million in cash, of which \$756 million is unrestricted cash and \$41 million is restricted cash (\$ **Redacted** **Redacted** \$17 million cash collateralized letters of credit).
4. We expect to meet our \$500 million equity target for 2012 year-ended external reporting.
5. Operating profit is lower than budget and prior year due to increases in R&D (pipeline progressing) and increasing S&P (launching new products).

### **2013 Budget**

The 2013 budget was approved by the Board with net sales at \$2.4 billion, EBITDA at \$1.1 billion, and 1,784 headcount.

### **Executive Audit Committee**

Members: Stuart Baker, [REDACTED], [REDACTED] Ed Mahony, and Bert Weinstein

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

Frequency: Quarterly

- The Committee approved the proposed 2012 audit fee for Purdue, OSR and the Employee Benefit Plan Audits of \$725,500 which represents a reduction of \$231,500 or 24% from the actual 2011 fee of \$957,000. The decrease is due to efficiencies by E&Y and Purdue as well as a reduction in the hourly rate.
- Refer to the September Board Report for a summary of audits performed by IAF through Q3 2012. Most recent audits performed included:

### **Review of unapproved Butrans carton distributed to the Field Sales Force**

- Opportunities to improve operational efficiency and record keeping were:
  - A Butrans carton was correctly approved via the labeling review process for use commercially. That same carton needs to go through a separate "Material Approval Process" to the extent it is used by sales training. Individuals should be advised that a different use of the same item requires separate approval through the Material Approval Process.
  - Not all items shipped to the sales force were requested through the required bulk distribution request and therefore did not get entered into SAP. All shipments from the Canal Street warehouse should be recorded through the

SAP enterprise system to ensure accurate accounting of what is shipped, to whom and when.

### **Senokot diversion**

- Approximately \$3.8 million (value at Purdue sale price) of Senokot donated to AmeriCares was diverted into normal sales channels. Recommendations noted to improve controls and procedures were:
  - Identify on the package/bottle that the product donated is not for resale.
  - Require all charities to divulge, prior to Purdue's donation, the ultimate destination of the product.
  - Develop procedures to ensure that the product was distributed as intended.
  - Match the product donation values and quantities with the specific need.
  - Revise the product donation SOP to include additional approvals by departments such as Marketing, Corporate Security, Corporate Communications, etc.

### **Sales training materials follow up audit**

- IAF performed follow-up audits of training materials used in two separate sales training classes to ensure that (1) all sales training materials used were approved prior to the class, (2) archived and (3) compared back to the training agenda for completeness. Recommendations were:
  - Remind users of the automated system ("Aprimo") to exercise care to ensure that the training materials used in class are the same (i.e. have the same digital asset number) as the identical item stored in the Aprimo system.
  - Sales Operations and Training should randomly select material used in sales training classes and ensure that the materials have been approved and recorded in the Aprimo system.

### **Pension Investment Committee**

Members: Stuart Baker, [REDACTED], 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 Obligation is projected at \$230 million at 12/31/2012 and the plan assets were \$231 million at 12/31/2012. Purdue made \$16.2 million of contributions (spread out evenly during the year) to the plan in 2012.
- The plan investments returned 13.7% for the 12-month ended 12/31/2012. 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 one-year return out-performed the portfolio benchmark passive index by 2.2%.

### **Change to PPLP Defined Benefits Pension Plan**

- Effective January 1, 2013, the PPLP Plan will be closed to new entrants and closed for future service credits for about 54% of current employees.
- PPLP has created an additional savings plan with three-year vesting and 100% participation for employees no longer eligible for the PPLP Defined Benefit Plan.
- This change is expected to save \$85 million over 20 years and reduce actuarial, interest rate, and investment return risk.

### **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 \$6.3 million in 2012 and is defined as a percentage of the employee's contribution to the plan. The 401(k) plan assets total \$265 million and \$310 million at the end of 2011 and 2012 respectively.

---

## 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 positions. 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-S Tablets 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	556.4	798.9	596.1	762.2	583.7
Q3	749.6	531.8	792.8	592.0	726.3	543.7
Q4	817.3	607.5	852.2	626.2	757.4	530.0
Total	3,004.9	2,203.1	3,167.9	2,351.5	2,971.2	2,210.1

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

2012 year to date actual net sales of \$2,203.1 mm was lower than budget by \$148.4 mm or 6.3%. This variance was driven by:

- OxyContin net sales of \$2,012.7 mm were \$96.0 mm or 4.6% less than budget due to lower demand and an increase in product returns reserve.
- Butrans net sales of \$84.4 mm were \$11.6 mm or 12.1% less than budget due to lower demand.
- Intermezzo net sales of \$5.1 mm were \$38.3 mm or 88.2% less than budget due to lower demand.

2012 actual net sales of \$2,203.1 mm were lower than 2011 by \$7.0 mm or 0.3%. This variance was driven by lower OxyContin net sales of \$18.2 mm due to the increase in product returns reserve and lower Ryzolt net sales of \$17.2 mm, offset by an increase in Butrans net sales of \$28.4 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 \$2,351.5 mm.

2012	Actual		Budget		Prior Year	
	\$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 <sup>(1)</sup>	83.1	13.7%	99.7	15.9%	60.7	11.4%
Total	306.2	13.9%	343.4	14.6%	229.3	10.4%

(1) Q4 Expenses have been estimated pending year end closing procedures.

S&P expense of \$306.2 mm was \$37.2 mm lower than budget due to lower salary and related expenses of \$14.6 mm (primarily sales bonus related), lower Intermezzo promotional spend of \$14.3 mm due to a delay in DTC spending, lower Butrans promotional spend of \$2.6 mm due to less speaker programs and lower agency fees, lower spend on contract sales force of \$1.7 mm, and all other of \$4.0 mm.

S&P expense of \$306.2 mm was \$76.9 mm higher than prior year primarily due to expenditures associated with 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 \$56.3 mm, Intermezzo negative \$71.7 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 Product Contribution (\$MM)	2012 Target Product Contribution (%)	YTD Actual Gross (\$MM)	YTD Actual Net (\$MM)	YTD Actual Product Contribution (\$MM)	YTD Actual Product Contribution (%)
OxyContin	\$2,877.4	\$2,108.7	\$1,656.4	78.5%	\$2,777.1	\$2,012.7	\$1,579.3	78.5%
Butrans	\$135.8	\$95.9	(\$56.3)	N/A	\$112.9	\$84.4	(\$55.9)	N/A
Intermezzo	\$49.2	\$43.4	(\$71.7)	N/A	\$16.6	\$5.1	(\$84.2)	N/A
Laxatives	\$51.9	\$50.6	\$19.4	38.4%	\$51.5	\$50.3	\$18.1	31.0%

(1) Product Contribution has been estimated pending year end closing procedures.

- OxyContin's product contribution of \$1,579.3 mm was lower than budget by \$77.1 mm. This variance was driven by lower net sales of \$96.0 mm offset by lower variable expenses of \$10.7 mm and lower S&P and R&D expenses of \$8.1 mm.
- Butrans product contribution of (\$55.9 mm) was higher than budget by \$0.4 mm. This variance was primarily driven by lower net sales of \$11.6 mm offset by lower S&P and R&D expenses of \$12.0 mm.
- Intermezzo's product contribution of (\$84.2 mm) was lower than budget by \$12.5 mm. This variance was primarily driven by lower net sales of \$38.3 mm offset by lower variable expenses of \$8.3 mm and lower S&P and R&D expenses of \$17.5 mm.
- OTC's product contribution of \$18.1 mm was lower than budget by \$1.4 mm. This variance was primarily driven by higher S&P and R&D expenses of \$1.1 mm.

### **Purdue Analgesic Sales Force**

In order to maximize the Analgesic Sales Force effectiveness we will meet or exceed total prescriber call targets of 752,417 for 2012. A daily call average of 7.1 prescribers per day has been established for 2012. The 2012 Budget call plan by product is shown below:

Butrans will be in the primary position in 83% of calls and OxyContin will be in the primary position for 17% of the calls. 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-S Tablets will be in third position on at least 35% of all primary calls. Full Year 2012 Performance by product is detailed below:

2012 Sales Calls					
Primary Calls	Actual	Budget	Var	Actual	Budget
Butrans	574,393	626,417	(52,024)	82%	83%
OxyContin	123,832	126,000	(2,168)	18%	17%
<b>Total Primary Calls</b>	<b>698,225</b>	<b>752,417</b>	<b>(54,192)</b>	<b>100%</b>	<b>100%</b>
Secondary Calls	Actual	Budget	Var	Actual	Budget
OxyContin	458,437	563,775	(105,338)	80%	90%
Butrans	112,891	113,400	(509)	91%	90%
<b>Total Secondary Calls</b>	<b>571,329</b>	<b>677,175</b>	<b>(105,846)</b>	<b>82%</b>	<b>90%</b>
Tertiary Calls	Actual	Budget	Var	Actual	Budget
Laxatives	309,490	263,346	46,144	44%	35%
<b>Total Tertiary Calls</b>	<b>309,490</b>	<b>263,346</b>	<b>46,144</b>	<b>44%</b>	<b>35%</b>
Total Presentations %	Actual	Budget	Var		
Butrans	98%	98%	0%		
OxyContin	83%	92%	-8%		
Laxatives	44%	35%	9%		

**Result:** 2012 total calls were 7% below target due to lower days on territory (vacancies averaging 4.6%) and slightly lower call averages per day.

2012	HPC Call Goal	HPC Calls Made	Difference	% to Goal
Q1	171,024	179,554	8,530	105%
Q2	190,662	183,636	(7,026)	96%
Q3	199,466	180,723	(18,743)	91%
Q4	191,264	153,890	(37,374)	80%
Total	752,417	697,803	(54,614)	93%

Source: Report Gallery - Metrics Report (weeks of 1/1 - 12/28/2012)

**Result:** The average physician calls per day for 2012 was 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	7.0	7.1

### Intermezzo Sales Force



In order to maximize Intermezzo Sales Force effectiveness, the 2012 Budget prescriber call target is 328,860 with a daily call average of 8.0 prescribers per day.

**Result:** 2012 total sales calls were below target due to vacancies and the reduction of the contract sales force from 275 to 90 reps in December.

2012	Call Goal	Calls Made	Difference	% to Goal
Q1	0	0	0	0
Q2	112,505	112,120	(385)	100%
Q3	112,505	110,867	(1,638)	99%
Q4	103,850	75,369	(28,481)	73%
Total	328,860	298,356	(30,504)	91%

*Source: Phoenix Territory Management System*

**Result:** The average physician calls per day for 2012 was 6.8 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	6.6

### **Marketing Department Key Initiatives**

There are several key initiatives for each brand that are being implemented in an effort to support the activities of the sales force. Below is a top-line review of 4th Quarter activities:

- **Butrans® Brand Team**

#### **Action Plan Materials**

In the 4<sup>th</sup> quarter, representatives were trained on the updates to the Butrans Full Prescribing Information and they began distributing the new FPI with materials. Marketing worked to update all print and electronic materials for distribution in Q1 2013

#### **Butrans Patient Savings Program**

Marketing recommended updates to the Butrans Patient Savings Program including increasing the trial offer for new commercially insured patients from \$75 to \$100

and the savings offer from \$40 to \$50 for 2013. This recommendation was based on an analysis where the new offer increased top line sales and maintained profitability

- Utilization of Butrans Patient Savings Program has increased prescribing 226% compared to control
- Butrans Patient Savings Program has increased NBRx 28% (New-to-Brand)
- ROI: 3.74 based on IMS study

### **Butrans Trial Card Incentive**

The Butrans Trial Card Incentive was executed in Q4. This consists of a bonus where representatives are incentivized on Butrans Trial Card redemptions since the cards are proven to increase NBRx prescriptions.

### **Butrans Speaker Programs**

- In Q412, we conducted 386 speaker events which provided Butrans education to approximately 3,900 HCPs. Recent analysis shows a 195% increase in Rxs over control for HCPs who attended these events.
- The Physician's Television Network, an at home education via pre-recorded video of a speaker presenting Butrans, achieved the goal of 5,250 views of the Butrans promotional video.

### **Butrans Experience**

2,500 kits were distributed to our representatives for prescribers new to the program, and an additional 150 kits to those already enrolled. Also, an additional 500 patients were enrolled, and 1,000 additional HCPs were enrolled. This program has resulted in an increase of 0.76 Rxs per enrollee, with an overall ROI of 2.6, one of the highest seen for any of our initiatives.

### **Butrans Journal**

Journal ads continue to be placed in various pain-related journals, reaching specialists, PCPs, and NP / PAs.

### **Public Affairs**

Public Affairs completed and launched the Doctor's Channel series on Butrans with the following topics: Patient Savings Program, Dosing and Titration, Appropriate

Regulatory Prescribing and Instructions for Use. The series will air for one year and is shown to HCPs in various practices including pain management, anesthesiology, family medicine and internal medicine

### **Market Research**

- Quantitative Discontinuation Research Completed
- Fibromyalgia Qualitative Research Completed
- Additional Strengths Research Completed
- ImpactRx Research Completed

### **eMarketing**

- In the 4<sup>th</sup> quarter, implementation of the Butrans HCP Relationship Marketing Program continued. 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 sites 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.
- eMail delivery was suspended in November and December as labeling updates were needed for each of the eMails and this required MRL review. Despite this suspension the annual goal of 800,000 eMail messages was achieved. eMails should come back on line in January.
- 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:

The Butrans National Program has REACHED		85%	of the 73.5K HCPs	
Targeted Tactics		YTD	Goal	% Achieved
Recruitment Emails	Number Sent	898,688	800,000	112.3%
	Delivery Rate	96%	85%	113.4%
eDetail eMails	Number Sent	36,609	55,000	66.6%
Initiations	Starts	1,081	550	196.5%
Invites	Invites Sent	22,860	4,400	519.5%
Open Tactics		YTD	Goal	% Achieved
SEM	Impressions	2,257,677	990,000	228.0%
	Position	3.30	3	Lower than target
Portal	Visits	81,469	55,000	148.1%
	Page Views per Visit	2.04	2.00	102.1%
Display – PurdueHCP.com	Impressions	56,893	Program ended	
Display – Butrans.com	Impressions	87,378	1,274,646	6.9%

Note: SEM = Search Engine Marketing, Portal represents Visits to Purdue HCP.com

### OxyContin® Tablets Brand Team:

- In the 4<sup>th</sup> quarter, reinforcement of the “Individualize the Dose” campaign was continued. Greater emphasis was placed on the OxyContin Managed Care Status and Patient Savings Program. As a result, the following promotional materials were updated and provided to Sales Representatives in October: Core Visual Aid, Appropriate Patient Case Vignettes, and the Patient Savings Program Sell Sheet.
- A “Medicare Part D” three wave direct mail and email campaign was developed by the OxyContin Brand Team to reinforce the broad formulary coverage of OxyContin to HCPs. 70% of HCPs received the promotion via email and 30% via direct mail. Deployment occurred during October and continued through December.
- A sensitivity analysis was performed and as a result, the OxyContin Savings program offerings for both the Relay Health pharmacy program and the MediMedia Savings Card program have been increased to up to \$90 in potential savings, once a patient pays the initial \$25 out-of-pocket expense during the January 2013 through March 31, 2014 program period. All collateral materials were updated to reflect the new program offering (Savings Card kits, combined program (Relay Health/ MediMedia) HCP detail sheet, and pharmacist information sheet specific to the Savings Card program). Group numbers from 2012 will be automatically rolled over to reflect the new 2013 offering in all states except for Vermont, and pharmacy alerts are being sent out (beginning in January) to minimize confusion and disruption in the marketplace.

- The OxyContin Relay Health eVoucher Program was initiated in March 2012 for new-to-brand patients for OxyContin. After only 60 days, the Relay Health Program showed a positive ROI of 1.16 and incremental revenue of \$1.77MM. In the 4<sup>th</sup> quarter, there were a total 103,127 redemptions for this program with 263,790 redemptions for 2012. The Patient Savings Card is currently driving a positive ROI of 4.3 and a 14.6 TRx lift per HCP. There were a total of 44,877 redemptions for the Savings Card program in the 4<sup>th</sup> quarter and 696,551 redemptions for 2012. Currently, 3% of prescriptions are redeemed with a Savings Card and 7% through Relay Health.
- Based on a previous positive ROI of 2.8, the OxyContin Brand Team developed an updated Product Theater Video for the Professional Television Network (PTN). This video program was made available in December and will reach a minimum of 3,000 target HCPs. The content was repurposed from the Product Theater slide deck and video recorded with [REDACTED] a national KOL in Pain Management. An analysis of ROI for this program will be undertaken at a future date.
- In the 4<sup>th</sup> quarter we continued to implement the OxyContin HCP Relationship Marketing Program. It includes the interactivity of invitations, an eMail series on OxyContin-related topics, the Conversions case study program, as well as PurdueHCP.com Web portal that contain available materials (such as the Formulary status, Patient Saving Cards and the Conversions case study program) for healthcare professionals to engage with to educate themselves, peers, and patients. This eMarketing initiative reinforces the branding, positioning, and key selling messages of OxyContin.

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:

The OxyContin National Program has REACHED		90%	of the 60.4K HCPs	
Targeted Tactics		YTD	YTD Goal	% Achieved
Recruitment Emails	Number Sent	1,198,618	900,000	133%
	Delivery Rate	94%	85%	110%
eDetail eMails	Number Sent	69,314	55,000	126%
Open Tactics		YTD	YTD Goal	% Achieved
SEM	Impressions	3,309,414	2,832,300	117%
	Position	2.47	3.00	Higher than target
Portal	Visits	81,469	55,000	148%
	Page Views per Visits	2.04	2.00	102%
Display	Impressions	4,614,788	4,316,314	107%

The OxyContin National Program has ENGAGED		13%	of the 60.4K HCPs	
Targeted Tactics		YTD	YTD Goal	% Achieved
Recruitment Emails	Open Rate	3.3%	3%	111%
eDetails	Unique Starts	337	330	102%
Portal	Registrations	742	550	135%
	Savings Cards	569	55	1,035%
Program eMails	Open Rate	27.3%	20%	136%
Conversions	Starts	267	55	485%
Open Tactics		YTD	YTD Goal	% Achieved
SEM	Clicks	42,313	40220	105%
	CTR	1.3%	1.42%	90%
Portal	Fingertip Formulary	271	110	238%

Note: CTR on the chart above represents click through rate

### **Intermezzo® Brand Team**

- Patient Savings Programs were implemented in April. These include an eVoucher (at retail pharmacy) and Savings Card.
  - Through December 29, 11,807 redemptions have been processed (8,683 for eVouchers and 3,124 for Savings Cards).
  - YTD, 34% of prescriptions filled have been accompanied by either eVoucher or Savings Card.
- The Intermezzo sampling program was implemented and executed via mail directly to physician's offices (those who request samples). Additionally, a "Trial Offer" sampling program, which provides patients the ability to obtain three Intermezzo tablets free of cost, was implemented.
  - Through December 29, 97,525 sample units of the 1.75 mg and 85,984 of the 3.5 mg have been delivered to physician offices.
  - YTD 3,921 unique patients enrolled in the "Trial Offer" program.
- The sales force continues to leverage the Core Visual Aid and patient assessment materials provided during their District Meetings in June.
  - a. Additional sales tools will be introduced during District Meetings the week of October 8<sup>th</sup>, 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.
    1. The October meetings did not take place due the restructuring of the Intermezzo Sales Force (ISF).
    2. However, once the restructuring was completed new materials were provided to the ISF specific to the Direct-To-Consumer Campaign (DTC).

3. These included the DTC Patient Brochure and Patient Materials Sales Aid.
- The Intermezzo Direct-To-Consumer campaign launched during the fourth quarter.
    - a. The Intermezzo DTC print and digital campaign started in November/December and will continue through March 2013.
      1. The national print campaign began on 11/27 and the digital campaign launch on 12/18, which includes myintermezzo.com (the consumer website).
      2. Print included an ad in Time Magazine's Person of the Year Issue.
  - The DTC television commercial was approved for use by the FDA and began airing on Video-on-Demand sites such as HULU and NBC.com on 12/19/12.
    - a. The national broadcast airing of the Intermezzo commercial began airing on 1/7/13 and will continue through March 2013.
  - The Speakers Bureau began with nine national KOLs trained within FDA guidelines.
    - a. A total of 92 regional/local KOLs have been trained.
    - b. To date, 250 speaker programs have been completed, with 1600 confirmed HCP attendees.
    - c. The speaker programs are currently averaging nine HCP's per event.
    - d. The Intermezzo Sales Force has continued to schedule speaker programs leading into Q1, 2013.

### **eMarketing**

Intermezzo HCP eMarketing initiatives continued in the 4rd quarter with a multi-channel approach including eMails, Online Advertising and Website Visits. YTD end of November over two million HCP eMails were sent to the 100,000 HCP targets, ten million online media impressions were delivered to HCPs and over 76,000 visits to IntermezzoRx.com occurred. All of these eMarketing initiatives exceed their goals. The three tables below provide the specific metrics and results for the initiatives.

YTD Email Performance	Volume	Open Rate	Click to Open Rate	IntermezzoRx.com Visits	PurdueHCP.com Visits
<b>Total</b>	<b>2,072,457</b>	<b>2.8%</b>	<b>8.3%</b>	<b>2,285</b>	<b>422</b>
Announcement	58,848	3.2%	9.7%	6†	N/A
Awareness	1,318,636	2.7%	8.3%	1,330*†	59*†
Product Theater	515,166	2.8%	8.4%	444	N/A
Recruitment	85,027	2.7%	5.7%	438	363
<b>HMG</b>	<b>239,693</b>	<b>2.0%</b>	<b>5.5%</b>	<b>-</b>	<b>-</b>

	Impressions			Clicks			CTR	CPC
	Forecast	Actual YTD	% to Forecast	Forecast	Actual YTD	% to Forecast	Actual YTD	Actual YTD
<b>Paid Search</b>	4,038,150	5,807,689	143.8%	27,056	73,527	271.8%	1.27%	\$1.92
<b>Display Banners</b>	5,005,000	4,814,490	96.2%	5,005	7,726	154.4%	0.16%	\$58.94
<b>Total</b>	<b>9,043,150</b>	<b>10,622,179</b>	<b>117.5%</b>	<b>32,061</b>	<b>81,253</b>	<b>253.4%</b>	<b>0.76%</b>	<b>\$7.34</b>

2012 YTD (Jan – Nov) Site Performance	
<b>Total IntermezzoRX.com Visits</b>	<b>76,700</b>
Non-Media Visits	16,119
Display Visits*	4,481
Paid Search Visits*	56,100
<b>IntermezzoRx.com Registrations</b>	<b>646</b>
<b>PurdueHCP Intermezzo Visits</b>	<b>1,066</b>

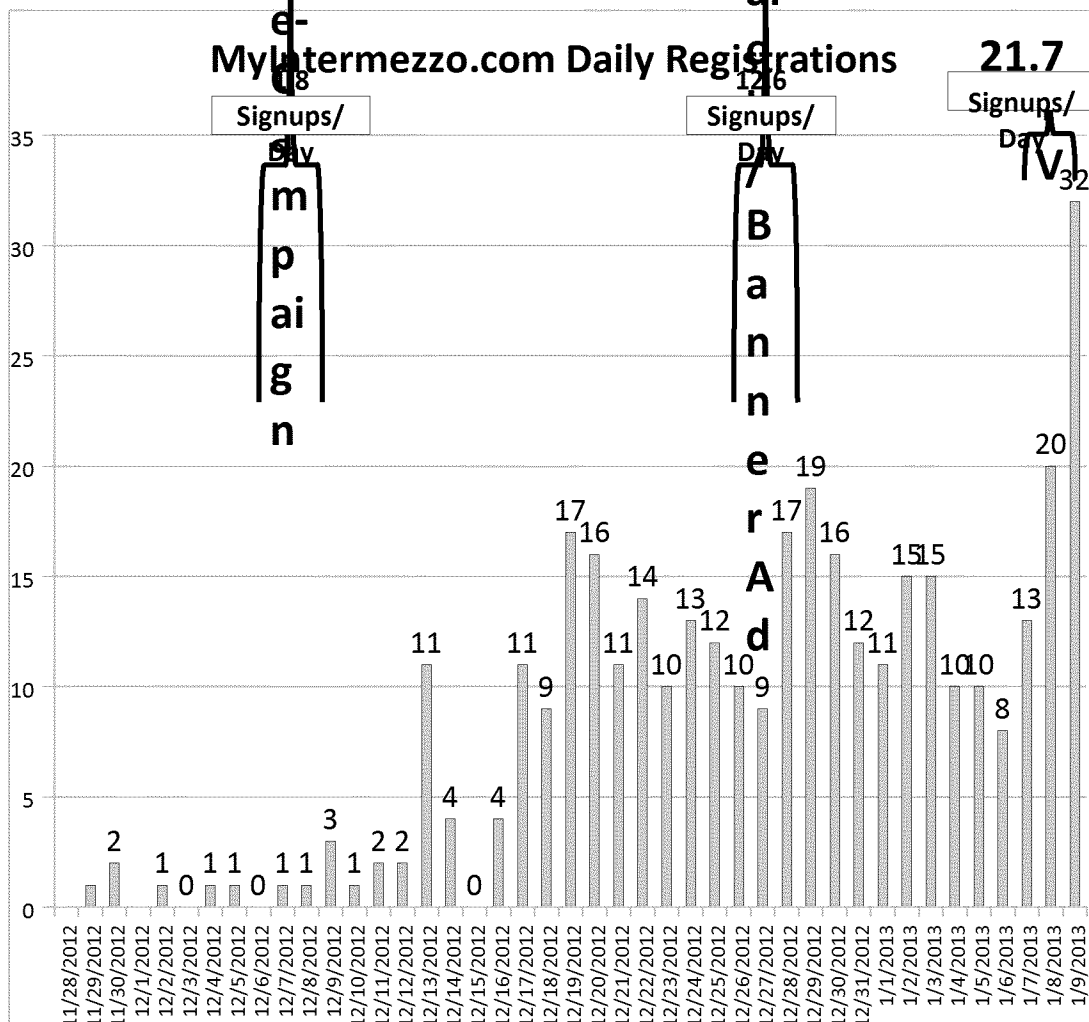
Intermezzo Consumer eMarketing initiatives started in the 4<sup>th</sup> quarter of 2012. The major initiatives launching included the Online and Mobile versions of the myIntermezzo.com consumer website, Intermezzo Online Banner advertising, Intermezzo Search advertising on Google, Yahoo and Bing search engines and Consumer CRM program.

- In 2012 there were 125,000 visits to myIntermezzo.com. The majority of these were driven by banner ads and search marketing ads.
- Over 132 million online banner ad impressions were generated in December driving 178,000 visits to myIntermezzo.com. Search marketing with ads on Google, Yahoo and Bing generated over 28,000 visits to myIntermezzo.com.



Site Name	Total Impressions	Total Clicks	Post-Impression Conversions/ Latent Visits	Total Visits
MaxPoint	64,528,415	63,638	1,297	64,935
Hulu	10,098,716	52,770	8,082	60,852
<b>NBC.com</b>	8,232,662	25,416	3,878	29,294
Yahoo!	39,622,474	17,599	453	18,052
iVillage	9,187,124	3,808	154	3,962
WebMD	983,504	535	382	917
DISPLAY TOTAL	132,652,895	163,766	14,246	178,012
Search TOTAL		28,103		28,103
Overall Total	132,652,895	191,869	14,246	206,115

- There were 231 registrations to the myIntermezzo CRM program. Banner ad promotion drove registrations into the myIntermezzo CRM program in December and early reports in January show TV advertising is driving even more registrations per day.



## Laxatives Brands

- Consumer and HCP promotions continued throughout the 4<sup>th</sup> quarter:
  - National “Purchase Incentive” Program
  - Account Specific Sweepstakes Promotions at key retailers (e.g. WalMart, Walgreens and Rite Aid)
  - Print advertising in demographic specific magazines such as Women’s Day, Better Homes and Gardens, and Readers Digest
  - Instant redeemable coupon promotions
  - 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 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 4th quarter of 2012.

---

### Commercial Formulary Status ~ 211 Million lives in this channel

	OxyContin		Butrans		Intermezzo	
	Lives (mm)	%	Lives (mm)	%	Lives (mm)	%
Preferred/2nd tier	181	86.0	62.2	30	22.1	10.5
Preferred/3rd tier	7.6	4.0	107	51	87.9	41.8
Step Edit/Prior Auth	9	3.8	19	9	55.9	27.2
Not Covered	13.6	6.2	23.5	10	45.2	20.5

- 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 27%. All major Pharmacy Benefit Managers and most national health plans cover OxyContin on their formularies.
- Butrans (Commercial)

- Butrans continues to achieve improved formulary access (30% of commercial lives in a preferred position).
  - Recent formulary elevation to 2<sup>nd</sup> tier at Aetna (approximately 8mm lives nationally) has been followed by an extensive national pull-through program that will continue into 1Q13. We anticipate a greater than 30% lift in prescriptions with 2<sup>nd</sup> tier formulary access.
  - ODS, an Oregon state-wide health plan and has moved Butrans to 3<sup>rd</sup> tier.
- Intermezzo
    - From launch, the commercial channel has been the focus for Intermezzo.
    - The 2012 target of over 50% of commercial lives at 2<sup>nd</sup> tier or 3<sup>rd</sup> tier unrestricted access has been achieved. However, there are 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.
    - ProCare, a regional PBM (for self-funded employer groups) in Atlanta, GA moved Intermezzo to 2<sup>nd</sup> tier unrestricted from 3<sup>rd</sup> tier with restrictions effective January 1, 2013.
    - CVS/Caremark, a large national PBM, notified us that starting January 1, 2013, they would not be covering Intermezzo at any formulary tier and if Caremark covered patients wanted Intermezzo the patient would have pay 100% of the cost.
      1. Our colleagues in Medical and Law worked with Sales & Marketing on a clinical letter to the Chief Medical Officer of Caremark outlining concerns with this decision, with an offer to meet and discuss the decision.
      2. The goal is to re-engage Caremark's clinical and commercial teams to re-review this decision and reverse it.
      3. This non-coverage will affect the lives covered in the below table in 1Q2013.

**Medicare Part D ~ 30 Million lives in this channel**

	OxyContin		Butrans		Intermezzo	
	Lives (mm)	%	Lives (mm)	%	Lives (mm)	%
Preferred	16.8	56.0	0.3	1.1	0.009	0.4
Non-Preferred	1.8	5.9	2.6	8.9	0.012	5.7
Step Edit/Prior Auth	3.1	10.0	1.2	4.0	1.1	2.6
Not Covered	8.1	28.1	25	86.0	28.7	90.4

- 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 22%
  - 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.
  - 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. 91% of all prescriptions filled in this channel in 4Q12 were 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	1.3	3.1	5.7	11.9	2.5	5.1
Prior Auth Required	46.5	96.9	42.2	88.1	45.3	94.8

- 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.
  - In 2012 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**

Typically, during the fourth quarter the dominant project is finalizing the 2013 budget forecasts. In addition, numerous secondary data studies monitoring the impacts of opioid prescribing limitations in Washington and Florida were conducted. Research to support the launches of ONU and HYD was also conducted. Finally, in analytics, in addition to the projects below, monitoring of several initiatives, such as the Butrans Experience Program, speaker programs; savings card ROI, the impact of relationship marketing and many other product specific endeavors are ongoing. The projects below represent a non-comprehensive sample of some key undertakings by the Forecasting, Analytics and Market Research department.

INTERMEZZO Objectives	Key results	Recommended Actions/Potential Actions
<p><b><u>Sales Force Effectiveness</u></b>  <b><u>(1<sup>st</sup> wave completed 5-2012, 2<sup>nd</sup> wave completed 7-2012, 3<sup>rd</sup> wave completed 9-2012)</u></b></p> <p>- Quantitative study with physicians who have received Intermezzo sales calls to track sales rep performance/message delivery</p>	<p>About 46% of physicians report that Intermezzo sales calls are the sole source of information they have on the brand</p>	<p>DTC advertising will also increase physician awareness as well as relationship marketing campaigns.</p>
<p>- Determine the influence that sales reps are having on physician behavior</p>	<p>Of physicians not prescribing, the main reasons are: 42% say lack of experience, 51% report managed care issues, 40% are satisfied with other brands, 17% do not have the right patients</p>	<p>Continue to work to remove managed care barriers, as this is the highest actionable objection to writing the brand. 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>36% of physicians say that they have changed the way they discuss insomnia with their patients as a result of Intermezzo sales calls  Intermezzo's indication is recalled as the main</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.</p>

	<p>message by 64% of physicians. 42% of physicians find this message to be persuasive. The :90 ad was liked by 81% of respondents. Though the fair balance increased in the :90 ad, dislikes have not significantly increased from the :60 ad. On an unaided basis, over 80% of respondents recalled Intermezzo name from the ad. Less than 20% of respondents recalled the Ambien name from the ad.</p>	<p>Most physicians report that sales reps are their sole source of information so far and the reach of representatives is limited.</p>
INTERMEZZO Objectives	Key results	Recommended Actions/Potential Actions
<p><b><u>Intermezzo :90 Ad Test Underway</u></b></p> <p>Compare revised commercial which includes a reference to Ambien and an additional :30 of fair balance to previous commercial and normative data to see the impact that these potential changes may have had on the commercial.</p>		<p>Initial concerns that the increase in the length of the ad would be detrimental to its effectiveness. However, this research suggested otherwise and the decision to move forward with the advertisement was made.</p>

<p><b><u>Intermezzo Consumer Experience Study Underway</u></b></p> <p>Understand the patients' overall experience with Intermezzo from the point of filling the prescription, to first hand experiences with the drug.</p>	TBD	Will be used to identify and overcome obstacles in adoption and patient persistence. May also be used for appropriate consumer messaging.
<p><b><u>Intermezzo Consumer Brand Awareness Study</u></b></p> <p>Establish a baseline awareness of Intermezzo among consumers, which includes usage and interest levels, to enable assessment of marketing efforts over time.</p>	TBD	Will be used to measure gains in awareness based on DTC and other early 2013 marketing and sales efforts, which is one of the key issues and objectives for the year.
OXYCONTIN Objectives	Key results	Recommended Actions/Potential Actions
<p><b><u>OxyContin and Butrans Call Sensitivity / Sizing Analysis</u></b></p> <p>Completed 10-2012</p> <p>To Determine the impact of</p>	<p>- Looking at the periods Jul-Dec 2010 and Jun-Nov 2011, we saw a TRx upside of 12% for OxyContin when we went from no calls to a secondary call (P2) and 20% when we went from no calls</p>	<p>- The ultimate recommendation was to redistribute primary calls to a 50/50 split between OxyContin and Butrans in 2013.</p> <p>- This is being implemented in Jan 2013.</p>

<p>shifting primary calls from Butrans to OxyContin.</p>	<p>to a primary call (P1).</p> <ul style="list-style-type: none"> <li>- Butrans had an upside of 63% when going from no calls to a P1 and 34% going from no calls to P2.</li> <li>- This was used to determine that a 50/50 split in primary calls using the current sales force to Butrans and OxyContin should have a net upside to Purdue of \$13M in 2013.</li> </ul>	
--	---	--