

| ASSUMPTIONS | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|-------------------------------|-------------------|-----------|-----------|------------|------------|------------|------------|------------|--------------------------|-----------|-----------|-----------|-----------|
| Total Morphine Market | | | | | | | | | | | | | | |
| Total IMS morphine BID market | in bottles, 000s | 5,443 | 5,551 | 5,663 | 5,776 | 5,891 | 6,010 | 6,129 | 6,252 | 6,377 | 6,504 | 6,633 | 6,766 | 6,901 |
| Growth year-to-year | 2.0% p.a. | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Market Share, by sales bottles | | | | | | | | | | | | | | |
| Purdue brand (2013, fixed) | 25 in bottles, 000s | 0.4% | 0.4% | 0.4% | 10.0% | 10.0% | 10.0% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% |
| Purdue/Rhodes generic | | 34.8% | 34.8% | 34.8% | 34.8% | 34.8% | 50.0% | 50.0% | 50.0% | 34.8% | 34.8% | 34.8% | 34.8% | 34.8% |
| 3rd-party generic, licensed by Purdue | 15.0% during 2016-2019 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 15.0% | 15.0% | 15.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| Other manufacturers | total to 100% | 64.8% | 64.8% | 64.8% | 55.2% | 55.2% | 25.0% | 34.6% | 34.6% | 34.6% | 54.8% | 54.8% | 54.8% | 54.8% |
| Pricing, weighted-average by mg | | | | | | | | | | | | | | |
| Purdue brand net price | 3.0% per bottle, growth yty | \$ 506.71 | \$ 521.91 | \$ 537.57 | \$ 332.22 | \$ 342.18 | \$ 352.45 | \$ 605.04 | \$ 623.19 | \$ 641.88 | \$ 661.14 | \$ 680.97 | \$ 701.40 | \$ 722.44 |
| Purdue/Rhodes generic dead-net price; C | 3.4% <= % of WAC =>TR | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 35.24 | \$ 35.24 | \$ 35.24 | \$ 35.24 | \$ 35.24 | \$ 35.24 | \$ 35.24 | \$ 35.24 |
| Cost of Goods (Unit) | | | | | | | | | | | | | | |
| Purdue brand | \$ 9.89 per bottle, w/S&W 10% | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 |
| Purdue/Rhodes generic | \$ 9.36 per bottle, w/S&W 10% | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 |
| PROFIT AND LOSS STATEMENT | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Net Sales | | | | | | | | | | | | | | |
| Purdue brand | net sales, \$000s | 11,235 | 11,803 | 12,402 | 191,883 | 201,578 | 211,806 | 15,108 | 15,871 | 16,675 | 17,517 | 18,402 | 19,332 | 20,309 |
| Purdue/Rhodes generic | net sales, \$000s | 32,427 | 33,073 | 33,739 | 34,412 | 35,098 | 105,903 | 108,014 | 110,167 | 112,374 | 79,728 | 81,317 | 82,938 | 84,591 |
| Total Net Sales | | \$ 43,662 | \$ 44,876 | \$ 46,141 | \$ 226,294 | \$ 236,676 | \$ 317,709 | \$ 123,121 | \$ 126,038 | \$ 129,048 | \$ 97,245 | \$ 99,719 | ##### | ##### |
| Cost of Goods | | | | | | | | | | | | | | |
| Purdue brand | \$000s | 219 | 224 | 228 | 5,711 | 5,825 | 5,943 | 247 | 252 | 257 | 262 | 267 | 273 | 278 |
| Purdue/Rhodes generic | \$000s | 17,725 | 18,079 | 18,443 | 18,810 | 19,185 | 28,135 | 28,696 | 29,268 | 29,854 | 21,181 | 21,603 | 22,034 | 22,473 |
| Total Cost of Goods | | \$ 17,945 | \$ 18,302 | \$ 18,671 | \$ 24,522 | \$ 25,010 | \$ 34,078 | \$ 28,943 | \$ 29,520 | \$ 30,111 | \$ 21,443 | \$ 21,871 | \$ 22,307 | \$ 22,751 |
| Gross Margin | | | | | | | | | | | | | | |
| Purdue brand | \$000s | 11,016 | 11,579 | 12,173 | 186,171 | 195,753 | 205,863 | 14,861 | 15,619 | 16,418 | 17,255 | 18,135 | 19,060 | 20,031 |
| Purdue/Rhodes generic | \$000s | 14,702 | 14,995 | 15,297 | 15,601 | 15,912 | 77,768 | 79,318 | 80,899 | 82,519 | 58,546 | 59,713 | 60,904 | 62,118 |
| Net sales royalty from 3rd-party generic | 10.0% of net sales, \$000s | | | | | | 3,177 | 3,240 | 3,305 | 3,371 | 2,292 | 2,338 | 2,385 | 2,432 |
| Total Gross Margin | | \$ 25,717 | \$ 26,574 | \$ 27,470 | \$ 201,773 | \$ 211,666 | \$ 286,808 | \$ 97,419 | \$ 99,823 | \$ 102,308 | \$ 78,094 | \$ 80,186 | \$ 82,348 | \$ 84,581 |
| Gross margin as % of net sales | | 58.9% | 59.2% | 59.5% | 89.2% | 89.4% | 90.3% | 79.1% | 79.2% | 79.3% | 80.3% | 80.4% | 80.5% | 80.6% |
| Total Operating Expenses (before financial deal terms) | | \$ 4,267 | \$ 9,786 | \$ 12,569 | \$ 16,023 | \$ 11,013 | \$ 14,659 | \$ 5,903 | \$ 5,772 | \$ 5,907 | \$ 4,476 | \$ 4,587 | \$ 4,702 | \$ 4,820 |
| GRT Financial Deal Terms | | | | | | | | | | | | | | |
| Total Milestones (P&L) | | \$ 489 | \$ 489 | \$ 489 | \$ 623 | \$ 623 | \$ 623 | \$ 623 | \$ 623 | \$ 623 | \$ 623 | \$ 623 | \$ 623 | \$ 623 |
| Total Royalties | | \$ - | \$ - | \$ - | \$ 13,222 | \$ 14,001 | \$ 21,667 | \$ 7,776 | \$ 7,954 | \$ 8,138 | \$ 6,008 | \$ 6,155 | \$ 6,306 | \$ 6,461 |
| Operating Profits before Taxes | \$000s | \$ 20,962 | \$ 16,299 | \$ 14,412 | \$ 171,905 | \$ 186,030 | \$ 249,860 | \$ 83,117 | \$ 85,474 | \$ 87,641 | \$ 66,987 | \$ 68,822 | \$ 70,717 | \$ 72,677 |
| Provision for income taxes | 50.0% tax rate | (10,481) | (8,149) | (7,206) | (85,953) | (93,015) | (124,930) | (41,559) | (42,737) | (43,820) | (33,493) | (34,411) | (35,359) | (36,338) |
| Net Income after Taxes | \$000s | \$ 10,481 | \$ 8,149 | \$ 7,206 | \$ 85,953 | \$ 93,015 | \$ 124,930 | \$ 41,559 | \$ 42,737 | \$ 43,820 | \$ 33,493 | \$ 34,411 | \$ 35,359 | \$ 36,338 |
| FREE CASH FLOWS ANALYSIS | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Cash Flows Model | | | | | | | | | | | | | | |
| Net income after taxes | | 10,481 | 8,149 | 7,206 | 85,953 | 93,015 | 124,930 | 41,559 | 42,737 | 43,820 | 33,493 | 34,411 | 35,359 | 36,338 |
| Work capital changes | 10.0% of yty sales change | - | (121) | (126) | (18,015) | (1,038) | (8,103) | 19,459 | (292) | (301) | 3,180 | (247) | (255) | (263) |
| Add: milestones amortized | | 489 | 489 | 489 | 623 | 623 | 623 | 623 | 623 | 623 | 623 | 623 | 623 | 623 |
| Subtract: milestone cash flows | | (7,338) | - | - | (2,000) | - | - | - | - | - | - | - | - | - |
| Add: capital equipment depreciation | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Subtract: capital equipment cash flows | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Free Cash Flows | | 3,632 | 8,517 | 7,569 | 66,560 | 92,599 | 117,449 | 61,640 | 43,068 | 44,142 | 37,296 | 34,786 | 35,726 | 36,698 |
| Grunenthal Free Cash Flows | | \$ 3,669 | \$ - | \$ - | \$ 7,611 | \$ 7,000 | \$ 10,833 | \$ 3,888 | \$ 3,977 | 66,575 4,069 5,692 | \$ 3,004 | \$ 3,077 | \$ 3,153 | \$ 3,231 |
| RETURN ON INVESTMENT | | discounted \$000s | | | | | | | | | | | | |
| Purdue+Rhodes discounted free cash flows with GRT formulation, 2013-2025 (@12% | | 303,017 | | | | | | | | | | | | |
| Purdue+Rhodes discounted free cash flows if non-TR MSER is off market at EOY-2 | | 59,017 | | | | | | | | | | | | |
| Incremental discounted free cash flows provided by GRT formulation | | 244,000 | | | | | | | | | | | | |
| Grunenthal discounted free cash flows (@12% discount rate) | | 28,904 | | | | | | | | | | | | |

| ASSUMPTIONS | | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|-----------------------------------|--|-----------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Morphine Market | | | | | | | | | | | | | | | |
| Total IMS morphine BID market | in bottles, 000s | | 5,443 | 5,551 | 5,663 | 5,776 | 5,891 | 6,010 | 6,129 | 6,252 | 6,377 | 6,504 | 6,633 | 6,766 | 6,901 |
| Growth year-to-year | 2.0% p.a. | | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Market Share, by sales bottles | | | | | | | | | | | | | | | |
| Purdue brand (2013, fixed) | 25 in bottles, 000s | | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% |
| Purdue/Rhodes generic | | | 34.8% | 34.8% | 34.8% | 34.8% | 34.8% | 50.0% | 50.0% | 50.0% | 50.0% | 34.8% | 34.8% | 34.8% | 34.8% |
| 3rd-party generic, licensed by Purdue | 15.0% during 2016-2019 | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 15.0% | 15.0% | 15.0% | 15.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| Other manufacturers | total to 100% | | 64.8% | 64.8% | 64.8% | 64.8% | 64.8% | 34.6% | 34.6% | 34.6% | 34.6% | 54.8% | 54.8% | 54.8% | 54.8% |
| Pricing, weighted-average by mg | | | | | | | | | | | | | | | |
| Purdue brand net price | 3.0% per bottle, growth yty | | \$ 506.71 | \$ 521.91 | \$ 537.57 | \$ 553.69 | \$ 570.30 | \$ 587.41 | \$ 605.04 | \$ 623.19 | \$ 641.88 | \$ 661.14 | \$ 680.97 | \$ 701.40 | \$ 722.44 |
| Purdue/Rhodes generic dead-net price; Current | 3.4% <= % of WAC =>TR 3.4% | | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 18.72 | \$ 18.72 | \$ 18.72 | \$ 18.72 | \$ 18.72 | \$ 18.72 | \$ 18.72 | \$ 18.72 | \$ 18.72 | \$ 18.72 |
| Cost of Goods (Unit) | | | | | | | | | | | | | | | |
| Purdue brand | \$ 9.89 per bottle, w/S&W 10% 74% | | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 17.17 | \$ 17.17 | \$ 17.17 | \$ 17.17 | \$ 17.17 | \$ 17.17 | \$ 17.17 | \$ 17.17 | \$ 17.17 | \$ 17.17 |
| Purdue/Rhodes generic | \$ 9.36 per bottle, w/S&W 10% 74% | | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 16.26 | \$ 16.26 | \$ 16.26 | \$ 16.26 | \$ 16.26 | \$ 16.26 | \$ 16.26 | \$ 16.26 | \$ 16.26 | \$ 16.26 |
| PROFIT AND LOSS STATEMENT | | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Net Sales | | | | | | | | | | | | | | | |
| Purdue brand | net sales, \$000s | | 11,235 | 11,803 | 12,402 | 13,028 | 13,687 | 14,381 | 15,108 | 15,871 | 16,675 | 17,517 | 18,402 | 19,332 | 20,309 |
| Purdue/Rhodes generic | net sales, \$000s | | 32,427 | 33,073 | 33,739 | 37,603 | 38,352 | 56,244 | 57,365 | 58,508 | 59,680 | 42,342 | 43,186 | 44,047 | 44,925 |
| Total Net Sales | | | \$ 43,662 | \$ 44,876 | \$ 46,141 | \$ 50,631 | \$ 52,039 | \$ 70,624 | \$ 72,472 | \$ 74,379 | \$ 76,355 | \$ 59,859 | \$ 61,588 | \$ 63,379 | \$ 65,234 |
| Cost of Goods | | | | | | | | | | | | | | | |
| Purdue brand | \$000s | | 219 | 224 | 228 | 404 | 412 | 420 | 429 | 437 | 446 | 455 | 464 | 473 | 483 |
| Purdue/Rhodes generic | \$000s | | 17,725 | 18,079 | 18,443 | 32,670 | 33,322 | 48,866 | 49,840 | 50,834 | 51,852 | 36,788 | 37,522 | 38,269 | 39,032 |
| Total Cost of Goods | | | \$ 17,945 | \$ 18,302 | \$ 18,671 | \$ 33,074 | \$ 33,734 | \$ 49,287 | \$ 50,269 | \$ 51,271 | \$ 52,298 | \$ 37,243 | \$ 37,986 | \$ 38,743 | \$ 39,515 |
| Gross Margin | | | | | | | | | | | | | | | |
| Purdue brand | \$000s | | 11,016 | 11,579 | 12,173 | 12,624 | 13,274 | 13,960 | 14,679 | 15,434 | 16,228 | 17,062 | 17,938 | 18,859 | 19,826 |
| Purdue/Rhodes generic | \$000s | | 14,702 | 14,995 | 15,297 | 4,932 | 5,031 | 7,377 | 7,524 | 7,674 | 7,828 | 5,554 | 5,665 | 5,778 | 5,893 |
| Net sales royalty from 3rd-party generic | 10.0% of net sales, \$000s | | | | | | | 1,687 | 1,721 | 1,755 | 1,790 | 1,217 | 1,242 | 1,266 | 1,292 |
| Total Gross Margin | | | \$ 25,717 | \$ 26,574 | \$ 27,470 | \$ 17,556 | \$ 18,305 | \$ 23,025 | \$ 23,924 | \$ 24,863 | \$ 25,847 | \$ 23,833 | \$ 24,844 | \$ 25,903 | \$ 27,011 |
| Gross margin as % of net sales | | | 58.9% | 59.2% | 59.5% | 34.7% | 35.2% | 32.6% | 33.0% | 33.4% | 33.9% | 39.8% | 40.3% | 40.9% | 41.4% |
| Operating Expenses | | | | | | | | | | | | | | | |
| General and administrative, IP supports | 3.0% of net sales, \$000s | | 1,310 | 1,346 | 1,384 | 1,519 | 1,561 | 2,119 | 2,174 | 2,231 | 2,291 | 1,796 | 1,848 | 1,901 | 1,957 |
| Selling and promotion (contracting) | 0.5% of net sales, \$000s | | 218 | 224 | 231 | 253 | 260 | 353 | 362 | 372 | 382 | 299 | 308 | 317 | 326 |
| Research and development | | | | | | | | | | | | | | | |
| Prelaunch R&D | \$ 27,384 \$000s 2016 launch | | 2,738 | 8,215 | 10,954 | 5,477 | | | | | | | | | |
| Post-launch Regulatory support | 1.0% of net sales, \$000s | | | | | 506 | 520 | 706 | 725 | 744 | 764 | 599 | 616 | 634 | 652 |
| FDA annual product fee | \$ 100 \$000s | | | | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Pediatric studies | \$ - \$000s | | | | | - | - | - | - | - | - | - | - | - | - |
| Epidemiology studies/Post-Launch | \$ 1,050 \$000s | | | | | 263 | 263 | 263 | 263 | | | | | | |
| Total Operating Expenses (before financial deal terms) | | | \$ 4,267 | \$ 9,786 | \$ 12,569 | \$ 8,118 | \$ 2,704 | \$ 3,541 | \$ 3,624 | \$ 3,447 | \$ 3,536 | \$ 2,794 | \$ 2,871 | \$ 2,952 | \$ 3,036 |
| GRT Financial Deal Terms | | | | | | | | | | | | | | | |
| Milestones & R&D Funding | | | | | | | | | | | | | | | |
| Upfront at signing | 5,500 € 000s 2013 year | | 367 | 367 | 367 | 367 | 367 | 367 | 367 | 367 | 367 | 367 | 367 | 367 | 367 |
| Milestone #1: formulation | 1,500 € 000s 2013 year | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Milestone #2: pivotal PK/BE study | 1,000 € 000s 2014 year | | - | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 |
| Milestone #3: pivotal in vivo APS | 500 € 000s 2015 year | | - | - | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 |
| Milestone #4: 2-year stability | 500 € 000s 2014 year | | - | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 |
| Milestone #5: tech transfer | 1,000 € 000s 2015 year | | - | - | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 |
| Milestone #6: US NDA approval | 3,000 € 000s 2016 year | | - | - | - | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| Milestone #7: US launch | - € 000s 2016 year | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Exchange Rate impact | 1.3341 USD per 1 € | | 156 | 189 | 223 | 290 | 290 | 290 | 290 | 290 | 290 | 290 | 290 | 290 | 290 |
| R&D funding from GRT | 50% of NDA-required R&D | | (1,369) | (4,108) | (4,523) | - | - | - | - | - | - | - | - | - | - |
| Total Milestones and R&D Funding (P&L) | | | \$ (747) | \$ (3,352) | \$ (3,634) | \$ 1,156 | \$ 1,156 | \$ 1,156 | \$ 1,156 | \$ 1,156 | \$ 1,156 | \$ 1,156 | \$ 1,156 | \$ 1,156 | \$ 1,156 |
| Royalties | | | | | | | | | | | | | | | |
| Royalty on net sales | ≤ \$ 150,000 \$000s @ 5.0% | | - | - | - | 2,532 | 2,602 | 3,531 | 3,624 | 3,719 | 3,818 | 2,993 | 3,079 | 3,169 | 3,262 |
| Royalty on net sales | > \$ 150,000 \$000s @ 7.5% | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Share 3rd-party licensees royalty | 50% | | - | - | - | - | - | 844 | 860 | 878 | 895 | 609 | 621 | 633 | 646 |
| Total Royalties | | | \$ - | \$ - | \$ - | \$ 2,532 | \$ 2,602 | \$ 4,375 | \$ 4,484 | \$ 4,597 | \$ 4,713 | \$ 3,602 | \$ 3,700 | \$ 3,802 | \$ 3,908 |
| Capital Equipment for Manufacturing | | | | | | | | | | | | | | | |
| Purchased from Grunenthal | \$ 3,335 \$000s @ 7 yrs | | 476 | 476 | 476 | 476 | 476 | 476 | 476 | - | - | - | - | - | - |
| Purchased for Wilson | \$ 14,665 \$000s @ 7 yrs | | - | - | 2,095 | 2,095 | 2,095 | 2,095 | 2,095 | 2,095 | 2,095 | - | - | - | - |
| Total Capital Equipment Depreciation | | | \$ 476 | \$ 476 | \$ 2,571 | \$ 2,571 | \$ 2,571 | \$ 2,571 | \$ 2,571 | \$ 2,095 | \$ 2,095 | \$ - | \$ - | \$ - | \$ - |
| Operating Profits before Taxes | | | \$000s | | | | | | | | | | | | |
| | | | \$ 21,721 | \$ 19,663 | \$ 15,964 | \$ 3,179 | \$ 9,271 | \$ 11,382 | \$ 12,089 | \$ 13,568 | \$ 14,347 | \$ 16,282 | \$ 17,116 | \$ 17,992 | \$ 18,911 |
| Provision for income taxes | 50.0% tax rate | | (10,860) | (9,832) | (7,982) | (1,590) | (4,636) | (5,691) | (6,044) | (6,784) | (7,173) | (8,141) | (8,558) | (8,996) | (9,456) |
| Net Income after Taxes | \$000s | | \$ 10,860 | \$ 9,832 | \$ 7,982 | \$ 1,590 | \$ 4,636 | \$ 5,691 | \$ 6,044 | \$ 6,784 | \$ 7,173 | \$ 8,141 | \$ 8,558 | \$ 8,996 | \$ 9,456 |

| FREE CASH FLOWS ANALYSIS | | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|---------------------------|--|---------|---------|----------|---------|-------|---------|-------|-------|--------|--------|-------|-------|--------|
| Cash Flows Model | | | | | | | | | | | | | | | |
| Net income after taxes | | | 10,860 | 9,832 | 7,982 | 1,590 | 4,636 | 5,691 | 6,044 | 6,784 | 7,173 | 8,141 | 8,558 | 8,996 | 9,456 |
| Work capital changes | 10.0% of yty sales change | | - | (121) | (126) | (449) | (141) | (1,859) | (185) | (191) | (198) | 1,650 | (173) | (179) | (185) |
| Add: milestones amortized | | | 623 | 756 | 889 | 1,156 | 1,156 | 1,156 | 1,156 | 1,156 | 1,156 | 1,156 | 1,156 | 1,156 | 1,156 |
| Subtract: milestone cash flows | | | (9,339) | (2,001) | (2,001) | (4,002) | - | - | - | - | - | - | - | - | - |
| Add: capital equipment depreciation | | | 476 | 476 | 2,571 | 2,571 | 2,571 | 2,571 | 2,095 | 2,095 | - | - | - | - | - |
| Subtract: capital equipment cash flows | | | (3,335) | - | (14,665) | - | - | - | - | - | - | - | - | - | - |
| Free Cash Flows | | | (714) | 8,941 | (5,350) | 866 | 8,222 | 7,560 | 9,587 | 9,845 | 10,227 | 10,947 | 9,542 | 9,973 | 10,426 |

| | | | | | | | | | | | | | | | |
|----------------------------|--|--|----------|------------|------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Grunenthal Free Cash Flows | | | \$ 3,985 | \$ (1,053) | \$ (1,261) | \$ 3,267 | \$ 1,301 | \$ 2,187 | \$ 2,242 | \$ 2,298 | \$ 2,356 | \$ 1,801 | \$ 1,850 | \$ 1,901 | \$ 1,954 |
|----------------------------|--|--|----------|------------|------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|

| RETURN ON INVESTMENT | | discounted \$000s |
|---|--|-------------------|
| Purdue+Rhodes discounted free cash flows with GRT formulation, 2013-2025 (@12% discount rate) | | 39,140 |
| Purdue+Rhodes discounted free cash flows if non-TR MSER is off market at EOY-2017 (@9% discount rate) | | 59,017 |
| Incremental discounted free cash flows provided by GRT formulation | | (19,877) |
| Grunenthal discounted free cash flows (@12% discount rate) | | 11,853 |

GRT MS Contin Analysis
S: #0, Baseline; if no-TR formulation developed and non-TR is off market at EOY-2017

| ASSUMPTIONS | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Morphine Market | | | | | | | | | | | | | | |
| Total IMS morphine BID market | in bottles, 000s | 5,443 | 5,551 | 5,663 | 5,776 | 5,891 | 6,010 | 6,129 | 6,252 | 6,377 | 6,504 | 6,633 | 6,766 | 6,901 |
| Growth year-to-year | 2.0% p.a. | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Market Share, by sales bottles | | | | | | | | | | | | | | |
| Purdue brand (2013, fixed) | 25 in bottles, 000s | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | | | | | | | | |
| Purdue/Rhodes generic | | 34.8% | 34.8% | 34.8% | 34.8% | 34.8% | | | | | | | | |
| 3rd-party generic, licensed by Purdue | 15.0% during 2016-2019 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | | | | | | | | |
| Other manufacturers | total to 100% | 64.8% | 64.8% | 64.8% | 64.8% | 64.8% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Pricing, weighted-average by mg | | | | | | | | | | | | | | |
| Purdue brand net price | 3.0% per bottle, growth yty | \$ 506.71 | \$ 521.91 | \$ 537.57 | \$ 553.69 | \$ 570.30 | \$ 587.41 | \$ 605.04 | \$ 623.19 | \$ 641.88 | \$ 661.14 | \$ 680.97 | \$ 701.40 | \$ 722.44 |
| Purdue/Rhodes generic dead-net price; Current | 3.4% <= of WAC =>TR | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 17.13 |
| Cost of Goods (Unit) | | | | | | | | | | | | | | |
| Purdue brand | \$ 9.89 per bottle, w/S&W 10% | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 9.89 |
| Purdue/Rhodes generic | \$ 9.36 per bottle, w/S&W 10% | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 9.36 |
| PROFIT AND LOSS STATEMENT | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Net Sales | | | | | | | | | | | | | | |
| Purdue brand | net sales, \$000s | 11,235 | 11,803 | 12,402 | 13,028 | 13,687 | - | - | - | - | - | - | - | - |
| Purdue/Rhodes generic | net sales, \$000s | 32,427 | 33,073 | 33,739 | 34,412 | 35,098 | - | - | - | - | - | - | - | - |
| Total Net Sales | | \$ 43,662 | \$ 44,876 | \$ 46,141 | \$ 47,440 | \$ 48,784 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Cost of Goods | | | | | | | | | | | | | | |
| Purdue brand | \$000s | 219 | 224 | 228 | 233 | 237 | - | - | - | - | - | - | - | - |
| Purdue/Rhodes generic | \$000s | 17,725 | 18,079 | 18,443 | 18,810 | 19,185 | - | - | - | - | - | - | - | - |
| Total Cost of Goods | | \$ 17,945 | \$ 18,302 | \$ 18,671 | \$ 19,043 | \$ 19,422 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Gross Margin | | | | | | | | | | | | | | |
| Purdue brand | \$000s | 11,016 | 11,579 | 12,173 | 12,796 | 13,449 | - | - | - | - | - | - | - | - |
| Purdue/Rhodes generic | \$000s | 14,702 | 14,995 | 15,297 | 15,601 | 15,912 | - | - | - | - | - | - | - | - |
| Net sales royalty from 3rd-party generic | 10.0% of net sales, \$000s | | | | | | | | | | | | | |
| Total Gross Margin | | \$ 25,717 | \$ 26,574 | \$ 27,470 | \$ 28,397 | \$ 29,362 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Gross margin as % of net sales | | 58.9% | 59.2% | 59.5% | 59.9% | 60.2% | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Operating Expenses | | | | | | | | | | | | | | |
| General and administrative, IP supports | 1.0% of net sales, \$000s | 437 | 449 | 461 | 474 | 488 | - | - | - | - | - | - | - | - |
| Selling and promotion (contracting) | 0.5% of net sales, \$000s | 218 | 224 | 231 | 237 | 244 | - | - | - | - | - | - | - | - |
| Research and development | | | | | | | | | | | | | | |
| Prelaunch R&D | \$000s 2016 launch | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Post-launch Regulatory support | 0.5% of net sales, \$000s | | | | 237 | 244 | - | - | - | - | - | - | - | - |
| FDA annual product fee | \$ 100 \$000s | | | | 100 | 100 | - | - | - | - | - | - | - | - |
| Pediatric studies | \$ - \$000s | | | | | | - | - | - | - | - | - | - | - |
| Epidemiology studies/Post-Launch | \$000s | | | | | | - | - | - | - | - | - | - | - |
| Total Operating Expenses (before financial deal terms) | | \$ 655 | \$ 673 | \$ 692 | \$ 1,049 | \$ 1,076 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| GRT Financial Deal Terms | | | | | | | | | | | | | | |
| Milestones & R&D Funding | | | | | | | | | | | | | | |
| Upfront at signing | € 000s 2013 year | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Milestone #1: formulation | € 000s 2013 year | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Milestone #2: pivotal PK/BE study | € 000s 2014 year | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Milestone #3: pivotal in vivo APS | € 000s 2015 year | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Milestone #4: 2-year stability | € 000s 2015 year | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Milestone #5: tech transfer | € 000s 2015 year | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Milestone #6: US NDA approval | € 000s 2016 year | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Milestone #7: US launch | € 000s 2016 year | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Exchange Rate impact | 1.3341 USD per 1 € | - | - | - | - | - | - | - | - | - | - | - | - | - |
| R&D funding from GRT | 50% of NDA-required R&D | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Milestones and R&D Funding (P&L) | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Royalties | | | | | | | | | | | | | | |
| Royalty on net sales | ≤ \$ 150,000 \$000s @ | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Royalty on net sales | > \$ 150,000 \$000s @ 7.5% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Share 3rd-party licensees royalty | 50% | | | | | | | | | | | | | |
| Total Royalties | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Capital Equipment for Manufacturing | | | | | | | | | | | | | | |
| Purchased from Grunenthal | \$000s @ 7 yrs | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Purchased from Wilson | \$000s @ 7 yrs | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Capital Equipment Depreciation | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating Profits before Taxes | | \$000s | | | | | | | | | | | | |
| | | \$ 25,062 | \$ 25,901 | \$ 26,778 | \$ 27,348 | \$ 28,286 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Provision for income taxes | 50.0% tax rate | (12,531) | (12,950) | (13,389) | (13,674) | (14,143) | - | - | - | - | - | - | - | - |
| Net Income after Taxes | \$000s | \$ 12,531 | \$ 12,950 | \$ 13,389 | \$ 13,674 | \$ 14,143 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

| FREE CASH FLOWS ANALYSIS | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|---------------------------|--------|--------|--------|--------|--------|-------|------|------|------|------|------|------|------|
| Cash Flows Model | | | | | | | | | | | | | | |
| Net income after taxes | | 12,531 | 12,950 | 13,389 | 13,674 | 14,143 | - | - | - | - | - | - | - | - |
| Work capital changes | 10.0% of yty sales change | - | (121) | (126) | (130) | (134) | 4,878 | - | - | - | - | - | - | - |
| Add: milestones amortized | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Subtract: milestone cash flows | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Add: capital equipment depreciation | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Subtract: capital equipment cash flows | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Free Cash Flows | | 12,531 | 12,829 | 13,262 | 13,544 | 14,009 | 4,878 | - | - | - | - | - | - | - |
| Grunenthal Free Cash Flows | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

| RETURN ON INVESTMENT | | discounted \$000s |
|---|--|-------------------|
| Purdue+Rhodes discounted free cash flows with GRT formulation, 2013-2025 (@12% discount rate) | | |
| Purdue+Rhodes discounted free cash flows if non-TR MSER is off market at EOY-2017 (@9% discount rate) | | 59,017 |
| Incremental discounted free cash flows provided by GRT formulation | | 59,017 |
| Grunenthal discounted free cash flows (@12% discount rate) | | - |

GRT MS Contin Analysis
S: #2, Base Case; increase from 3.4% WAC to 5% WAC

| ASSUMPTIONS | | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-----------------------------------|--|-------------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Morphine Market | | | | | | | | | | | | | | | |
| Total IMS morphine BID market | in bottles, 000s | | 5,443 | 5,551 | 5,663 | 5,776 | 5,891 | 6,010 | 6,129 | 6,252 | 6,377 | 6,504 | 6,633 | 6,766 | 6,901 |
| Growth year-to-year | 2.0% p.a. | | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Market Share, by sales bottles | | | | | | | | | | | | | | | |
| Purdue brand (2013, fixed) | 25 in bottles, 000s | | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% |
| Purdue/Rhodes generic | | | 34.8% | 34.8% | 34.8% | 34.8% | 34.8% | 50.0% | 50.0% | 50.0% | 50.0% | 34.8% | 34.8% | 34.8% | 34.8% |
| 3rd-party generic, licensed by Purdue | 15.0% during 2016-2019 | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 15.0% | 15.0% | 15.0% | 15.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| Other manufacturers | total to 100% | | 64.8% | 64.8% | 64.8% | 64.8% | 64.8% | 34.6% | 34.6% | 34.6% | 34.6% | 54.8% | 54.8% | 54.8% | 54.8% |
| Pricing, weighted-average by mg | | | | | | | | | | | | | | | |
| Purdue brand net price | 3.0% per bottle, growth yty | | \$ 506.71 | \$ 521.91 | \$ 537.57 | \$ 553.69 | \$ 570.30 | \$ 587.41 | \$ 605.04 | \$ 623.19 | \$ 641.88 | \$ 661.14 | \$ 680.97 | \$ 701.40 | \$ 722.44 |
| Purdue/Rhodes generic dead-net price; Current | 3.4% <= % of WAC =>TR 5.0% | | \$ 17.13 | \$ 17.13 | \$ 17.13 | \$ 166.11 | \$ 99.80 | \$ 88.11 | \$ 88.11 | \$ 88.11 | \$ 88.11 | \$ 88.11 | \$ 88.11 | \$ 88.11 | \$ 88.11 |
| Cost of Goods (Unit) | | | | | | | | | | | | | | | |
| Purdue brand | \$ 9.89 per bottle, w/S&W 10% 74% | | \$ 9.89 | \$ 9.89 | \$ 9.89 | \$ 17.17 | \$ 17.17 | \$ 17.17 | \$ 17.17 | \$ 17.17 | \$ 17.17 | \$ 17.17 | \$ 17.17 | \$ 17.17 | \$ 17.17 |
| Purdue/Rhodes generic | \$ 9.36 per bottle, w/S&W 10% 74% | | \$ 9.36 | \$ 9.36 | \$ 9.36 | \$ 16.26 | \$ 16.26 | \$ 16.26 | \$ 16.26 | \$ 16.26 | \$ 16.26 | \$ 16.26 | \$ 16.26 | \$ 16.26 | \$ 16.26 |
| PROFIT AND LOSS STATEMENT | | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Net Sales | | | | | | | | | | | | | | | |
| Purdue brand | net sales, \$000s | | 11,235 | 11,803 | 12,402 | 13,028 | 13,687 | 14,381 | 15,108 | 15,871 | 16,675 | 17,517 | 18,402 | 19,332 | 20,309 |
| Purdue/Rhodes generic | net sales, \$000s | | 32,427 | 33,073 | 33,739 | 33,694 | 204,491 | 264,757 | 270,034 | 275,417 | 280,934 | 199,319 | 203,292 | 207,344 | 211,477 |
| Total Net Sales | | | \$ 43,662 | \$ 44,876 | \$ 46,141 | ##### | ##### | ##### | ##### | ##### | ##### | ##### | ##### | ##### | ##### |
| Cost of Goods | | | | | | | | | | | | | | | |
| Purdue brand | \$000s | | 219 | 224 | 228 | 404 | 412 | 420 | 429 | 437 | 446 | 455 | 464 | 473 | 483 |
| Purdue/Rhodes generic | \$000s | | 17,725 | 18,079 | 18,443 | 32,670 | 33,322 | 48,866 | 49,840 | 50,834 | 51,852 | 36,788 | 37,522 | 38,269 | 39,032 |
| Total Cost of Goods | | | \$ 17,945 | \$ 18,302 | \$ 18,671 | \$ 33,074 | \$ 33,734 | \$ 49,287 | \$ 50,269 | \$ 51,271 | \$ 52,298 | \$ 37,243 | \$ 37,986 | \$ 38,743 | \$ 39,515 |
| Gross Margin | | | | | | | | | | | | | | | |
| Purdue brand | \$000s | | 11,016 | 11,579 | 12,173 | 12,624 | 13,274 | 13,960 | 14,679 | 15,434 | 16,228 | 17,062 | 17,938 | 18,859 | 19,826 |
| Purdue/Rhodes generic | \$000s | | 14,702 | 14,995 | 15,297 | 301,024 | 171,169 | 215,891 | 220,194 | 224,583 | 229,082 | 162,531 | 165,770 | 169,074 | 172,444 |
| Net sales royalty from 3rd-party generic | 10.0% of net sales, \$000s | | | | | | | 7,943 | 8,101 | 8,263 | 8,428 | 5,731 | 5,845 | 5,961 | 6,080 |
| Total Gross Margin | | | \$ 25,717 | \$ 26,574 | \$ 27,470 | ##### | ##### | ##### | ##### | ##### | ##### | ##### | ##### | ##### | ##### |
| Gross margin as % of net sales | | | 58.9% | 59.2% | 59.5% | 90.5% | 84.5% | 85.2% | 85.2% | 85.2% | 85.3% | 85.5% | 85.5% | 85.5% | 85.6% |
| Operating Expenses | | | | | | | | | | | | | | | |
| General and administrative, IP supports | 3.0% of net sales, \$000s | | 1,310 | 1,346 | 1,384 | 10,402 | 6,545 | 8,374 | 8,554 | 8,739 | 8,928 | 6,505 | 6,651 | 6,800 | 6,954 |
| Selling and promotion (contracting) | 0.5% of net sales, \$000s | | 218 | 224 | 231 | 1,734 | 1,091 | 1,396 | 1,426 | 1,456 | 1,488 | 1,084 | 1,108 | 1,133 | 1,159 |
| Research and development | | | | | | | | | | | | | | | |
| Prelaunch R&D | \$ 27,384 \$000s 2016 launch | | 2,738 | 8,215 | 10,954 | 5,477 | | | | | | | | | |
| Post-launch Regulatory support | 1.0% of net sales, \$000s | | | | | 3,467 | 2,182 | 2,791 | 2,851 | 2,913 | 2,976 | 2,168 | 2,217 | 2,267 | 2,318 |
| FDA annual product fee | \$ 100 \$000s | | | | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Pediatric studies | \$ - \$000s | | | | | - | - | - | - | - | - | - | - | - | - |
| Epidemiology studies/Post-Launch | \$ 1,050 \$000s | | | | | 263 | 263 | 263 | 263 | | | | | | |
| Total Operating Expenses (before financial deal terms) | | | \$ 4,267 | \$ 9,786 | \$ 12,569 | \$ 21,442 | \$ 10,180 | \$ 12,924 | \$ 13,194 | \$ 13,208 | \$ 13,492 | \$ 9,858 | \$ 10,076 | \$ 10,300 | \$ 10,530 |
| GRT Financial Deal Terms | | | | | | | | | | | | | | | |
| Milestones & R&D Funding | | | | | | | | | | | | | | | |
| Upfront at signing | 5,500 € 000s 2013 year | | 367 | 367 | 367 | 367 | 367 | 367 | 367 | 367 | 367 | 367 | 367 | 367 | 367 |
| Milestone #1: formulation | 1,500 € 000s 2013 year | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Milestone #2: pivotal PK/BE study | 1,000 € 000s 2014 year | | - | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 |
| Milestone #3: pivotal in vivo APS | 500 € 000s 2015 year | | - | - | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 |
| Milestone #4: 6-month stability | 500 € 000s 2014 year | | - | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 |
| Milestone #5: tech transfer | 1,000 € 000s 2015 year | | - | - | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 |
| Milestone #6: US NDA approval | 3,000 € 000s 2016 year | | - | - | - | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| Milestone #7: US launch | - € 000s 2016 year | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Exchange Rate impact | 1.3341 USD per 1 € | | 156 | 189 | 223 | 290 | 290 | 290 | 290 | 290 | 290 | 290 | 290 | 290 | 290 |
| R&D funding from GRT | 50% of NDA-required R&D | | (1,369) | (4,108) | (4,523) | - | - | - | - | - | - | - | - | - | - |
| Total Milestones and R&D Funding (P&L) | | | \$ (747) | \$ (3,352) | \$ (3,634) | \$ 1,156 | \$ 1,156 | \$ 1,156 | \$ 1,156 | \$ 1,156 | \$ 1,156 | \$ 1,156 | \$ 1,156 | \$ 1,156 | \$ 1,156 |
| Royalties | | | | | | | | | | | | | | | |
| Royalty on net sales | ≤ \$ 150,000 \$000s @ 5.0% | | - | - | - | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |
| Royalty on net sales | > \$ 150,000 \$000s @ 7.5% | | - | - | - | 14,754 | 5,113 | 9,685 | 10,136 | 10,597 | 11,071 | 5,013 | 5,377 | 5,751 | 6,134 |
| Share 3rd-party licensees royalty | 50% | | - | - | - | - | - | 3,971 | 4,051 | 4,131 | 4,214 | 2,865 | 2,922 | 2,981 | 3,040 |
| Total Royalties | | | \$ - | \$ - | \$ - | \$ 22,254 | \$ 12,613 | \$ 21,157 | \$ 21,686 | \$ 22,228 | \$ 22,785 | \$ 15,378 | \$ 15,800 | \$ 16,231 | \$ 16,674 |
| Capital Equipment for Manufacturing | | | | | | | | | | | | | | | |
| Purchased from Grunenthal | \$ 3,335 \$000s @ 7 yrs | | 476 | 476 | 476 | 476 | 476 | 476 | 476 | - | - | - | - | - | - |
| Purchased for Wilson | \$ 14,665 \$000s @ 7 yrs | | - | - | 2,095 | 2,095 | 2,095 | 2,095 | 2,095 | 2,095 | 2,095 | - | - | - | - |
| Total Capital Equipment Depreciation | | | \$ 476 | \$ 476 | \$ 2,571 | \$ 2,571 | \$ 2,571 | \$ 2,571 | \$ 2,571 | \$ 2,095 | \$ 2,095 | \$ - | \$ - | \$ - | \$ - |
| Operating Profits before Taxes | | | \$000s | | | | | | | | | | | | |
| | | | \$ 21,721 | \$ 19,663 | \$ 15,964 | ##### | ##### | ##### | ##### | ##### | ##### | ##### | ##### | ##### | ##### |
| Provision for income taxes | 50.0% tax rate | | (10,860) | (9,832) | (7,982) | (133,112) | (78,961) | (99,993) | (102,183) | (104,796) | (107,105) | (79,466) | (81,261) | (83,103) | (84,995) |
| Net Income after Taxes | \$000s | | \$ 10,860 | \$ 9,832 | \$ 7,982 | ##### | \$ 78,961 | \$ 99,993 | ##### | ##### | ##### | \$ 79,466 | \$ 81,261 | \$ 83,103 | \$ 84,995 |
| FREE CASH FLOWS ANALYSIS | | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| Cash Flows Model | | | | | | | | | | | | | | | |
| Net income after taxes | | | 10,860 | 9,832 | 7,982 | 133,112 | 78,961 | 99,993 | 102,183 | 104,796 | 107,105 | 79,466 | 81,261 | 83,103 | 84,995 |
| Work capital changes | 10.0% of yty sales change | | - | (121) | (126) | (30,058) | 12,854 | (6,096) | (600) | (615) | (632) | 8,077 | (486) | (498) | (511) |
| Add: milestones amortized | | | 623 | 756 | 889 | 1,156 | 1,156 | 1,156 | 1,156 | 1,156 | 1,156 | 1,156 | 1,156 | 1,156 | 1,156 |
| Subtract: milestone cash flows | | | (9,339) | (2,001) | (2,001) | (4,002) | - | - | - | - | - | - | - | - | - |
| Add: capital equipment depreciation | | | 476 | 476 | 2,571 | 2,571 | 2,571 | 2,571 | 2,571 | 2,095 | 2,095 | - | - | - | - |
| Subtract: capital equipment cash flows | | | (3,335) | - | (14,665) | - | - | - | - | - | - | - | - | - | - |
| Free Cash Flows | | | (714) | 8,941 | (5,350) | 102,779 | 95,543 | 97,625 | 105,310 | 107,433 | 109,724 | 88,699 | 81,931 | 83,761 | 85,640 |
| Grunenthal Free Cash Flows | | | \$ 3,985 | \$ (1,053) | \$ (1,261) | \$ 13,128 | \$ 6,307 | \$ 10,578 | \$ 10,843 | \$ 11,114 | \$ 11,392 | \$ 7,689 | \$ 7,900 | \$ 8,116 | \$ 8,337 |
| RETURN ON INVESTMENT | | | discounted \$000s | | | | | | | | | | | | |
| Purdue+Rhodes discounted free cash flows with GRT formulation, 2013-2025 (@12% discount rate) | | | 442,968 | | | | | | | | | | | | |
| Purdue+Rhodes discounted free cash flows if non-TR MSER is off market at EOY-2017 (@9% discount rate) | | | 59,017 | | | | | | | | | | | | |
| Incremental discounted free cash flows provided by GRT formulation | | | 383,951 | | | | | | | | | | | | |
| Grunenthal discounted free cash flows (@12% discount rate) | | | 46,305 | | | | | | | | | | | | |

Blue Sheet

Redacted

From: Barmore, Robert [REDACTED]@pharma.com]
Sent: Thursday, February 28, 2013 8:07 AM
To: Mahony, Edward
Cc: Rosen, David (Sales and Marketing); Ronning, Michael
Subject: % of Rx's written with brand name in selected opioid segments

Ed,

As requested, below are the percent of Rx's written as brands in the largest genericized opioid categories. All Rx data is in thousands for this exercise and represents the 6 months ending Jan 2013. Obviously I am focusing on oral solids.

In most categories there are other 'brands' (e.g., Lorcet) which are not listed below. I am only listing products with significant numbers of total Rx's written in each group as brand (defined as >1%). In other words, any brands not listed here are not being written in a quantity that would interest you.

Despite Vicodin being an extremely well-known brand name, in the hydrocodone / APAP space, Rx's are reasonably evenly split among Vicodin, Lortab and Norco. Close to three fourths of all hycd/apap Rx's are written as one of these on the script. This surprised me – I expected more Rx's to be written as generic.

| | # Rx Written as brand | # Rx dispensed as brand | % written as brand and dispensed as generic | % of all hycd/APAP written as |
|---------------|-----------------------------|-------------------------------|--|-------------------------------------|
| hycd/APAP | | | | |
| Vicodin (all) | 12769 | 84 | 99.4% | 26.4% |
| Lortab (all) | 9829 | 46 | 99.5% | 20.3% |
| Norco | 13417 | 36 | 99.7% | 27.7% |

As we've previously discussed, the number of IR oxycodone Rx's being written as brand is quite small compared to other categories (about 6%). As we talked about, this is related to the limited amount of promotion that was put behind Roxicodone, resulting in very little long lasting brand equity.

| | # Rx Written as brand | # Rx dispensed as brand | % written as brand and dispensed as generic | % of all IR oxycodone written |
|--------------|-----------------------------|-------------------------------|--|-------------------------------------|
| IR oxycodone | | | | |
| Roxicodone | 472 | 11 | 97.7% | 5.9% |

For oxycodone/APAP, despite there being a number of other 'brands', only Percocet gets a significant number of Rx's written with the brand, almost 70% of all oral solid oxycodone/APAP. Note that Endocet is priced and treated as a generic by Endo.

| | # Rx Written as brand | # Rx dispensed as brand | % written as brand and dispensed as generic | % of all oxy/APAP written |
|----------------|-----------------------------|-------------------------------|--|---------------------------------|
| oxycodone/APAP | | | | |

| | | | | |
|----------|-------|----|-------|-------|
| Percocet | 12706 | 99 | 99.3% | 69.0% |
|----------|-------|----|-------|-------|

Also discussed previously, MS-Contin is written close to 50% of the time of all morphine SR Rx's dispensed. Note that Oramorph SR is written a very small percentage of the time (<< 0.1%)

| | # Rx Written as brand | # Rx dispensed as brand | % written as brand and dispensed as generic | % of all oxy/APAP written |
|-------------|-----------------------------|-------------------------------|--|---------------------------------|
| morphine SR | | | | |
| MS-Contin | 1378 | 10 | 99.3% | 47.8% |

I have quite a few urgencies I am working on right now, but can assign someone to look into other categories if one of you is interested.

Rob

Rob Barmore | Assoc. Director, Market Research | Purdue Pharma | One Stamford Forum Stamford CT 06901
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Blue Sheet

Description of Rates and Routes of abuse for ER Morphine using National Surveillance Systems

2/15/2013

Overview

An abuse-deterrent formulation of ER morphine appears to be an important pipeline development target from the risk management perspective because ER morphine is quite widely prescribed among ER opioids, it's use is increasing, the rate of abuse of ER morphine is about average within the opioid class, and ER morphine is disproportionately abused by injecting and to a lesser extent by snorting.

1. Trends in prescription dispensing

(IMS data, 2003-2012)

- Almost 3-fold increase in dispensing of ER morphine (molecule) from 2003-2012; approximately 225,000 Rx/quarter in 2003 to 600,000 in 2012.

2. Routes of administration used by individuals entering substance abuse treatment

(NAVIPPRO System data, 2007-2010 and 2011-2012 and 2009-2012)

- Patients who abuse ER morphine use routes of administration of Injection and snorting frequently (51% inject and 29% snort), particularly injection.
- The introduction of ORF did not have a big impact on routes of administration for purposes of abuse of brand ER morphine. Among a sample of 140,496 individuals, 45.7% reported injection and 25.3% snorting of ER morphine *prior* and *after* introduction of ORF (46.0% and 25.6%) these were relatively unchanged.

3. Abuse patterns before and after introduction of ORF

(NAVIPPRO System, 2009-2012)

- Prevalence of brand (eg, Kadian, Avinza, MS Contin) ER morphine abuse among all individuals assessed by ASI-MV in pre- and post-ORF periods was 0.92% and 0.95%, respectively; when adjusted for dispensed prescriptions (SDI data) the prevalence was 0.02% and 0.02%.

4. Calls to poison control centers

(RADARS, 2009 and 2012)

- In 2009, rates of poison center calls per 1,000 unique recipients of dispensed drug (SDI data) was larger for REMS-opioids (include ER morphine) than non-REMS opioids (includes IR morphine). Specifically, rates of poison center calls per 1,000 URDD were 0.28 for ER morphine and 0.22 for IR morphine.
- In 2012, estimated trend in poison center *URDD rates* from 2009 to 3q2012 show a significant ($p=0.047$) increase over time for MS Contin; on average, rates increased by 0.57 cases per 1,000 URDD each year-quarter. Estimated trend in poison center

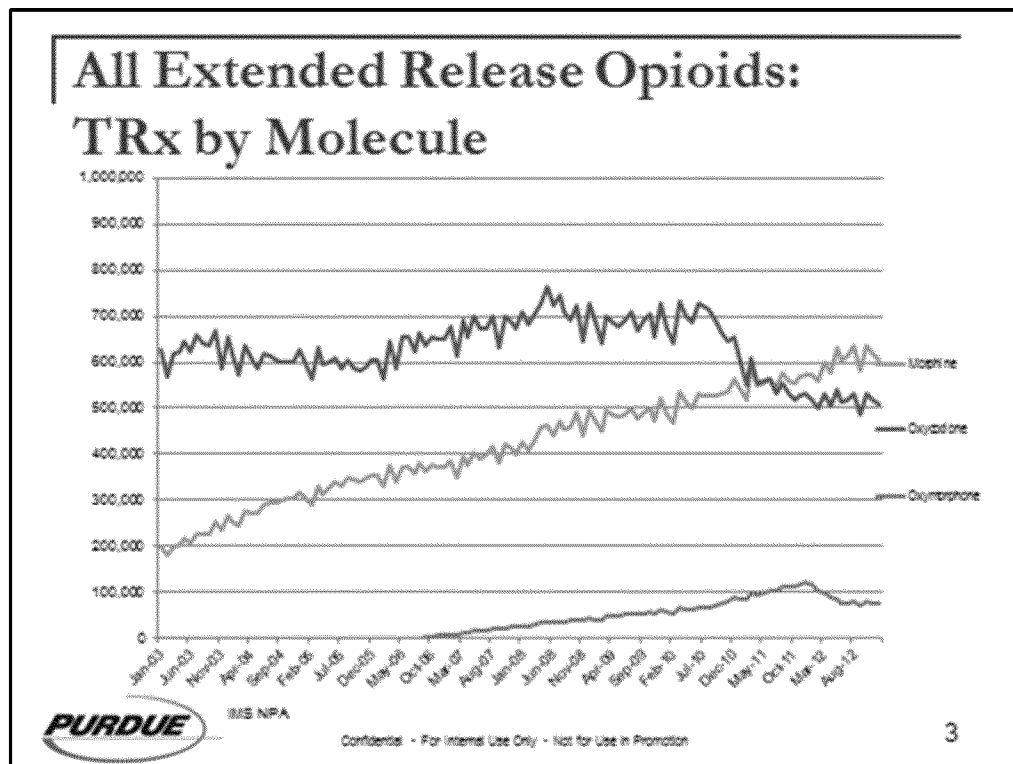
population rates from 2009 to 3q2012 showed a non-significant ($p=0.984$) change over time for MS Contin.

1. Trends in prescription dispensing (IMS data. 2003-2012)

- a. Almost 3-fold increase in dispensing of ER morphine (molecule) from 2003-2012; approximately 225,000 Rx/quarter in 2003 to 600,000 in 2012.

During same time period, ER oxycodone (molecule) decreased from 600,000 to 500,000 and ER oxymorphone (molecule) increased from 0 to 100,000 Rx/quarter.

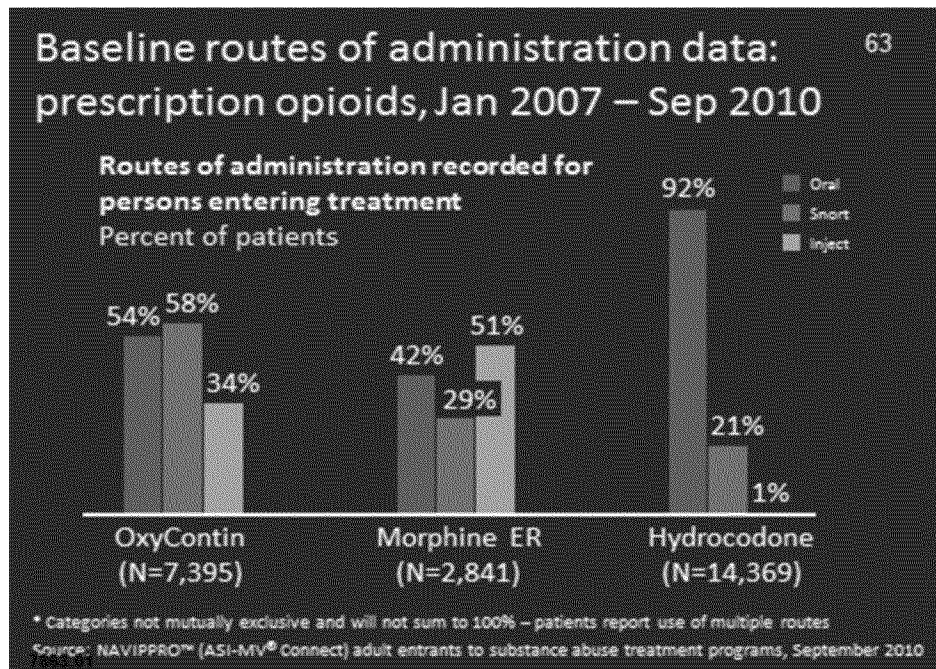
Figure 1. ER Morphine prescription trends



2. Routes of administration used by abusers (NAVIPPRO System data, 2007-2010 and 2011-2012)

- a. 2841 patients entering substance abuse treatment from Jan2007-Sep2010 reported administration of ER morphine by injection (51%), snorting (29%), and orally (42%).
- b. During same time period, percentage of patients reporting inject/snort/oral administration of OxyContin (n=7395) was 34%, 58%, and 54% and for hydrocodone (n=14,369) was 1%, 21% and 92%, respectively.

Figure 2. Routes of Abuse used for ER Morphine Prior to ORF Introduction



- c. 870 patients entering substance abuse treatment from Oct2011-Sep2012 reported administration of ER morphine by injection and snorting (58% and 27%), smoking (1%), orally (38%) and other (4%).

During same time period, snorting and injecting were reported for reformulated OxyContin (29% and 20%), original OxyContin (47% and 28%), single-entity oxycodone IR (61% and 35%), hydrocodone IR combination (22% and 1%), and original oxymorphone ER (77% and 16%) respectively

Table 1. Brand ER Morphine Routes of Abuse and Numbers of Abusers by Specific Routes in the ASI-MV NAVIPPRO System of Substance Abuse Treatment Centers

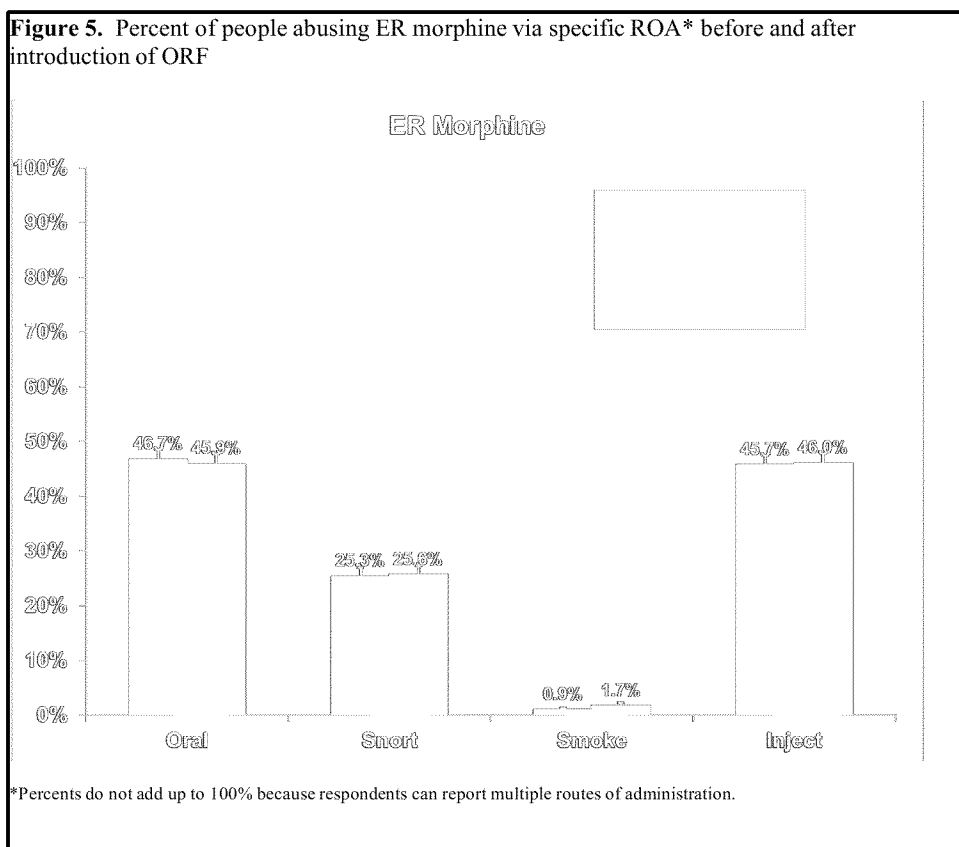
| Distribution of routes of administration reported by individuals within the ASI-MV network who reported past 30-day abuse of OxyContin and comparators (10/1/2011 - 9/30/2012) | | | | | | | | | | | | |
|--|--|------|--|------|--|------|--|------|--|------|------------------------------|------|
| | OxyContin (reformulated) (n = 1,732) | | OxyContin (original) (n = 1,660) | | Single-entity oxycodone IR (n = 1,951) | | Hydrocodone IR combination (n = 6,092) | | Original oxymorphone ER* (--) | | Morphine ER (n = 870) | |
| | n | % | n | % | n | % | n | % | n | % | n | % |
| Oral | 1,262 | 72.9 | 965 | 58.1 | 818 | 41.9 | 5,559 | 91.3 | -- | 26.3 | 330 | 37.9 |
| Snort | 510 | 29.4 | 779 | 46.9 | 1,186 | 60.8 | 1,348 | 22.1 | -- | 76.7 | 237 | 27.2 |
| Smoke | 80 | 4.6 | 171 | 10.3 | 171 | 8.8 | 66 | 1.1 | -- | 1.8 | 10 | 1.1 |
| Inject | 354 | 20.4 | 460 | 27.7 | 682 | 35.0 | 59 | 1.0 | -- | 16.2 | 505 | 58.0 |
| Other | 50 | 2.9 | 66 | 4.0 | 22 | 1.1 | 164 | 2.7 | -- | 0.9 | 34 | 3.9 |

Note that categories for route of administration in the above table are not mutually exclusive and do not sum to 100%.

*Percentages for the routes of administration categories for original extended release oxymorphone are presented as the quarterly average for the baseline period.

- d. A sentinel survey sample of 140,496 individuals entering substance abuse treatment from Jun2009 to Mar2012 indicated that ER morphine was administered by injection and snorting *prior* to introduction of ORF (45.7% and 25.3%, respectively; Jun2009-8Aug2010), and *after* introduction of ORF (46.0% and 25.6%, respectively; 9Aug-Mar2012).

Figure 3. Routes of Abuse used for Brand ER Morphine Before Versus After ORF Introduction



3. Abuse patterns before and after introduction of ORF (NAVIPPRO System, 2009-2012)

- a. Prevalence of ER morphine abuse among all individuals assessed by ASI-MV in pre- and post-ORF periods was 0.92% and 0.95%, respectively; when adjusted for dispensed prescriptions (SDI data) the prevalence was 0.02% and 0.02%.

During same period, pre- and post-ORF prevalence of ER oxycodone abuse was 4.06% and 2.41%, respectively (0.07 and 0.05 when prescription adjusted), and prevalence of ER oxymorphone abuse was 0.32% and 1.11%, respectively (0.06% and 0.12% when prescription adjusted).

Table 2. Changes in abuse patterns of Brand ER Morphine, ER oxycodone and ER Oxymorphone before and after introduction of ORF in the ASI-MV NAVIPPRO System

| | Before period* (%) | After period [†] (%) | Pre-post relative change ^{††} | 95% CI | | P-Value |
|---|--------------------|-------------------------------|--|--------|------|---------|
| Prevalence of product-specific abuse among all individuals assessed by ASI-MV in pre- and post-periods | | | | | | |
| 1a. ER oxycodone | 4.06 | 2.41 | -41 | -44 | -37 | <.0001 |
| 1a.1. Oral | 2.15 | 1.79 | -17 | -23 | -10 | <.0001 |
| 1a.2. Non-oral | 3.03 | 1.02 | -66 | -69 | -63 | <.0001 |
| 1b. ER oxymorphone | 0.32 | 1.11 | +246 | +199 | +301 | <.0001 |
| 1c. Brand ER morphine | 0.92 | 0.95 | +2 | -8 | +14 | 0.6634 |
| Prescription-adjusted [£] prevalence rate of product-specific abuse among all individuals assessed by ASI-MV | | | | | | |
| 2a. ER oxycodone | 0.07 | 0.05 | -33 | -37 | -29 | <.0001 |
| 2b. ER oxymorphone | 0.06 | 0.12 | +111 | +82 | +144 | <.0001 |
| 2c. Brand ER morphine | 0.02 | 0.02 | +0.9 | -10 | +12 | 0.8778 |
| Prevalence of abuse among prescription opioid abusers assessed by ASI-MV in pre- and post-periods | | | | | | |
| 3a. ER oxycodone | 23.69 | 12.12 | -49 | -52 | -46 | <.0001 |
| 3a.1. Oral | 12.44 | 9.03 | -27 | -32 | -22 | <.0001 |
| 3a.2. Non-oral | 17.83 | 5.15 | -71 | -73 | -69 | <.0001 |
| 3b. ER oxymorphone | 1.87 | 5.54 | +196 | +156 | +242 | <.0001 |
| 3c. Brand ER morphine | 5.37 | 4.7 | -12 | -21 | -2 | 0.0209 |
| Prescription-adjusted [£] prevalence rate of abuse among prescription opioid abusers assessed by ASI-MV | | | | | | |
| 4a. ER oxycodone | 0.42 | 0.24 | -42 | -45 | -39 | <.0001 |
| 4b. ER oxymorphone | 0.33 | 0.60 | +80 | +56 | +109 | <.0001 |
| 4c. Brand ER morphine | 0.12 | 0.10 | -13 | -22 | -3 | 0.0094 |

*Before period = June 2009 through August 8, 2010

† After period = August 9, 2010 through March 31, 2012 Only ORF (and not OC) is included in this column.

†† Pre-post relative change reflects the percent change in percent abuse from the pre to post-introduction period.

£ Prescription-adjusted prevalence defined as prevalence of past 30-day abuse per 10,000 prescriptions dispensed per month

1. Rates of Call to poison control centers for ER Morphine, IR Morphine and Other opioids (RADARS, 2009)

- a. In 2009, rates of poison center calls per 1,000 unique recipients of dispensed drug (SDI data) was larger for REMS-opioids (include ER morphine) than non-REMS opioids (includes IR morphine). Similar trends were observed for other RADARS studies including College Survey, Drug Diversion, Opioid Treatment, and SKIP.
- b. In 2009, rates of poison center calls per 1,000 unique recipients of dispensed drug (SDI data) were 0.28 for ER morphine and 0.22 for IR morphine.

During same period, rates of poison center calls per 1,000 URDD were 0.32 for fentanyl transdermal, 0.56 for ER oxycodone, and 1.50 for methadone.

Table 3. Rates of Intentional Exposures per 1,000 unique individuals dispensed drug (URRDs) in the RADARS System in 2009 by ER and IR Formulations

Table 1. RADARS® System Program Rates per 1,000 Quarterly URDD: 2009

| Drug Class | NON-REMS Opioids | REMS Opioids | p-value |
|---------------------|------------------|--------------|---------|
| TOTAL BUPRENORPHINE | 0.88 | . | |
| TOTAL FENTANYL | 0.27 | 0.32 | 0.3772 |
| TOTAL HYDROCODONE | 0.23 | . | |
| TOTAL HYDROMORPHONE | 0.41 | . | |
| TOTAL METHADONE | . | 1.50 | |
| TOTAL MORPHINE | 0.22 | 0.28 | 0.3201 |
| TOTAL OXYCODONE | 0.22 | 0.56 | <0.0001 |
| TOTAL TRAMADOL | 0.37 | . | |
| POOLED RATE | 0.26 | 0.60 | |

Oxymorphone data are not presented.

REMS Opioids: Methadone, extended release hydromorphone once launched, extended release morphine, extended-release oxycodone, extended-release oxymorphone, transdermal fentanyl.

Non-REMS Opioids: Buprenorphine, hydrocodone, tramadol, immediate-release hydromorphone, immediate-release morphine, immediate-release oxycodone, immediate-release oxymorphone, transbuccal fentanyl, fentanyl injectable products.

Oxymorphone data are not presented.

2. Calls to poison control centers (RADARS, 2012)

a. Relative Rates of Exposures for Morphine and other Opioids

Figure 4. Poison Center Intentional Exposure Rates (per 100,000 Population) Over Time – All RADARS System Opioids

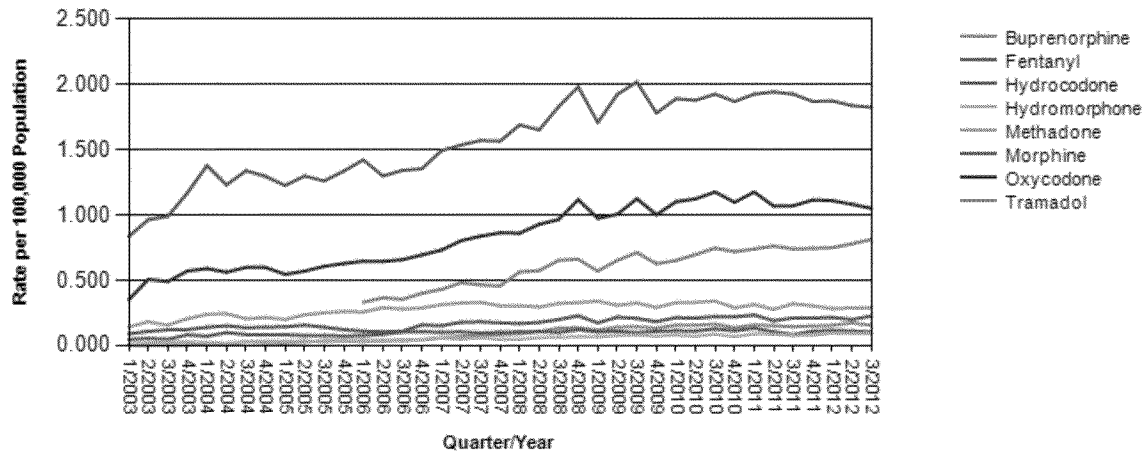
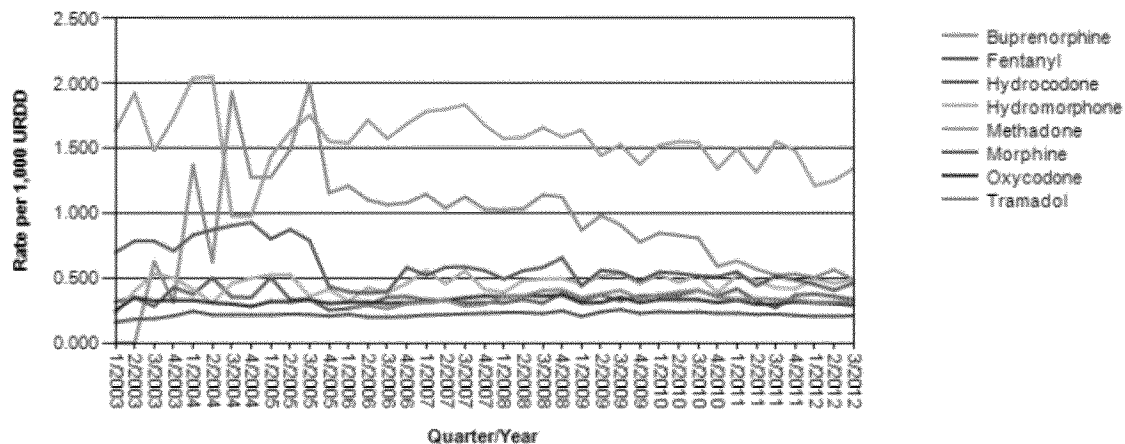
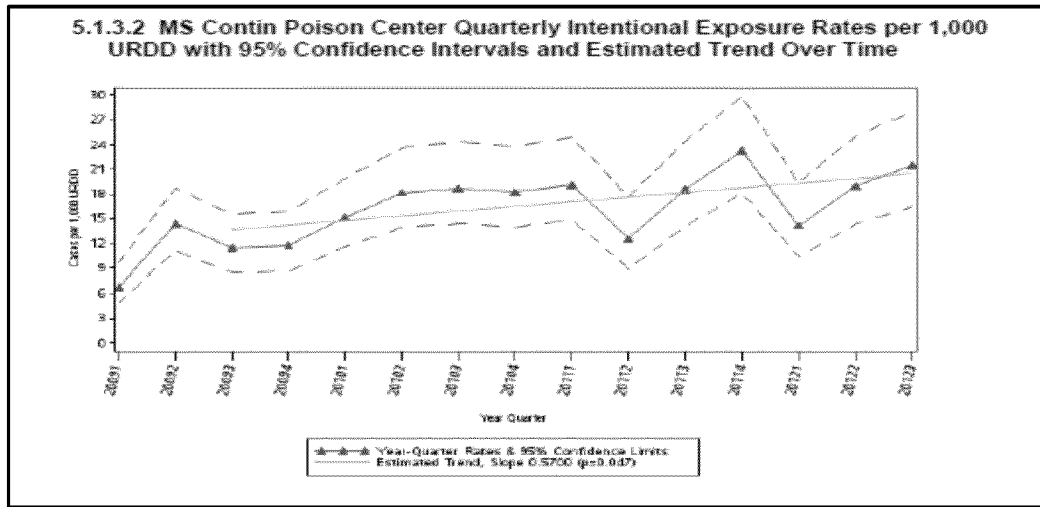


Figure 5. Poison Center Intentional Exposure Rates (per 1,000 URDD) Over Time – All RADARS System Opioids



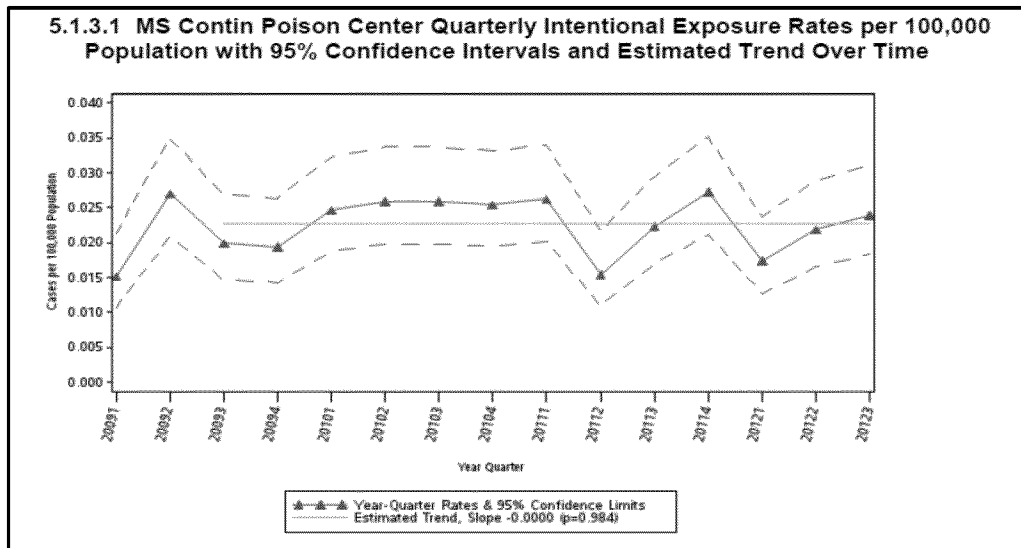
- b. Estimated trend in poison center URDD rates from 2009 to 3q2012 show a significant ($p=0.047$) increase over time for MS Contin; on average, rates increased by 0.57 cases per 1,000 URDD each year-quarter.

Figure 6. Poison Center Intentional Exposure Rates (per 1,000 URDD) Over Time for MS Contin



- c. Estimated trend in poison center population rates from 2009 to 3q2012 show a non-significant ($p=0.984$) change over time for MS Contin.

Figure 7. Poison Center Intentional Exposure Rates (per 100,000 population) Over Time for MS Contin



From: Mahony, Edward

Sent: 2013年4月9日 10:07

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

[REDACTED] Weinstein, Bert; Snyderman, Ralph

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

Subject: FW: Finance Flash Report

Attachments: Sales Flash Report v1.pdf

Colleagues,

The following is a flash financial report --- full Q1 financial statements will follow shortly. This report focuses on sales and cash.

NET SALES

Net Sales for the three months ending March were \$461 million --- \$47 million lower than the same period last year and \$115 million under budget. The reasons for the under budget sales performance are discussed below.

OxyContin

OxyContin net sales for the three months ending March total \$408 million --- \$113 million below budget and \$58 million lower than the same period last year. The variance vs. budget is due to:

- a. OxyContin demand -- as reported by IMS -- is running about 3.8%, or \$20 million, behind budget.
 - i. OxyContin prescriptions -- as reported by IMS -- continue to be about 0.9% ahead of budget.
 - ii. OxyContin mix among strengths and the tablets per prescription are both unfavorable to budget -- combined impact on demand is unfavorable 4.5% vs. budget.
- b. OxyContin net sales are about \$4 million unfavorable to budget due to higher patient savings card redemptions
- c. OxyContin wholesaler inventory -- as reported by the wholesalers and converted to net sales value, is running \$86 million below budget. The variance is due to:
 - i. Typical, but unpredictable, fluctuations in trade inventory which tend to even out over time.
 - ii. Specifically, wholesaler inventory decreased from 1.3 months-on-hand at the end of 2012 to 0.8 months-on-hand at the end of March.
 - iii. Two wholesalers, McKesson and Cardinal, account for 75% of the inventory reduction.
- d. Other noteworthy factors include:

- i. OxyContin primary sales calls are below budget in the first quarter. This is due to vacant territories realignment which led to lower productivity for the first few months and slower implementation of the plan to have OxyContin in the primary position on 50% of all sales calls. As we start the second quarter, the sales force is much closer to both budgeted headcount and the 50% OxyContin primary position call target.
- ii. At the end of 2012 OxyContin was removed from the United Healthcare AARP formulary. We expect that this could result in a \$50 million loss of OxyContin demand in 2013. The Purdue team is working to improve coverage elsewhere to offset this loss. (Part of the lower demand described above is due to this loss.)
- iii. The 2013 budget assumed that Pfizer would launch Remoxy in late 2013. Based on recent press reports the Remoxy launch is not likely to happen this year. The impact on sales this year was expected to be about \$5 million favorable.
- iv. The remainder of 2013 OxyContin sales should benefit from an increase in sales calls vs. 2012 and the other items described above. The Purdue team is developing additional initiatives to try to ensure that OxyContin demand gets back to budget levels.
- v. Trade inventory levels are monitored to ensure that the trade has adequate inventory and excellent customer service. Some or all of the first quarter trade inventory reduction should reverse during the year.

Butrans

Butrans net sales for the three months ending March were \$23 million --- \$3.6 million below budget but \$5.4 million above the same period last year. While demand as reported by IMS is in line with budget and 21.3% above the same period last year, wholesaler inventory is \$2.7 million lower than budget.

Intermezzo

Intermezzo net sales for the three months ending March were \$2.6 million ---\$2.3 million or 47% below budget.

- a. In the most recent week prescriptions were about 50% below budget.
- b. Year to date patient co-pay savings card redemptions are running at about 10% of sales vs. 5% of sales in the budget. This is due to higher than anticipated patient copays.
- c. As a result of this lower than expected demand management is evaluating options for the remainder of the year.

Cash and Short Term Investments

At the end of March, unrestricted cash and short term investments totaled \$889 million -- which is \$128 million lower than budget. This lower than budget cash balance is due to sales being lower than budget. In the next two months, tax distributions and non-tax

distributions will reduce this balance. The year end 2013 budget is \$600 million in unrestricted cash.

Full first quarter financial statements will be reported shortly.

Best Regards,

Ed

**Purdue U.S.
Sales Flash Report
March 2013**

Page Number

| | |
|-------|--------------------------------------|
| 2 | Sales Summary Gross to Net |
| 3 | Net Sales by Product |
| 4 | Sales Variance to Budget |
| 5 | Trade Inventory |
| 6 | Sales by Month |
| 7 - 8 | OxyContin Gross Sales Reconciliation |

Sales Summary Gross to Net

Expressed in 000's

| | March Year-to-Date | | | Variance 2013 YTD Actual Vs. | | Full Year | | | | |
|--|---------------------|---------------------|---------------------|------------------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2013 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 Budget | 2012 Actual | 2011 Actual | 2010 Actual | 2009 Actual |
| 10mg | \$ 31,231 | \$ 38,226 | \$ 34,568 | \$ (6,994) | \$ (3,337) | \$ 156,987 | \$ 152,741 | \$ 146,784 | \$ 121,344 | \$ 133,629 |
| 15mg | 7,849 | 9,214 | 7,097 | (1,366) | 752 | 37,814 | 33,992 | 27,136 | 23,620 | 16,548 |
| 20mg | 81,062 | 102,307 | 91,233 | (21,245) | (10,171) | 419,948 | 402,472 | 404,149 | 361,266 | 369,289 |
| 30mg | 45,503 | 57,869 | 43,710 | (12,367) | 1,793 | 237,429 | 205,335 | 171,730 | 161,048 | 114,431 |
| 40mg | 118,915 | 151,567 | 144,063 | (32,652) | (25,149) | 622,343 | 618,704 | 633,738 | 682,972 | 708,279 |
| 60mg | 73,857 | 94,764 | 74,803 | (20,907) | (946) | 388,817 | 340,746 | 300,721 | 315,742 | 226,251 |
| 80mg | 207,894 | 256,575 | 237,172 | (48,681) | (29,278) | 1,053,126 | 1,023,075 | 1,096,778 | 1,331,784 | 1,320,222 |
| 160mg | - | - | - | - | - | - | - | (17) | - | - |
| OxyContin | 566,311 | 710,522 | 632,646 | (144,211) | (66,335) | 2,916,463 | 2,777,064 | 2,781,018 | 2,997,775 | 2,888,649 |
| Butrans | 29,131 | 33,466 | 21,686 | (4,336) | 7,445 | 160,025 | 112,887 | 73,531 | - | - |
| Intermezzo | 3,163 | 5,597 | - | (2,434) | 3,163 | 57,622 | 16,556 | - | - | - |
| Dilaudid Ampules | 204 | 1,198 | 1,620 | (994) | (1,416) | 4,328 | 8,272 | 6,044 | 10,209 | 5,444 |
| Dilaudid Vials | 0 | 222 | 230 | (222) | (229) | 797 | 1,306 | 1,302 | 6,638 | 2,417 |
| Dilaudid Tablets | 3,091 | 3,003 | 3,498 | 88 | (407) | 11,856 | 14,191 | 17,495 | 18,234 | 24,977 |
| Dilaudid | 3,295 | 4,422 | 5,347 | (1,127) | (2,053) | 16,981 | 23,769 | 24,842 | 35,081 | 32,838 |
| MS Contin | 2,441 | 2,975 | 3,063 | (534) | (622) | 11,642 | 12,974 | 13,339 | 15,101 | 18,860 |
| Ryzolt | (124) | - | (4,695) | (124) | 4,571 | - | (6,924) | 11,168 | 16,510 | 10,842 |
| Betadine First Aid | 871 | 1,009 | 888 | (137) | (16) | 4,027 | 4,118 | 4,164 | 4,249 | 3,858 |
| Betadine Hospital | 1,115 | 1,072 | 1,018 | 43 | 96 | 4,401 | 4,653 | 4,412 | 4,196 | 3,864 |
| Betadine Veterinary | 253 | 198 | 181 | 55 | 73 | 830 | 850 | 793 | 765 | 729 |
| Betadine | 2,239 | 2,279 | 2,087 | (39) | 152 | 9,258 | 9,621 | 9,369 | 9,210 | 8,451 |
| Betasept | 478 | 459 | 430 | 19 | 48 | 1,878 | 1,971 | 1,753 | 1,715 | 1,500 |
| Colace | 5,736 | 6,416 | 5,912 | (680) | (176) | 25,669 | 25,891 | 23,729 | 22,250 | 22,889 |
| Peri-Colace | 993 | 1,177 | 1,049 | (184) | (56) | 4,708 | 4,403 | 3,968 | 3,637 | 3,058 |
| Colace / Peri-Colace | 6,730 | 7,593 | 6,961 | (863) | (232) | 30,377 | 30,294 | 27,697 | 25,887 | 25,947 |
| Senokot | 2,228 | 2,316 | 2,502 | (88) | (275) | 9,263 | 10,000 | 10,428 | 9,894 | 7,272 |
| Senokot - S | 2,752 | 2,411 | 2,790 | 341 | (38) | 9,648 | 11,220 | 13,010 | 12,360 | 11,357 |
| Senokot | 4,979 | 4,726 | 5,292 | 253 | (313) | 18,911 | 21,220 | 23,437 | 22,253 | 18,629 |
| Slow-Mag | 1,336 | 1,383 | 1,255 | (47) | 81 | 5,316 | 5,554 | 5,352 | 4,585 | 4,703 |
| Discontinued Products | (3) | - | (34) | (3) | 31 | - | (81) | (344) | (243) | 3,725 |
| Gross Branded Sales | \$ 619,975 | \$ 773,422 | \$ 674,038 | \$ (153,447) | \$ (54,063) | \$ 3,228,472 | \$ 3,004,905 | \$ 2,971,161 | \$ 3,127,873 | \$ 3,012,143 |
| Fee-for-Service | \$ (13,374) | \$ (15,664) | \$ (17,035) | \$ 2,290 | \$ 3,661 | \$ (65,338) | \$ (69,313) | \$ (74,507) | \$ (79,237) | \$ (76,215) |
| Disc. & Allowances | (11,191) | (17,051) | (5,919) | 5,860 | (5,273) | (88,198) | (67,018) | (49,328) | (61,312) | (60,921) |
| Ryzolt Returns Reserve | 125 | - | 5,107 | 125 | (4,982) | - | 7,167 | 161 | - | - |
| Intermezzo Returns Reserve | - | - | - | - | - | - | (8,981) | - | - | - |
| OxyContin Returns Reserve | - | - | - | - | - | - | (65,199) | (7,055) | 12,519 | 5,359 |
| Savings Card Discount | (11,841) | (7,859) | (4,615) | (3,982) | (7,225) | (34,537) | (25,104) | (15,572) | (15,691) | (17,131) |
| Rebates | (109,517) | (141,364) | (126,543) | 31,847 | 17,026 | (566,117) | (517,605) | (545,891) | (621,633) | (455,092) |
| Proposed regulation adj for Medicaid reb | (13,856) | (16,081) | (17,553) | 2,225 | 3,697 | (65,584) | (60,383) | (68,854) | (40,041) | - |
| Other | 413 | 413 | 542 | 0 | (129) | 1,651 | 2,455 | 12,380 | 27,611 | - |
| Less: Deductions Subtotal | \$ (159,241) | \$ (197,607) | \$ (166,017) | \$ 38,366 | \$ 6,776 | \$ (818,124) | \$ (803,982) | \$ (748,667) | \$ (777,784) | \$ (604,000) |
| Net Branded Sales | \$ 460,735 | \$ 575,815 | \$ 508,022 | \$ (115,080) | \$ (47,287) | \$ 2,410,348 | \$ 2,200,923 | \$ 2,222,495 | \$ 2,350,089 | \$ 2,408,143 |

Sales Summary by Product - Gross to Net

Expressed in 000's

| | Mar. Year-to-Date | | | | | | Variance 2013 YTD Actual Vs. | | | | Full Year | | | |
|---|-------------------|------------|-------------------|------------|-------------------|------------|------------------------------|------------|--------------------|------------|---------------------|------------|---------------------|------------|
| | % of | | % of | | % of | | % of | | % of | | % of | | % of | |
| | 2013 YTD | Gross | 2013 YTD | Gross | 2012 YTD | Gross | 2013 YTD | Gross | 2012 YTD | Gross | 2013 | Gross | 2012 | Gross |
| | Actual | Sales | Budget | Sales | Actual | Sales | Budget | Sales | Actual | Sales | Budget | Sales | Actual | Sales |
| OxyContin | | | | | | | | | | | | | | |
| Gross Sales | \$ 566,311 | 100% | \$ 710,522 | 100% | \$ 632,614 | 100% | \$ (144,211) | 100% | \$ (66,303) | 100% | \$ 2,916,463 | 100% | \$ 2,777,064 | 100% |
| Fee for Service | (12,490) | -2.2% | (14,604) | -2.1% | (16,377) | -2.6% | 2,114 | -1.5% | 3,887 | -5.9% | (59,887) | -2.1% | (65,877) | -2.4% |
| Sales Discounts and Allowances | (12,367) | -2.2% | (15,516) | -2.2% | (5,262) | -0.8% | 3,149 | -2.2% | (7,105) | 10.7% | (72,658) | -2.5% | (116,425) | -4.2% |
| Savings Cards Discounts | (9,702) | -1.7% | (5,639) | -0.8% | (2,780) | -0.4% | (4,063) | 2.8% | (6,922) | 10.4% | (22,813) | -0.8% | (18,330) | -0.7% |
| Rebates | (109,659) | -19.4% | (137,584) | -19.4% | (124,610) | -19.7% | 27,925 | -19.4% | 14,951 | -22.6% | (547,876) | -18.8% | (509,597) | -18.4% |
| Proposed Regulation Adjustment for Medicaid Rebates | (13,856) | -2.4% | (16,081) | -2.3% | (17,553) | -2.8% | 2,225 | -1.5% | 3,697 | -5.6% | (65,584) | -2.2% | (60,383) | -2.2% |
| OxyContin Net Sales | 408,237 | 72% | 521,098 | 73% | 466,033 | 66% | (112,861) | 78% | (57,796) | 87% | 2,147,645 | 74% | 2,006,453 | 72% |
| Butrans | | | | | | | | | | | | | | |
| Gross Sales | \$ 29,131 | 100% | \$ 33,466 | 100% | \$ 21,686 | 100% | \$ (4,336) | 100% | \$ 7,445 | 100% | \$ 160,025 | 100% | \$ 112,887 | 100% |
| Fee for Service | (647) | -2.2% | (725) | -2.2% | (561) | -2.6% | 78 | -1.8% | (86) | -1.2% | (3,432) | -2.1% | (2,693) | -2.4% |
| Sales Discounts and Allowances | (759) | -2.6% | (872) | -2.6% | (78) | -0.4% | 113 | -2.6% | (681) | -9.1% | (6,826) | -4.3% | (13,725) | -12.2% |
| Savings Cards Discounts | (1,811) | -6.2% | (1,911) | -5.7% | (1,836) | -8.5% | 100 | -2.3% | 24 | 0.3% | (8,573) | -5.4% | (6,198) | -5.5% |
| Rebates | (2,776) | -9.5% | (3,189) | -9.5% | (1,458) | -6.7% | 413 | -9.5% | (1,318) | -17.7% | (14,336) | -9.0% | (6,139) | -5.4% |
| Butrans Net Sales | 23,137 | 79% | 26,769 | 80% | 17,754 | 82% | (3,632) | 84% | 5,384 | 72% | 126,858 | 79% | 84,131 | 75% |
| Intermezzo | | | | | | | | | | | | | | |
| Gross Sales | \$ 3,163 | 100% | \$ 5,597 | 100% | \$ - | 0% | \$ (2,434) | 100% | \$ 3,163 | 100% | \$ 57,622 | 100% | \$ 16,556 | 100% |
| Fee for Service | (69) | -2.2% | (111) | -2.0% | - | 0.0% | 42 | -1.7% | (69) | -2.2% | (1,147) | -2.0% | (352) | -2.1% |
| Sales Discounts and Allowances | (63) | -2.0% | (112) | -2.0% | - | 0.0% | 49 | -2.0% | (63) | -2.0% | (6,915) | -12.0% | (9,908) | -59.8% |
| Savings Cards Discounts | (327) | -10.3% | (309) | -5.5% | - | 0.0% | (18) | 0.7% | (327) | -10.3% | (3,150) | -5.5% | (576) | -3.5% |
| Rebates | (114) | -3.6% | (201) | -3.6% | - | 0.0% | 87 | -3.6% | (114) | -3.6% | (2,364) | -4.1% | (138) | -0.8% |
| Intermezzo Net Sales | 2,589 | 82% | 4,863 | 87% | - | 0% | (2,273) | 93% | 2,589 | 82% | 44,046 | 76% | 5,582 | 34% |
| Total for All Products | | | | | | | | | | | | | | |
| Gross Sales | \$ 619,975 | 100% | \$ 773,422 | 100% | \$ 674,038 | 100% | \$ (153,447) | 100% | \$ (54,063) | 100% | \$ 3,228,472 | 100% | \$ 3,004,905 | 100% |
| Fee for Service | (13,374) | -2.2% | (15,664) | -2.0% | (17,035) | -2.5% | 2,290 | -1.5% | 3,661 | -6.8% | (65,338) | -2.0% | (69,313) | -2.3% |
| Sales Discounts and Allowances | (11,066) | -1.8% | (17,051) | -2.2% | (812) | -0.1% | 5,985 | -3.9% | (10,254) | 19.0% | (88,198) | -2.7% | (134,031) | -4.5% |
| Savings Cards Discounts | (11,841) | -1.9% | (7,859) | -1.0% | (4,615) | -0.7% | (3,982) | 2.6% | (7,226) | 13.4% | (34,537) | -1.1% | (25,104) | -0.8% |
| Rebates | (109,517) | -17.7% | (141,364) | -18.3% | (126,543) | -18.8% | 31,847 | -20.8% | 17,026 | -31.5% | (566,117) | -17.5% | (517,605) | -17.2% |
| Proposed Regulation Adjustment for Medicaid Rebates | (13,856) | -2.2% | (16,081) | -2.1% | (17,553) | -2.6% | 2,225 | -1.5% | 3,697 | -6.8% | (65,584) | -2.0% | (60,383) | -2.0% |
| Other | 413 | 0.1% | 413 | 0.1% | 542 | 0.1% | 0 | 0.0% | (129) | 0.2% | 1,651 | 0.1% | 2,455 | 0.1% |
| Total Net Sales | \$ 460,735 | 74% | \$ 575,815 | 74% | \$ 508,022 | 75% | \$ (115,080) | 75% | \$ (47,287) | 87% | \$ 2,410,348 | 75% | \$ 2,200,923 | 73% |

Sales Variance to Budget

(\$ in millions)

Gross Sales

| | | |
|---|------------|---------|
| • Impact of trade inventories lower than budget. ⁽¹⁾ | \$ (117.0) | |
| • Lower OxyContin demand versus budget. ⁽¹⁾ | (27.2) | |
| Lower OxyContin Sales. | | (144.2) |
| • Butrans sales due to lower trade inventory. | | (4.3) |
| • Intermezzo sales. | | (2.4) |
| • Ryzolt returns. | | (0.1) |
| • All Other. | | (2.3) |
| Sub-Total Gross Sales Variance | | (153.4) |

Deductions

| | | |
|---|-------------------|--|
| • Lower variable deductions due to lower Sales. | \$ 38.4 | |
| Net Branded Sales Variance to Budget | \$ (115.1) | |

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

Trade Inventory Summary

Highlights

OxyContin trade inventory growth is below budget by \$117.0 million.

Butrans trade inventory growth is lower than budget likely driven by YTD sales performance.

Intermezzo trade inventory growth reflects initial stocking. Dollarized Rx's year to date approximately \$3.4 million.

| | Inventory Value (\$000's) | | | | Months on Hand | | |
|--|---------------------------|-------------------|---------------------|--------------------|----------------|--------------|--------------|
| | YTD Mar 2013 | | | FY 2013 | Mar-13 | | |
| | Actual | Budget | Variance | Budget | Actual | Budget | Variance |
| OxyContin | | | | | | | |
| Total Trade Inventory - January 1st, 2013 | \$ 570,959 | \$ 459,014 | \$ 111,945 | \$ 459,014 | 2.4 | 1.7 | 0.69 |
| Wholesaler - Ending (1) | 189,412 | 191,726 | (2,313) | 191,726 | 0.8 | 0.8 | 0.0 |
| Pharmacy - Ending (2) | 262,927 | 266,061 | (3,134) | 206,321 | 1.1 | 1.1 | 0.0 |
| Hospital/Other - Ending | 5,396 | 5,004 | 392 | 4,930 | 0.0 | 0.0 | 0.0 |
| Total Trade Inventory - March 31, 2013 | \$ 457,735 | \$ 462,790 | \$ (5,055) | \$ 402,976 | 1.9 | 1.9 | 0.0 |
| Change in Trade Inventory | \$ (113,224) | \$ 3,776 | \$ (117,000) | \$ (56,038) | 0.5 | (0.2) | 0.6 |
| Butrans | | | | | | | |
| Total Trade Inventory - January 1st, 2013 | \$ 21,102 | \$ 22,706 | \$ (1,604) | \$ 22,706 | 2.1 | 2.0 | 0.1 |
| Wholesaler - Ending (1) | 12,060 | 10,749 | 1,311 | 12,970 | 1.2 | 1.0 | 0.2 |
| Pharmacy - Ending (2) | 8,475 | 14,058 | (5,583) | 17,470 | 0.8 | 1.3 | (0.4) |
| Hospital/Other - Ending | 109 | 106 | 3 | 574 | 0.0 | 0.0 | 0.0 |
| Total Trade Inventory - March 31, 2013 | \$ 20,644 | \$ 24,913 | \$ (4,269) | \$ 31,015 | 1.8 | 2.4 | (0.6) |
| Change in Trade Inventory | \$ (458) | \$ 2,207 | \$ (2,664) | \$ 8,308 | 0.2 | (0.4) | 0.7 |
| Intermezzo | | | | | | | |
| Total Trade Inventory - January 1st, 2013 | \$ 10,008 | \$ 6,068 | \$ 3,941 | \$ 6,068 | N/A | N/A | N/A |
| Wholesaler - Ending (1) | 3,743 | 1,531 | 2,213 | 1,531 | N/A | N/A | N/A |
| Pharmacy - Ending (2) | 6,672 | 4,962 | 1,710 | 4,962 | N/A | N/A | N/A |
| Hospital/Other - Ending | - | - | - | - | N/A | N/A | N/A |
| Total Trade Inventory - March 31, 2013 | \$ 10,415 | \$ 6,492 | \$ 3,923 | \$ 6,492 | N/A | N/A | N/A |
| Change in Trade Inventory | \$ 407 | \$ 425 | \$ (18) | \$ 425 | N/A | N/A | N/A |

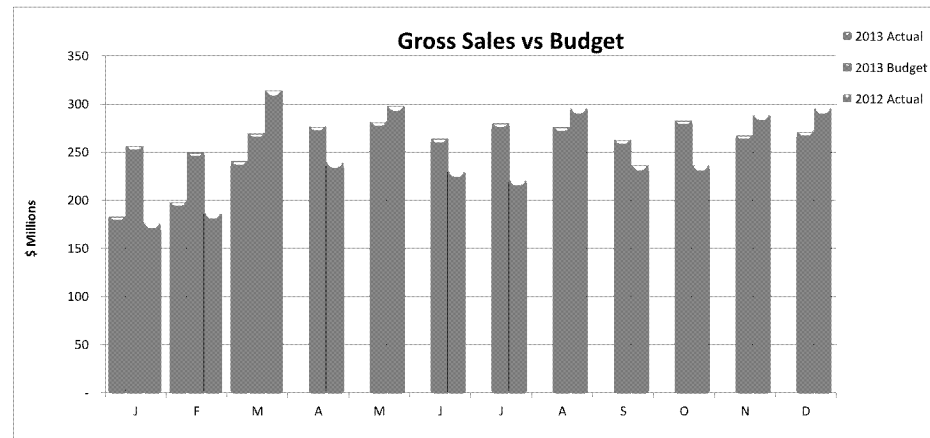
Footnotes

(1) - **Wholesaler** - Includes inventory held by the wholesaler derived from the Value Centric system.

(2) - **Pharmacy** - assumes the pharmacies maintain stocking levels.

Gross Sales by Month

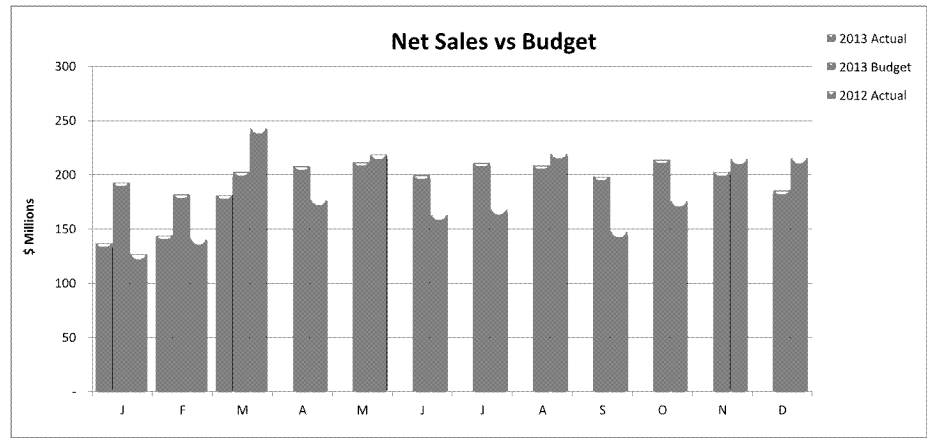
| (\$ Millions) | 2013 | | 2012 | | 2011 | | Monthly | |
|----------------|----------|------------|------------|------------|--------|--------|---------|---------|
| | 2013 | 2013 | 2012 | 2012 | 2011 | 2011 | 2013 % | 2013 % |
| Month | Actual | Budget | Actual | Actual | Actual | Budget | of 2012 | of 2011 |
| January | \$ 182.5 | \$ 255.7 | \$ 175.4 | \$ 215.8 | 71.4% | 104.0% | 84.5% | |
| February | 197.6 | 248.9 | 185.4 | 198.5 | 79.4% | 106.6% | 99.6% | |
| March | 239.9 | 268.8 | 313.2 | 310.9 | 89.3% | 76.6% | 77.2% | |
| Q1 | 620.0 | 773.4 | 674.0 | 725.2 | 80.2% | 85.5% | 89.4% | |
| April | | 275.8 | 238.2 | 260.8 | | | | |
| May | | 280.5 | 297.3 | 212.9 | | | | |
| June | | 263.1 | 228.4 | 288.5 | | | | |
| Q2 | - | 819.4 | 764.0 | 762.2 | | | | |
| July | | 279.3 | 219.7 | 209.5 | | | | |
| August | | 275.2 | 294.3 | 242.7 | | | | |
| September | | 261.9 | 235.5 | 274.1 | | | | |
| Q3 | - | 816.4 | 749.6 | 726.3 | | | | |
| October | | 282.0 | 235.2 | 221.8 | | | | |
| November | | 266.8 | 287.7 | 238.8 | | | | |
| December | | 270.4 | 296.8 | | | | | |
| Q4 | - | 819.3 | 817.3 | 757.4 | | | | |
| Total | \$ 620.0 | \$ 3,228.5 | \$ 3,004.9 | \$ 2,971.2 | 19.2% | 20.9% | 19.8% | |
| YTD Cumulative | \$ 620.0 | \$ 773.4 | \$ 674.0 | \$ 725.2 | 80.2% | 85.5% | 89.4% | |



Note: The above net sales includes the impact of the proposed final rule for Medicaid rebates.

Net Sales by Month

| (\$ Millions) | 2013 | | 2012 | | 2011 | | Monthly | |
|----------------|----------|------------|------------|------------|--------|--------|---------|---------|
| | 2013 | 2013 | 2012 | 2012 | 2011 | 2011 | 2013 % | 2013 % |
| Month | Actual | Budget | Actual | Actual | Actual | Budget | of 2012 | of 2011 |
| January | \$ 136.4 | \$ 192.4 | \$ 126.2 | \$ 163.2 | 70.9% | 108.1% | 83.6% | |
| February | 143.6 | \$ 181.3 | 140.0 | 154.4 | 79.2% | 102.6% | 93.0% | |
| March | 180.7 | \$ 202.1 | 241.9 | 238.3 | 89.4% | 74.7% | 75.8% | |
| Q1 | 460.7 | 575.8 | 508.0 | 555.8 | 80.0% | 82.9% | 85.3% | |
| April | | 207.5 | 176.2 | 197.1 | | | | |
| May | | 211.2 | 218.2 | 172.9 | | | | |
| June | | 198.9 | 162.4 | 216.9 | | | | |
| Q2 | - | 617.6 | 556.8 | 587.0 | | | | |
| July | | 210.6 | 167.5 | 168.4 | | | | |
| August | | 208.2 | 218.8 | 185.1 | | | | |
| September | | 197.8 | 146.7 | 193.2 | | | | |
| Q3 | - | 616.7 | 533.0 | 546.7 | | | | |
| October | | 213.3 | 174.9 | 158.4 | | | | |
| November | | 202.0 | 213.8 | 181.3 | | | | |
| December | | 185.0 | 214.4 | 193.3 | | | | |
| Q4 | - | 600.2 | 603.1 | 533.0 | | | | |
| Total | \$ 460.7 | \$ 2,410.3 | \$ 2,200.9 | \$ 2,222.5 | 19.1% | 20.7% | 19.8% | |
| YTD Cumulative | \$ 460.7 | \$ 575.8 | \$ 508.0 | \$ 555.8 | 80.0% | 82.9% | 85.3% | |



OxyContin Gross Sales Variance - Year to Date March 2013

Lower Demand versus Budget

| | | |
|--|---------------------|--------|
| Unfavorable mix of sales between strengths versus Budget | (17,498,262) | Note 1 |
| Lower number of tablets per script versus Budget | (14,547,396) | Note 2 |
| Actual scripts higher than Budget by 13,332 | 6,131,621 | Note 3 |
| All Other | (1,297,456) | |
| Sub-Total | (27,211,492) | |

Trade Inventory lower than Budget **(117,000,000)**

OxyContin Gross Sales Lower than Budget **(144,211,492)**

Note 1 - Unfavorable mix of scripts between strengths of \$17.5 million

| | YTD Actual Mix | Budgeted Mix | Variance | | Sales Impact |
|--------------|------------------|------------------|----------|-------------|---------------------|
| 10mg | 326,196 | 308,977 | 17,219 | 5.6% | 1,842,606 |
| 15mg | 51,120 | 49,519 | 1,601 | 3.2% | 290,306 |
| 20mg | 379,804 | 376,111 | 3,693 | 1.0% | 941,571 |
| 30mg | 151,717 | 155,907 | (4,190) | -2.7% | (1,531,558) |
| 40mg | 280,879 | 279,773 | 1,106 | 0.4% | 549,063 |
| 60mg | 117,927 | 126,463 | (8,536) | -6.7% | (6,422,988) |
| 80mg | 197,894 | 208,786 | (10,892) | -5.2% | (13,167,263) |
| Total | 1,505,536 | 1,505,536 | - | 0.0% | (17,498,262) |

Note 2 - Lower numbers of tablets per script versus Budget of \$14.5 million

| | Actual | Budget | Variance | | Sales Impact |
|--------------|--------|--------|----------|-------|---------------------|
| 10mg | 51.0 | 53.6 | (2.7) | -5.0% | (1,832,706) |
| 15mg | 57.6 | 59.2 | (1.6) | -2.7% | (260,466) |
| 20mg | 63.4 | 65.3 | (1.8) | -2.8% | (2,823,564) |
| 30mg | 64.6 | 66.1 | (1.5) | -2.3% | (1,284,320) |
| 40mg | 73.7 | 75.5 | (1.8) | -2.4% | (3,654,944) |
| 60mg | 72.7 | 73.3 | (0.7) | -0.9% | (812,529) |
| 80mg | 90.1 | 91.6 | (1.5) | -1.6% | (3,878,866) |
| Total | | | | | (14,547,396) |

OxyContin Gross Sales Variance - Year to Date March 2013

Note 3 - Actual scripts (at budgeted mix) are higher than budgeted scripts

| | Actual Scripts at Budgeted Mix | Budget | Variance | | Sales Impact |
|-------|--------------------------------------|-----------|----------|------|--------------|
| 10mg | 308,977 | 306,241 | 2,736 | 0.9% | 302,921 |
| 15mg | 49,519 | 49,081 | 439 | 0.9% | 80,220 |
| 20mg | 376,111 | 372,781 | 3,331 | 0.9% | 858,549 |
| 30mg | 155,907 | 154,526 | 1,381 | 0.9% | 509,944 |
| 40mg | 279,773 | 277,295 | 2,477 | 0.9% | 1,311,245 |
| 60mg | 126,463 | 125,343 | 1,120 | 0.9% | 837,653 |
| 80mg | 208,786 | 206,938 | 1,849 | 0.9% | 2,231,089 |
| Total | 1,505,536 | 1,492,204 | 13,332 | 0.9% | 6,131,621 |

Message

From: Mahony, Edward [REDACTED]
Sent: 4/9/2013 10:07:25 AM
To: Boer, Peter [REDACTED]; Lewent, Judy
[REDACTED] Pickett, Cecil [/O=PURDUE/OU=EXTERNAL
[REDACTED] Costa, Paulo
[REDACTED] Sackler, Beverly [REDACTED]
[REDACTED] Sackler, David
[REDACTED] Sackler, Dr Kathe [REDACTED]
[REDACTED] Sackler, Dame Theresa
[REDACTED] Sackler, Mortimer D.A [REDACTED]
[REDACTED] Sackler, Dr Raymond R
[REDACTED] Sackler, Dr Richard [REDACTED]
[REDACTED] Sackler, Jonathan
[REDACTED] Sackler Lefcourt, Ilene [REDACTED]
[REDACTED] Baker, Stuart D.
[REDACTED] Stewart, John H. (US) [REDACTED]
[REDACTED] Gasdia,
[REDACTED] Russel [REDACTED] Landau, Dr. Craig [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: FW: Finance Flash Report
Attachments: Sales Flash Report v1.pdf

Colleagues,

The following is a flash financial report --- full Q1 financial statements will follow shortly. This report focuses on sales and cash.

NET SALES

Net Sales for the three months ending March were \$461 million --- \$47 million lower than the same period last year and \$115 million under budget. The reasons for the under budget sales performance are discussed below.

OxyContin

OxyContin net sales for the three months ending March total \$408 million --- \$113 million below budget and \$58 million lower than the same period last year. The variance vs. budget is due to:

- a. OxyContin demand – as reported by IMS -- is running about 3.8%, or \$20 million, behind budget.
- i. OxyContin prescriptions – as reported by IMS -- continue to be about 0.9% ahead of budget.
- ii. OxyContin mix among strengths and the tablets per prescription are both unfavorable to budget – combined impact on demand is unfavorable 4.5% vs. budget.
- b. OxyContin net sales are about \$4 million unfavorable to budget due to higher patient savings card redemptions
- c. OxyContin wholesaler inventory – as reported by the wholesalers and converted to net sales value, is running \$86 million below budget. The variance is due to:
 - i. Typical, but unpredictable, fluctuations in trade inventory which tend to even out over time.
 - ii. Specifically, wholesaler inventory decreased from 1.3 months-on-hand at the end of 2012 to 0.8 months-on-hand at the end of March.
 - iii. Two wholesalers, McKesson and Cardinal, account for 75% of the inventory reduction.
- d. Other noteworthy factors include:
 - i. OxyContin primary sales calls are below budget in the first quarter. This is due to vacant territories realignment which led to lower productivity for the first few months and slower implementation of the plan to have OxyContin in the primary position on 50% of all sales calls. As we start the second quarter, the sales force is much closer to both budgeted headcount and the 50% OxyContin primary position call target.
 - ii. At the end of 2012 OxyContin was removed from the United Healthcare AARP formulary. We expect that this could result in a \$50 million loss of OxyContin demand in 2013. The Purdue team is working to improve coverage elsewhere to offset this loss. (Part of the lower demand described above is due to this loss.)
 - iii. The 2013 budget assumed that Pfizer would launch Remoxy in late 2013. Based on recent press reports the Remoxy launch is not likely to happen this year. The impact on sales this year was expected to be about \$5 million favorable.
 - iv. The remainder of 2013 OxyContin sales should benefit from an increase in sales calls vs. 2012 and the other items described above. The Purdue team is developing additional initiatives to try to ensure that OxyContin demand gets back to budget levels.
 - v. Trade inventory levels are monitored to ensure that the trade has adequate inventory and excellent customer service. Some or all of the first quarter trade inventory reduction should reverse during the year.

Butrans

Butrans net sales for the three months ending March were \$23 million --- \$3.6 million below budget but \$5.4 million above the same period last year. While demand as reported by IMS is in line with budget and 21.3% above the same period last year, wholesaler inventory is \$2.7 million lower than budget.

Intermezzo

Intermezzo net sales for the three months ending March were \$2.6 million ---\$2.3 million or 47% below budget.

- a. In the most recent week prescriptions were about 50% below budget.
- b. Year to date patient co-pay savings card redemptions are running at about 10% of sales vs. 5% of sales in the budget. This is due to higher than anticipated patient copays.
- c. As a result of this lower than expected demand management is evaluating options for the remainder of the year.

Cash and Short Term Investments

At the end of March, unrestricted cash and short term investments totaled \$889 million --- which is \$128 million lower than budget. This lower than budget cash balance is due to sales being lower than

budget. In the next two months, tax distributions and non-tax distributions will reduce this balance. The year end 2013 budget is \$600 million in unrestricted cash.

Full first quarter financial statements will be reported shortly.

Best Regards,

Ed

**Purdue U.S.
Sales Flash Report
March 2013**

Page Number

| | |
|-------|--------------------------------------|
| 2 | Sales Summary Gross to Net |
| 3 | Net Sales by Product |
| 4 | Sales Variance to Budget |
| 5 | Trade Inventory |
| 6 | Sales by Month |
| 7 - 8 | OxyContin Gross Sales Reconciliation |

Sales Summary Gross to Net

Expressed in 000's

| | March Year-to-Date | | | Variance 2013 YTD Actual Vs. | | Full Year | | | | |
|---|---------------------|---------------------|---------------------|------------------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2013 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 Budget | 2012 Actual | 2011 Actual | 2010 Actual | 2009 Actual |
| 10mg | \$ 31,231 | \$ 38,226 | \$ 34,568 | \$ (6,994) | \$ (3,337) | \$ 156,987 | \$ 152,741 | \$ 146,784 | \$ 121,344 | \$ 133,629 |
| 15mg | 7,849 | 9,214 | 7,097 | (1,366) | 752 | 37,814 | 33,992 | 27,136 | 23,620 | 16,548 |
| 20mg | 81,062 | 102,307 | 91,233 | (21,245) | (10,171) | 419,948 | 402,472 | 404,149 | 361,266 | 369,289 |
| 30mg | 45,503 | 57,869 | 43,710 | (12,367) | 1,793 | 237,429 | 205,335 | 171,730 | 161,048 | 114,431 |
| 40mg | 118,915 | 151,567 | 144,063 | (32,652) | (25,149) | 622,343 | 618,704 | 633,738 | 682,972 | 708,279 |
| 60mg | 73,857 | 94,764 | 74,803 | (20,907) | (946) | 388,817 | 340,746 | 300,721 | 315,742 | 226,251 |
| 80mg | 207,894 | 256,575 | 237,172 | (48,681) | (29,278) | 1,053,126 | 1,023,075 | 1,096,778 | 1,331,784 | 1,320,222 |
| 160mg | - | - | - | - | - | - | - | (17) | - | - |
| OxyContin | 566,311 | 710,522 | 632,646 | (144,211) | (66,335) | 2,916,463 | 2,777,064 | 2,781,018 | 2,997,775 | 2,888,649 |
| Butrans | 29,131 | 33,466 | 21,686 | (4,336) | 7,445 | 160,025 | 112,887 | 73,531 | - | - |
| Intermezzo | 3,163 | 5,597 | - | (2,434) | 3,163 | 57,622 | 16,556 | - | - | - |
| Dilaudid Ampules | 204 | 1,198 | 1,620 | (994) | (1,416) | 4,328 | 8,272 | 6,044 | 10,209 | 5,444 |
| Dilaudid Vials | 0 | 222 | 230 | (222) | (229) | 797 | 1,306 | 1,302 | 6,638 | 2,417 |
| Dilaudid Tablets | 3,091 | 3,003 | 3,498 | 88 | (407) | 11,856 | 14,191 | 17,495 | 18,234 | 24,977 |
| Dilaudid | 3,295 | 4,422 | 5,347 | (1,127) | (2,053) | 16,981 | 23,769 | 24,842 | 35,081 | 32,838 |
| MS Contin | 2,441 | 2,975 | 3,063 | (534) | (622) | 11,642 | 12,974 | 13,339 | 15,101 | 18,860 |
| Ryzolt | (124) | - | (4,695) | (124) | 4,571 | - | (6,924) | 11,168 | 16,510 | 10,842 |
| Betadine First Aid | 871 | 1,009 | 888 | (137) | (16) | 4,027 | 4,118 | 4,164 | 4,249 | 3,858 |
| Betadine Hospital | 1,115 | 1,072 | 1,018 | 43 | 96 | 4,401 | 4,653 | 4,412 | 4,196 | 3,864 |
| Betadine Veterinary | 253 | 198 | 181 | 55 | 73 | 830 | 850 | 793 | 765 | 729 |
| Betadine | 2,239 | 2,279 | 2,087 | (39) | 152 | 9,258 | 9,621 | 9,369 | 9,210 | 8,451 |
| Betasept | 478 | 459 | 430 | 19 | 48 | 1,878 | 1,971 | 1,753 | 1,715 | 1,500 |
| Colace | 5,736 | 6,416 | 5,912 | (680) | (176) | 25,669 | 25,891 | 23,729 | 22,250 | 22,889 |
| Peri-Colace | 993 | 1,177 | 1,049 | (184) | (56) | 4,708 | 4,403 | 3,968 | 3,637 | 3,058 |
| Colace / Peri-Colace | 6,730 | 7,593 | 6,961 | (863) | (232) | 30,377 | 30,294 | 27,697 | 25,887 | 25,947 |
| Senokot | 2,228 | 2,316 | 2,502 | (88) | (275) | 9,263 | 10,000 | 10,428 | 9,894 | 7,272 |
| Senokot - S | 2,752 | 2,411 | 2,790 | 341 | (38) | 9,648 | 11,220 | 13,010 | 12,360 | 11,357 |
| Senokot | 4,979 | 4,726 | 5,292 | 253 | (313) | 18,911 | 21,220 | 23,437 | 22,253 | 18,629 |
| Slow-Mag | 1,336 | 1,383 | 1,255 | (47) | 81 | 5,316 | 5,554 | 5,352 | 4,585 | 4,703 |
| Discontinued Products | (3) | - | (34) | (3) | 31 | - | (81) | (344) | (243) | 3,725 |
| Gross Branded Sales | \$ 619,975 | \$ 773,422 | \$ 674,038 | \$ (153,447) | \$ (54,063) | \$ 3,228,472 | \$ 3,004,905 | \$ 2,971,161 | \$ 3,127,873 | \$ 3,012,143 |
| Fee-for-Service | \$ (13,374) | \$ (15,664) | \$ (17,035) | \$ 2,290 | 3,661 | \$ (65,338) | \$ (69,313) | \$ (74,507) | \$ (79,237) | \$ (76,215) |
| Disc. & Allowances | (11,191) | (17,051) | (5,919) | 5,860 | (5,273) | (88,198) | (67,018) | (49,328) | (61,312) | (60,921) |
| Ryzolt Returns Reserve | 125 | - | 5,107 | 125 | (4,982) | - | 7,167 | 161 | - | - |
| Intermezzo Returns Reserve | - | - | - | - | - | - | (8,981) | - | - | - |
| OxyContin Returns Reserve | - | - | - | - | - | - | (65,199) | (7,055) | 12,519 | 5,359 |
| Savings Card Discount | (11,841) | (7,859) | (4,615) | (3,982) | (7,225) | (34,537) | (25,104) | (15,572) | (15,691) | (17,131) |
| Rebates | (109,517) | (141,364) | (126,543) | 31,847 | 17,026 | (566,117) | (517,605) | (545,891) | (621,633) | (455,092) |
| Proposed regulation adj for Medicaid reb. | (13,856) | (16,081) | (17,553) | 2,225 | 3,697 | (65,584) | (60,383) | (68,854) | (40,041) | - |
| Other | 413 | 413 | 542 | 0 | (129) | 1,651 | 2,455 | 12,380 | 27,611 | - |
| Less: Deductions Subtotal | \$ (159,241) | \$ (197,607) | \$ (166,017) | \$ 38,366 | \$ 6,776 | \$ (818,124) | \$ (803,982) | \$ (748,667) | \$ (777,784) | \$ (604,000) |
| Net Branded Sales | \$ 460,735 | \$ 575,815 | \$ 508,022 | \$ (115,080) | \$ (47,287) | \$ 2,410,348 | \$ 2,200,923 | \$ 2,222,495 | \$ 2,350,089 | \$ 2,408,143 |

Sales Summary by Product - Gross to Net

Expressed in 000's

| | Mar. Year-to-Date | | | | | | Variance 2013 YTD Actual Vs. | | | | Full Year | | | |
|---|-------------------|------------|-------------------|------------|-------------------|------------|------------------------------|------------|--------------------|------------|---------------------|------------|---------------------|------------|
| | % of | | % of | | % of | | % of | | % of | | % of | | % of | |
| | 2013 YTD | Gross | 2013 YTD | Gross | 2012 YTD | Gross | 2013 YTD | Gross | 2012 YTD | Gross | 2013 | Gross | 2012 | Gross |
| | Actual | Sales | Budget | Sales | Actual | Sales | Budget | Sales | Actual | Sales | Budget | Sales | Actual | Sales |
| OxyContin | | | | | | | | | | | | | | |
| Gross Sales | \$ 566,311 | 100% | \$ 710,522 | 100% | \$ 632,614 | 100% | \$ (144,211) | 100% | \$ (66,303) | 100% | \$ 2,916,463 | 100% | \$ 2,777,064 | 100% |
| Fee for Service | (12,490) | -2.2% | (14,604) | -2.1% | (16,377) | -2.6% | 2,114 | -1.5% | 3,887 | -5.9% | (59,887) | -2.1% | (65,877) | -2.4% |
| Sales Discounts and Allowances | (12,367) | -2.2% | (15,516) | -2.2% | (5,262) | -0.8% | 3,149 | -2.2% | (7,105) | 10.7% | (72,658) | -2.5% | (116,425) | -4.2% |
| Savings Cards Discounts | (9,702) | -1.7% | (5,639) | -0.8% | (2,780) | -0.4% | (4,063) | 2.8% | (6,922) | 10.4% | (22,813) | -0.8% | (18,330) | -0.7% |
| Rebates | (109,659) | -19.4% | (137,584) | -19.4% | (124,610) | -19.7% | 27,925 | -19.4% | 14,951 | -22.6% | (547,876) | -18.8% | (509,597) | -18.4% |
| Proposed Regulation Adjustment for Medicaid Rebates | (13,856) | -2.4% | (16,081) | -2.3% | (17,553) | -2.8% | 2,225 | -1.5% | 3,697 | -5.6% | (65,584) | -2.2% | (60,383) | -2.2% |
| OxyContin Net Sales | 408,237 | 72% | 521,098 | 73% | 466,033 | 66% | (112,861) | 78% | (57,796) | 87% | 2,147,645 | 74% | 2,006,453 | 72% |
| Butrans | | | | | | | | | | | | | | |
| Gross Sales | \$ 29,131 | 100% | \$ 33,466 | 100% | \$ 21,686 | 100% | \$ (4,336) | 100% | \$ 7,445 | 100% | \$ 160,025 | 100% | \$ 112,887 | 100% |
| Fee for Service | (647) | -2.2% | (725) | -2.2% | (561) | -2.6% | 78 | -1.8% | (86) | -1.2% | (3,432) | -2.1% | (2,693) | -2.4% |
| Sales Discounts and Allowances | (759) | -2.6% | (872) | -2.6% | (78) | -0.4% | 113 | -2.6% | (681) | -9.1% | (6,826) | -4.3% | (13,725) | -12.2% |
| Savings Cards Discounts | (1,811) | -6.2% | (1,911) | -5.7% | (1,836) | -8.5% | 100 | -2.3% | 24 | 0.3% | (8,573) | -5.4% | (6,198) | -5.5% |
| Rebates | (2,776) | -9.5% | (3,189) | -9.5% | (1,458) | -6.7% | 413 | -9.5% | (1,318) | -17.7% | (14,336) | -9.0% | (6,139) | -5.4% |
| Butrans Net Sales | 23,137 | 79% | 26,769 | 80% | 17,754 | 82% | (3,632) | 84% | 5,384 | 72% | 126,858 | 79% | 84,131 | 75% |
| Intermezzo | | | | | | | | | | | | | | |
| Gross Sales | \$ 3,163 | 100% | \$ 5,597 | 100% | \$ - | 0% | \$ (2,434) | 100% | \$ 3,163 | 100% | \$ 57,622 | 100% | \$ 16,556 | 100% |
| Fee for Service | (69) | -2.2% | (111) | -2.0% | - | 0.0% | 42 | -1.7% | (69) | -2.2% | (1,147) | -2.0% | (352) | -2.1% |
| Sales Discounts and Allowances | (63) | -2.0% | (112) | -2.0% | - | 0.0% | 49 | -2.0% | (63) | -2.0% | (6,915) | -12.0% | (9,908) | -59.8% |
| Savings Cards Discounts | (327) | -10.3% | (309) | -5.5% | - | 0.0% | (18) | 0.7% | (327) | -10.3% | (3,150) | -5.5% | (576) | -3.5% |
| Rebates | (114) | -3.6% | (201) | -3.6% | - | 0.0% | 87 | -3.6% | (114) | -3.6% | (2,364) | -4.1% | (138) | -0.8% |
| Intermezzo Net Sales | 2,589 | 82% | 4,863 | 87% | - | 0% | (2,273) | 93% | 2,589 | 82% | 44,046 | 76% | 5,582 | 34% |
| Total for All Products | | | | | | | | | | | | | | |
| Gross Sales | \$ 619,975 | 100% | \$ 773,422 | 100% | \$ 674,038 | 100% | \$ (153,447) | 100% | \$ (54,063) | 100% | \$ 3,228,472 | 100% | \$ 3,004,905 | 100% |
| Fee for Service | (13,374) | -2.2% | (15,664) | -2.0% | (17,035) | -2.5% | 2,290 | -1.5% | 3,661 | -6.8% | (65,338) | -2.0% | (69,313) | -2.3% |
| Sales Discounts and Allowances | (11,066) | -1.8% | (17,051) | -2.2% | (812) | -0.1% | 5,985 | -3.9% | (10,254) | 19.0% | (88,198) | -2.7% | (134,031) | -4.5% |
| Savings Cards Discounts | (11,841) | -1.9% | (7,859) | -1.0% | (4,615) | -0.7% | (3,982) | 2.6% | (7,226) | 13.4% | (34,537) | -1.1% | (25,104) | -0.8% |
| Rebates | (109,517) | -17.7% | (141,364) | -18.3% | (126,543) | -18.8% | 31,847 | -20.8% | 17,026 | -31.5% | (566,117) | -17.5% | (517,605) | -17.2% |
| Proposed Regulation Adjustment for Medicaid Rebates | (13,856) | -2.2% | (16,081) | -2.1% | (17,553) | -2.6% | 2,225 | -1.5% | 3,697 | -6.8% | (65,584) | -2.0% | (60,383) | -2.0% |
| Other | 413 | 0.1% | 413 | 0.1% | 542 | 0.1% | 0 | 0.0% | (129) | 0.2% | 1,651 | 0.1% | 2,455 | 0.1% |
| Total Net Sales | \$ 460,735 | 74% | \$ 575,815 | 74% | \$ 508,022 | 75% | \$ (115,080) | 75% | \$ (47,287) | 87% | \$ 2,410,348 | 75% | \$ 2,200,923 | 73% |

Sales Variance to Budget

(\$ in millions)

Gross Sales

| | | |
|---|------------|---------|
| • Impact of trade inventories lower than budget. ⁽¹⁾ | \$ (117.0) | |
| • Lower OxyContin demand versus budget. ⁽¹⁾ | (27.2) | |
| Lower OxyContin Sales. | | (144.2) |
| • Butrans sales due to lower trade inventory. | | (4.3) |
| • Intermezzo sales. | | (2.4) |
| • Ryzolt returns. | | (0.1) |
| • All Other. | | (2.3) |
| Sub-Total Gross Sales Variance | | (153.4) |

Deductions

| | | |
|---|-------------------|--|
| • Lower variable deductions due to lower Sales. | \$ 38.4 | |
| Net Branded Sales Variance to Budget | \$ (115.1) | |

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

Trade Inventory Summary

Highlights

OxyContin trade inventory growth is below budget by \$117.0 million.

Butrans trade inventory growth is lower than budget likely driven by YTD sales performance.

Intermezzo trade inventory growth reflects initial stocking. Dollarized Rx's year to date approximately \$3.4 million.

| | Inventory Value (\$000's) | | | | Months on Hand | | |
|---|---------------------------|-------------------|-------------------|-------------------|----------------|------------|--------------|
| | YTD Mar 2013 | | | FY 2013 | Mar-13 | | |
| | Actual | Budget | Variance | Budget | Actual | Budget | Variance |
| <u>OxyContin</u> | | | | | | | |
| Total Trade Inventory - January 1st, 2013 | \$ 570,959 | \$ 459,014 | \$ 111,945 | \$ 459,014 | 2.4 | 1.7 | 0.69 |
| Wholesaler - Ending (1) | 189,412 | 191,726 | (2,313) | 191,726 | 0.8 | 0.8 | 0.0 |
| Pharmacy - Ending (2) | 262,927 | 266,061 | (3,134) | 206,321 | 1.1 | 1.1 | 0.0 |
| Hospital/Other - Ending | 5,396 | 5,004 | 392 | 4,930 | 0.0 | 0.0 | 0.0 |
| Total Trade Inventory - March 31, 2013 | <u>\$ 457,735</u> | <u>\$ 462,790</u> | <u>\$ (5,055)</u> | <u>\$ 402,976</u> | <u>1.9</u> | <u>1.9</u> | <u>0.0</u> |
| Change in Trade Inventory | \$ (113,224) | \$ 3,776 | \$ (117,000) | \$ (56,038) | 0.5 | (0.2) | 0.6 |
| <u>Butrans</u> | | | | | | | |
| Total Trade Inventory - January 1st, 2013 | \$ 21,102 | \$ 22,706 | \$ (1,604) | \$ 22,706 | 2.1 | 2.0 | 0.1 |
| Wholesaler - Ending (1) | 12,060 | 10,749 | 1,311 | 12,970 | 1.2 | 1.0 | 0.2 |
| Pharmacy - Ending (2) | 8,475 | 14,058 | (5,583) | 17,470 | 0.8 | 1.3 | (0.4) |
| Hospital/Other - Ending | 109 | 106 | 3 | 574 | 0.0 | 0.0 | 0.0 |
| Total Trade Inventory - March 31, 2013 | <u>\$ 20,644</u> | <u>\$ 24,913</u> | <u>\$ (4,269)</u> | <u>\$ 31,015</u> | <u>1.8</u> | <u>2.4</u> | <u>(0.6)</u> |
| Change in Trade Inventory | \$ (458) | \$ 2,207 | \$ (2,664) | \$ 8,308 | 0.2 | (0.4) | 0.7 |
| <u>Intermezzo</u> | | | | | | | |
| Total Trade Inventory - January 1st, 2013 | \$ 10,008 | \$ 6,068 | \$ 3,941 | \$ 6,068 | N/A | N/A | N/A |
| Wholesaler - Ending (1) | 3,743 | 1,531 | 2,213 | 1,531 | N/A | N/A | N/A |
| Pharmacy - Ending (2) | 6,672 | 4,962 | 1,710 | 4,962 | N/A | N/A | N/A |
| Hospital/Other - Ending | - | - | - | - | N/A | N/A | N/A |
| Total Trade Inventory - March 31, 2013 | <u>\$ 10,415</u> | <u>\$ 6,492</u> | <u>\$ 3,923</u> | <u>\$ 6,492</u> | N/A | N/A | N/A |
| Change in Trade Inventory | \$ 407 | \$ 425 | \$ (18) | \$ 425 | N/A | N/A | N/A |

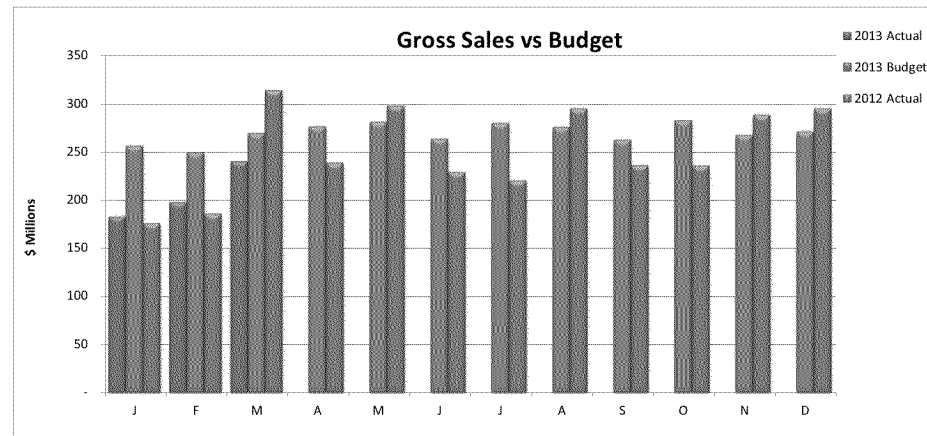
Footnotes

(1) - **Wholesaler** - Includes inventory held by the wholesaler derived from the Value Centric system.

(2) - **Pharmacy** - assumes the pharmacies maintain stocking levels.

Gross Sales by Month

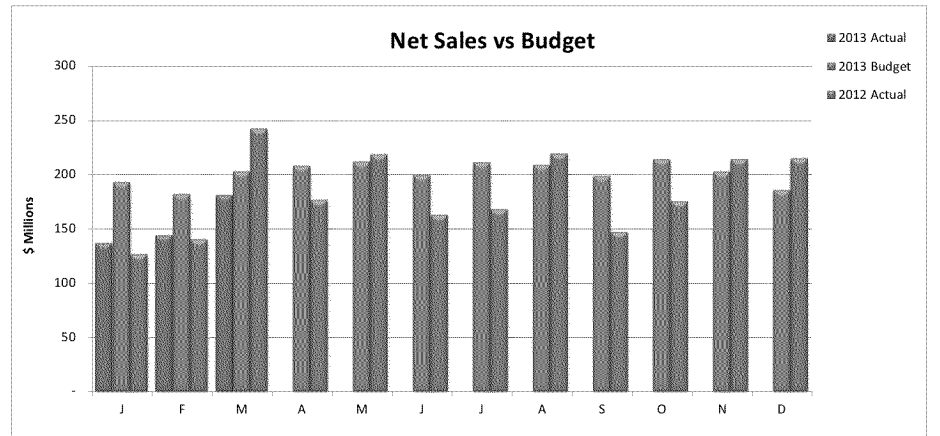
| (\$ Millions) | 2013 | 2013 | 2012 | 2011 | Monthly | | |
|----------------|----------|------------|------------|------------|---------|---------|---------|
| | | | | | 2013 % | 2013 % | 2013 % |
| Month | Actual | Budget | Actual | Actual | Budget | of 2012 | of 2011 |
| January | \$ 182.5 | \$ 255.7 | \$ 175.4 | \$ 215.8 | 71.4% | 104.0% | 84.5% |
| February | 197.6 | 248.9 | 185.4 | 198.5 | 79.4% | 106.6% | 99.6% |
| March | 239.9 | 268.8 | 313.2 | 310.9 | 89.3% | 76.6% | 77.2% |
| Q1 | 620.0 | 773.4 | 674.0 | 725.2 | 80.2% | 85.5% | 89.4% |
| April | - | 275.8 | 238.2 | 260.8 | | | |
| May | - | 280.5 | 297.3 | 212.9 | | | |
| June | - | 263.1 | 228.4 | 288.5 | | | |
| Q2 | - | 819.4 | 764.0 | 762.2 | | | |
| July | - | 279.3 | 219.7 | 209.5 | | | |
| August | - | 275.2 | 294.3 | 242.7 | | | |
| September | - | 261.9 | 235.5 | 274.1 | | | |
| Q3 | - | 816.4 | 749.6 | 726.3 | | | |
| October | - | 282.0 | 235.2 | 221.8 | | | |
| November | - | 266.8 | 287.7 | 238.8 | | | |
| December | - | 270.4 | 294.4 | 296.8 | | | |
| Q4 | - | 819.3 | 817.3 | 757.4 | | | |
| Total | \$ 620.0 | \$ 3,228.5 | \$ 3,004.9 | \$ 2,971.2 | 19.2% | 20.9% | 19.8% |
| YTD Cumulative | \$ 620.0 | \$ 773.4 | \$ 674.0 | \$ 725.2 | 80.2% | 85.5% | 89.4% |



Note: The above net sales includes the impact of the proposed final rule for Medicaid rebates.

Net Sales by Month

| (\$ Millions) | 2013 | 2013 | 2012 | 2011 | Monthly | | |
|----------------|----------|------------|------------|------------|---------|---------|---------|
| | | | | | 2013 % | 2013 % | 2013 % |
| Month | Actual | Budget | Actual | Actual | Budget | of 2012 | of 2011 |
| January | \$ 136.4 | \$ 192.4 | \$ 126.2 | \$ 163.2 | 70.9% | 108.1% | 83.6% |
| February | 143.6 | 181.3 | 140.0 | 154.4 | 79.2% | 102.6% | 93.0% |
| March | 180.7 | 202.1 | 241.9 | 238.3 | 89.4% | 74.7% | 75.8% |
| Q1 | 460.7 | 575.8 | 508.0 | 555.8 | 80.0% | 82.9% | 85.3% |
| April | - | 207.5 | 176.2 | 197.1 | | | |
| May | - | 211.2 | 218.2 | 172.9 | | | |
| June | - | 198.9 | 162.4 | 216.9 | | | |
| Q2 | - | 617.6 | 556.8 | 587.0 | | | |
| July | - | 210.6 | 167.5 | 168.4 | | | |
| August | - | 208.2 | 218.8 | 185.1 | | | |
| September | - | 197.8 | 146.7 | 193.2 | | | |
| Q3 | - | 616.7 | 533.0 | 546.7 | | | |
| October | - | 213.3 | 174.9 | 158.4 | | | |
| November | - | 202.0 | 213.8 | 181.3 | | | |
| December | - | 185.0 | 214.4 | 193.3 | | | |
| Q4 | - | 600.2 | 603.1 | 533.0 | | | |
| Total | \$ 460.7 | \$ 2,410.3 | \$ 2,200.9 | \$ 2,222.5 | 19.1% | 20.7% | 19.8% |
| YTD Cumulative | \$ 460.7 | \$ 575.8 | \$ 508.0 | \$ 555.8 | 80.0% | 82.9% | 85.3% |



OxyContin Gross Sales Variance - Year to Date March 2013

Lower Demand versus Budget

| | | |
|--|---------------------|--------|
| Unfavorable mix of sales between strengths versus Budget | (17,498,262) | Note 1 |
| Lower number of tablets per script versus Budget | (14,547,396) | Note 2 |
| Actual scripts higher than Budget by 13,332 | 6,131,621 | Note 3 |
| All Other | (1,297,456) | |
| Sub-Total | (27,211,492) | |

Trade Inventory lower than Budget **(117,000,000)**

OxyContin Gross Sales Lower than Budget **(144,211,492)**

Note 1 - Unfavorable mix of scripts between strengths of \$17.5 million

| | YTD Actual Mix | Budgeted Mix | Variance | | Sales Impact |
|--------------|------------------|------------------|----------|-------------|---------------------|
| 10mg | 326,196 | 308,977 | 17,219 | 5.6% | 1,842,606 |
| 15mg | 51,120 | 49,519 | 1,601 | 3.2% | 290,306 |
| 20mg | 379,804 | 376,111 | 3,693 | 1.0% | 941,571 |
| 30mg | 151,717 | 155,907 | (4,190) | -2.7% | (1,531,558) |
| 40mg | 280,879 | 279,773 | 1,106 | 0.4% | 549,063 |
| 60mg | 117,927 | 126,463 | (8,536) | -6.7% | (6,422,988) |
| 80mg | 197,894 | 208,786 | (10,892) | -5.2% | (13,167,263) |
| Total | 1,505,536 | 1,505,536 | - | 0.0% | (17,498,262) |

Note 2 - Lower numbers of tablets per script versus Budget of \$14.5 million

| | Actual | Budget | Variance | | Sales Impact |
|--------------|--------|--------|----------|-------|---------------------|
| 10mg | 51.0 | 53.6 | (2.7) | -5.0% | (1,832,706) |
| 15mg | 57.6 | 59.2 | (1.6) | -2.7% | (260,466) |
| 20mg | 63.4 | 65.3 | (1.8) | -2.8% | (2,823,564) |
| 30mg | 64.6 | 66.1 | (1.5) | -2.3% | (1,284,320) |
| 40mg | 73.7 | 75.5 | (1.8) | -2.4% | (3,654,944) |
| 60mg | 72.7 | 73.3 | (0.7) | -0.9% | (812,529) |
| 80mg | 90.1 | 91.6 | (1.5) | -1.6% | (3,878,866) |
| Total | | | | | (14,547,396) |

OxyContin Gross Sales Variance - Year to Date March 2013

Note 3 - Actual scripts (at budgeted mix) are higher than budgeted scripts

| | Actual Scripts at Budgeted Mix | Budget | Variance | | Sales Impact |
|-------|--------------------------------------|-----------|----------|------|--------------|
| 10mg | 308,977 | 306,241 | 2,736 | 0.9% | 302,921 |
| 15mg | 49,519 | 49,081 | 439 | 0.9% | 80,220 |
| 20mg | 376,111 | 372,781 | 3,331 | 0.9% | 858,549 |
| 30mg | 155,907 | 154,526 | 1,381 | 0.9% | 509,944 |
| 40mg | 279,773 | 277,295 | 2,477 | 0.9% | 1,311,245 |
| 60mg | 126,463 | 125,343 | 1,120 | 0.9% | 837,653 |
| 80mg | 208,786 | 206,938 | 1,849 | 0.9% | 2,231,089 |
| Total | 1,505,536 | 1,492,204 | 13,332 | 0.9% | 6,131,621 |

From: Mahony, Edward

Sent: Tuesday, April 16, 2013 4:22 PM

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

CC: Lowne, Jon; [REDACTED]

Subject: FW: March 2013 Financial Statements

Attachments: Financial Statements 03.31.2013 v2.xlsm; March 2013 Financial Statement Cover Memo Final.docx

Colleagues,

Attached for your information are the Purdue March 2013 financial statements.

We are happy to supply a hard copy upon request.

Ed

**Purdue U.S.
Financial Statements
March 2013**

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Purdue US - Financial Reporting Scorecard

Expressed in 000's

| | March Year-to-Date | | | 2013 YTD Actual versus | | Full Year | |
|---|--------------------|-----------------|-----------------|------------------------|-----------------|--------------|--------------|
| | 2013 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 Budget | 2012 Actual |
| Net Revenues | \$ 461,420 | \$ 575,815 | \$ 508,021 | -24.8% | -10.1% | \$ 2,410,348 | \$ 2,200,922 |
| Operating Profit Margin | \$ 161,222 | \$ 243,216 | \$ 233,214 | -50.9% | -44.7% | \$ 1,124,604 | \$ 992,750 |
| EBITDA | \$ 125,572 | \$ 228,788 | \$ 258,046 | -82.2% | -105.5% | \$ 1,066,878 | \$ 1,038,561 |
| Net Profit Before Tax | \$ 117,595 | \$ 220,796 | \$ 253,569 | -87.8% | -115.6% | \$ 1,034,912 | \$ 1,010,856 |
| Owner's Equity | \$ 849,181 | \$ 944,536 | \$ 743,003 | -11.2% | 12.5% | \$ 705,232 | \$ 671,725 |
| Non-tax Distributions (1) | \$ 3,669 | \$ 543 | \$ 543 | 85.2% | 85.2% | \$ 538,100 | \$ 471,643 |
| Days Sales Outstanding | 33.2 | 35.0 | 33.6 | on target | on target | 35.0 | 33.2 |
| Accounts Receivable Outstanding > 90 Days Past Due | < 1% | < 1% | < 1% | on target | on target | < 1% | < 1% |
| Capital Spending | \$ 6,933 | \$ 8,750 | \$ 3,461 | -26.2% | 50.1% | \$ 35,000 | \$ 30,467 |
| Unrestricted Cash on Hand | \$ 838,013 | \$ 716,300 | \$ 793,671 | 14.5% | 5.3% | \$ 600,000 | \$ 755,593 |
| Available Liquidity | \$ 838,013 | \$ 716,300 | \$ 793,671 | 14.5% | 5.3% | \$ 600,000 | \$ 755,593 |
| Available Liquidity - Average Months Sales | 5.4 | 3.7 | 4.7 | +1.7 months | +0.8 months | 3.0 | 4.1 |
| Headcount | 1,697 | 1,710 | 1,645 | +1 head | +52 heads | 1,784 | 1,666 |

(1) March YTD Non-tax distributions represent distributions to shareholders for reinvestment in Thailand (\$2.9 million) and Japan (\$0.2 million), and \$0.5 million of Norwell annual fixed equity distributions. The Q1 partner distribution was paid out in April 2013 which is in line with the timing of the budget.

PURDUE US - Profit and Loss Statement
Period Ended March 31, 2013
Expressed in 000's

| | March Year-to-Date | | | | | | 2013 YTD Actual versus | | Full Year | | | |
|---|--------------------|--------------|-------------------|--------------|-------------------|--------------|------------------------|---------------------|---------------------|---------------|---------------------|--------------|
| | 2013 YTD Actual | % Sales | 2013 YTD Budget | % Sales | 2012 YTD Actual | % Sales | 2013 YTD Budget | 2012 YTD Actual | 2013 Budget | % Sales | 2012 Actual | % Sales |
| GROSS BRANDED PRODUCT SALES | \$ 619,975 | | \$ 773,422 | | \$ 674,038 | | \$ (153,447) | \$ (54,063) | \$ 3,228,472 | | \$ 3,004,905 | |
| Fee for Service | (13,374) | 2.2% | (15,664) | 2.0% (2) | (17,035) | 2.5% | 2,290 | 3,661 | (65,338) | 2.0% | (69,313) | 2.3% |
| Discounts and Allowances | (10,715) | 1.7% | (17,051) | 2.2% (3) | (812) | 0.1% | 6,336 | (9,903) | (88,198) | 2.7% | (134,032) | 4.5% |
| Patient Savings Card Discount | (11,841) | 1.9% | (7,859) | 1.0% | (4,615) | 0.7% | (3,982) | (7,226) | (34,537) | 1.1% | (25,104) | 0.8% |
| Rebates on Branded Sales | (109,517) | 17.7% | (141,365) | 18.3% (4) | (126,544) | 18.8% | 31,848 | 17,027 | (566,117) | 17.5% | (517,606) | 17.2% |
| Proposed Regulation Adjustment for Medicaid Rebates (1) | (13,856) | 2.2% | (16,081) | 2.1% | (17,553) | 2.6% | 2,225 | 3,697 | (65,584) | 2.0% | (60,383) | 2.0% |
| Other | 748 | | 413 | | 542 | | 335 | 206 | 1,651 | | 2,455 | |
| NET REVENUES | 461,420 | | 575,815 | | 508,021 | | (114,395) | (46,601) | 2,410,348 | | 2,200,922 | |
| Cost of Goods Sold | (32,281) | 5.2% | (39,534) | 5.1% | (32,685) | 4.8% | 7,253 | 404 | (162,211) | 5.0% | (148,475) | 4.9% |
| Royalty Expense | (29,673) | 4.8% | (36,617) | 4.7% | (28,503) | | 6,944 | (1,170) | (131,575) | | (120,268) | |
| Shipping and Warehousing | (2,768) | 0.4% | (2,819) | 0.4% | (2,865) | 0.4% | 51 | 97 | (10,807) | 0.3% | (11,814) | 0.4% |
| TOTAL COST OF GOODS SOLD | (64,722) | | (78,970) | | (64,053) | | 14,248 | (669) | (304,592) | | (280,557) | |
| GROSS PROFIT | 396,698 | | 496,845 | | 443,968 | | (100,147) | (47,270) | 2,105,756 | | 1,920,365 | |
| General and Administrative (incl Legal Dept, excl Legal Fees) | (42,913) | 9.3% | (42,591) | 7.4% | (43,003) | 8.5% | (322) | 90 | (160,426) | 5.0% | (154,259) | 7.0% |
| Research and Development | (78,796) | 17.1% | (102,150) | 17.7% | (69,009) | 13.6% | 23,354 | (9,787) | (377,347) | 11.7% | (312,513) | 14.2% |
| Research and Development Other - Milestones and Alliances | (1,046) | | (1,673) | | (134) | | 627 | (912) | (6,692) | | (2,284) | |
| Sales and Promotion | (81,697) | 17.7% | (75,809) | 13.2% | (68,254) | 13.4% | (5,888) | (13,443) | (309,913) | 9.6% | (303,110) | 13.8% |
| Health Care Reform Fee | (7,950) | 1.7% | (7,950) | 1.4% | (7,500) | 1.5% | - | (450) | (31,800) | 1.0% | (31,251) | 1.4% |
| Other US | 266 | | (1,222) | | 643 | | 1,488 | (377) | (4,939) | | (17,933) | |
| OPERATING EXPENSES | (225,095) | | (245,923) | | (200,729) | | 20,828 | (24,366) | (942,092) | | (882,603) | |
| OPERATING MARGIN BEFORE INCENTIVES AND SETTLEMENTS | 171,603 | | 250,922 | | 243,239 | | (79,319) | (71,636) | 1,163,664 | | 1,037,762 | |
| Incentive Bonus | (10,501) | 2.3% | (10,504) | 1.8% | (10,121) | 2.0% | 3 | (380) | (42,618) | 1.3% | (34,285) | 1.6% |
| Insurance Income | 120 | | 2,798 | | (99) | | (2,678) | 219 | 3,558 | | 3,520 | |
| TOTAL INCENTIVES AND SETTLEMENTS | (10,381) | | (7,706) | | (10,025) | | (2,675) | (356) | (39,060) | | (45,012) | |
| OPERATING PROFIT MARGIN | 161,222 | 34.9% | 243,216 | 42.2% | 233,214 | 45.9% | (81,994) | (71,992) | 1,124,604 | -34.8% | 992,750 | 45.1% |
| Royalty Income - ex US | 10,157 | | 10,173 | (5) | 21,943 | | (16) | (11,786) | 40,692 | | 83,961 | |
| Ex US Expenses | (53,311) | | (31,897) | | (1,363) | | (21,414) | (51,948) | (127,600) | | (65,063) | |
| One Time Charges / Other Items | (547) | | (739) | | (560) | | 192 | 13 | (2,956) | | (2,146) | |
| Interest Income (Expense), net | 74 | | 43 | | 335 | | 31 | (261) | 172 | | 1,354 | |
| TOTAL OTHER ITEMS | (43,627) | | (22,420) | | 20,355 | | (21,207) | (63,982) | (89,692) | | 18,106 | |
| PROFIT BEFORE TAX | 117,595 | | 220,796 | | 253,569 | | (103,201) | (135,974) | 1,034,912 | | 1,010,856 | |
| Tax Provision for Corporations | (305) | | - | | (258) | | (305) | (47) | (4,674) | | (2,548) | |
| PROFIT AFTER TAX | \$ 117,290 | 18.9% | \$ 220,796 | 28.5% | \$ 253,311 | 37.6% | \$ (103,506) | \$ (136,021) | \$ 1,030,238 | 31.9% | \$ 1,008,308 | 33.6% |

(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.

(2) YTD Fee for Service ratio is over budget because 2013 actual includes \$0.7 million expense related to 2012.

(3) Discounts and Allowances as a % of sales is below budget due to a favorable FFS price increase adjustment of \$2.3 million.

(4) Rebates as a % of sales is below budget due to a larger than budgeted decrease in trade inventory accruals.

(5) Decrease from prior year is due to a lower royalty rate at the end of 2012 upon patent expiration.

PURDUE US - Profit and Loss Statement Ratios

| | ACTUAL | | | | | | BUDGET |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| GROSS BRANDED PRODUCT SALES | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Fee for Service | -2.1% | -1.5% | -2.2% | -2.5% | -2.5% | -2.3% | -2.0% |
| Discounts and Allowances | -3.5% | -3.1% | -2.2% | -1.6% | -1.9% | -4.5%(1) | -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% | -17.2% | -17.5% |
| Proposed Regulation Adjustment for Medicaid Rebates | 0.0% | 0.0% | 0.0% | -1.3% | -2.3% | -2.0% | -2.0% |
| Other | 8.2%(2) | 0.9% | 1.5% | 1.2% | 0.4% | 0.1% | 0.1% |
| NET REVENUES | 82.0% | 81.5% | 79.9% | 74.3% | 74.4% | 73.2% | 74.6% |
| Cost of Goods Sold | -8.5%(3) | -5.9% | -5.6% | -5.2% | -5.6% | -4.9% | -5.0% |
| Royalty Expense | -0.4% | -0.1% | -0.4% | -2.3%(4) | -3.9% | -4.0% | -4.1% |
| Shipping and Warehousing | -0.9% | -0.5% | -0.5% | -0.5% | -0.4% | -0.4% | -0.3% |
| TOTAL COST OF GOODS SOLD | -9.8% | -6.5% | -6.4% | -7.9% | -9.9% | -9.3% | -9.4% |
| GROSS PROFIT | 72.2% | 75.0% | 73.5% | 66.3% | 64.5% | 63.8% | 65.2% |
| General and Administrative (incl Legal Dept, excl Legal Fees) | -11.7% | -6.0% | -5.4% | -5.9% | -6.6% | -7.0% | -6.7% |
| Research and Development | -11.0% | -5.8% | -5.5% | -7.1% | -12.1% | -14.2% | -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% | -13.8% | -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% | -0.8% | -0.2% |
| OPERATING EXPENSES | -42.4% | -23.1% | -23.1% | -23.3% | -33.0% | -40.1% | -39.1% |
| OPERATING MARGIN BEFORE INCENTIVES AND SETTLEMENTS | 29.8% | 51.9% | 50.4% | 43.1% | 53.8% | 47.2% | 48.3% |
| Incentive Bonus | -4.3% | -1.5% | -1.4% | -1.7% | -1.5% | -1.6% | -1.8% |
| Insurance Income | 3.5% | 0.6% | 0.4% | 0.7% | 1.4% | 0.2% | 0.1% |
| TOTAL INCENTIVES AND SETTLEMENTS | -1.0% | -3.1% | -2.7% | -1.7% | -0.4% | -2.0% | -1.6% |
| OPERATING PROFIT MARGIN | 28.8% | 48.8% | 47.8% | 41.3% | 53.4% | 45.1% | 46.7% |
| 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% |
| TOTAL OTHER ITEMS | 9.1% | -2.0% | -1.8% | -3.1% | -1.8% | 0.8% | -3.7% |
| PROFIT BEFORE TAX | 37.9% | 46.9% | 45.9% | 38.2% | 51.6% | 45.9% | 42.9% |

Income statement line items as a percent of gross sales

Income statement line items as a percent of net sales

- (1) 2012 Discounts and Allowances ratio is higher than history due to an increase in OxyContin return reserves.
(2) 2007 Other ratio is higher than history due to the termination of the OxyContin AG distribution agreement during 2007.
(3) 2007 Cost of Goods Sold was higher due to a higher sales mix of lower margin products.
(4) Starting mid 2010 royalties on the new OxyContin formula became due.

PURDUE US - Balance Sheet

Expressed in 000's

| | Footnotes | March 31, 2013 Actual | December 31, 2013 Budget | December 31, 2012 Actual |
|---|-----------|--------------------------|-----------------------------|-----------------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | | \$ 838,013 | \$ 600,000 | \$ 755,593 |
| Accounts receivable | (1) | 143,063 | 150,613 | 187,137 |
| Due from associated companies | (2) | 19,500 | 13,673 | 31,819 |
| Other receivables | (3) | 9,030 | 8,350 | 2,957 |
| Inventories | (4) | 68,773 | 42,881 | 50,631 |
| Prepaid expenses and other assets | (5) | 17,187 | 28,670 | 22,144 |
| Restricted cash - current | (6) | 23,904 | - | 23,927 |
| TOTAL CURRENT ASSETS | | 1,119,470 | 844,187 | 1,074,208 |
| Property and equipment, net | (7) | 150,075 | 163,447 | 149,483 |
| Investments in associated companies | (8) | 26,857 | 14,936 | 7,871 |
| Due from associated companies | | 3,000 | 3,250 | 3,000 |
| Restricted cash - long term | (6) | 17,206 | 21,700 | 17,205 |
| Goodwill | | 23,396 | 23,396 | 23,396 |
| Product rights, trademarks and other intangibles, net | (9) | 171,539 | 165,982 | 173,249 |
| Other assets | (10) | 22,214 | 21,247 | 22,523 |
| Investment in Infinity Common Stock | (11) | 262,511 | 138,772 | 189,545 |
| Deferred income taxes | | 19,788 | 17,425 | 19,788 |
| TOTAL ASSETS | | \$ 1,816,056 | \$ 1,414,342 | \$ 1,680,268 |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | | 67,134 | 94,100 | 71,181 |
| Accrued expenses and taxes payable | (12) | 641,736 | 360,628 | 694,721 |
| Due to associated companies | | 22,093 | 13,000 | 12,392 |
| TOTAL CURRENT LIABILITIES | | 730,963 | 467,728 | 778,294 |
| Other liabilities | | 235,912 | 241,382 | 230,249 |
| TOTAL LIABILITIES | | 966,875 | 709,110 | 1,008,543 |
| EQUITY | | | | |
| Capital stock - common | | 9 | 9 | 9 |
| Additional paid in capital | | 1,982 | 1,982 | 1,982 |
| Subscription receivable | | (999) | (999) | (999) |
| Accumulated other comprehensive income | | (139,935) | (128,436) | (139,935) |
| Unrealized gain on Infinity stock | (13) | 170,430 | 60,232 | 97,469 |
| Retained earnings and partners' capital | | 817,694 | 772,444 | 713,199 |
| TOTAL EQUITY | (14) | 849,181 | 705,232 | 671,725 |
| TOTAL LIABILITIES AND EQUITY | | \$ 1,816,056 | \$ 1,414,342 | \$ 1,680,268 |

PURDUE US - Balance Sheet Footnotes

Expressed in 000's

(1) Accounts receivable is \$44.1 million lower than prior year end primarily due to decrease in trade receivables of \$50.3 million as a result of lower March sales as compared to December.

(2) Decrease from prior year end is primarily due to a lower receivable from Rhodes due to timing (\$11.2 million).

(3) Increase from prior year end of \$5.8 million in other receivables balance is primarily due to increase in interest receivable from European start-ups due to the timing of the prior year payment being received before quarter end (\$5.2 million) and decrease in net amount receivable from Express Scripts related to IPAP program (\$2.5 million).

(4) Increase from prior year end of \$18.2 million in inventory balance is due to higher Oxycodone API (\$12.1 million) driven by timing of purchases due to delay in quota approval, coupled with lower year end levels due to factory shutdown, and higher OxyContin finished goods (\$5.3 million) as compared to year end factory shutdown levels.

(5) The balance in the prepaids fluctuates according to payment patterns on major contracts. Larger items include: prepaid software (\$3.2 million), prepaid clinical outsourcing (\$2.8 million), and prepaid FDA user fees (\$1.3 million) and \$3.3 million in prepaid S&P.

(6) All remaining settlements have been paid out from the Qualified Settlement Trust (QST). As of March 31, the entire balance of \$23.9 million of the QST is classified as current reflecting the fact that the balance of the QST is expected to be returned to Purdue in 2013. Long term restricted cash relates to cash collateralized insurance letters of credit.

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

| | |
|----------------------|----------------|
| Balance @ 01/01/13 | 149,483 |
| Capital expenditures | 6,933 |
| Depreciation | (6,341) |
| Balance @ 03/31/13 | <u>150,075</u> |

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

| | |
|---|---------------|
| Balance @ 01/01/13 | 7,871 |
| Cash investments in Lucien & Japan, net | 47,792 |
| Equity losses in Lucien & Japan | (47,792) |
| 100% of Germany losses | (1,102) |
| Cash investment in Germany | 20,088 |
| Balance @ 03/31/13 | <u>26,857</u> |

(9) The balance as of March 31, 2013 consists of:

| | |
|--|----------------|
| Dilaudid product rights | 86,328 |
| Shire assets (Colace, PeriColace and Slow-mag) | 64,917 |
| Grunenthal milestones (OxyContin) | 19,340 |
| Abbott/McGinix patent (OxyContin) | 2,460 |
| Butrans milestone | 510 |
| Total | <u>173,555</u> |

(10) Other assets balance of \$22.2 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 (\$12.9 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.

(11) Represents investment in shares of Infinity common stock at the fair value of \$48 per share as of March 31, 2013. 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).

(12) Accrued expenses and taxes payable of \$641.5 million includes \$198.0 million in accrued rebates, \$315.2 million in accrued Medicaid and Medicaid Part D (\$183.1 million relating to the proposed CMS rule), ^{Redacted} and \$21.0 million in salaries and bonuses. The decrease from year end of \$53.3 million is primarily due to decrease in HMO rebate accruals of \$25.3 million due to timing and decrease in wholesaler inventory rebates (\$26.0 million) due to decreased estimates of trade 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 rollforward:

| | |
|--|----------------|
| Balance @ 01/01/13 | 671,725 |
| Cash contributions | 196 |
| Cash distributions (tax and non-tax) | (12,991) |
| Unrealized gain on Infinity common stock | 72,961 |
| Net Income | <u>117,290</u> |
| Balance @ 03/31/13 | <u>849,181</u> |

PURDUE US - Statement of Cash Flows

Expressed in 000's

| | March 31, 2013 Actual | December 31, 2013 Budget | December 31, 2012 Actual |
|---|--------------------------|-----------------------------|-----------------------------|
| Operating activities | | | |
| Net income | \$ 117,290 | \$ 1,030,238 | \$ 1,008,308 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 8,051 | 32,138 | 29,059 |
| Impairment of intangible asset | - | - | 20,000 |
| Deferred income taxes | - | - | (2,600) |
| Loss on unconsolidated, associated companies | 48,894 | 128,621 | 101,005 |
| Loss on disposal of assets | - | - | 27 |
| Changes to working capital | (32,216) | (212,281)(1) | 88,604 |
| Long-term assets and liabilities | 5,967 | 27,431 | (2,012) |
| Total cash provided by operating activities | 147,986 | 1,006,147 | 1,242,391 |
| Investing activities | | | |
| Capital expenditures | (6,933) | (35,000) | (30,467) |
| Purchase of product marketing rights and other intangible | - | - | (29,982) |
| Restricted cash, net | 22 | 22,472 | 17,337 |
| Investments in associated companies, net | (67,880) | (134,605) | (89,089) |
| Investment in Infinity Common Stock | - | - | (27,500) |
| Total cash used in investing activities | (74,791) | (147,133) | (159,701) |
| Financing activities | | | |
| Payments from associates, net | 22,020 | 6,792 | (2,703) |
| Capital contributions | 196 | - | - |
| Distributions to partners for required tax payments | (9,322) | (444,000) | (459,245) |
| Distributions to partners non-tax | (3,669) | (538,077) | (471,643) |
| Total cash used in financing activities | 9,225 | (975,285) | (933,591) |
| Increase in cash and cash equivalents | 82,420 | (116,271) | 149,099 |
| Cash and cash equivalents: | | | |
| Unrestricted cash at the beginning of the period | 755,593 | 716,271 | 606,494 |
| Unrestricted cash at the end of the period | \$ 838,013 | \$ 600,000 | \$ 755,593 |

(1) Budget assumes payout of Medicaid rebates related to the CMS proposed rule of \$183 million.

Sales Summary Gross to Net by Product

Expressed in 000's

| | March Year-to-Date | | | 2013 YTD Actual versus | | Full Year | |
|---|--------------------|-------------------|-------------------|------------------------|--------------------|---------------------|---------------------|
| | 2013 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 Budget | 2012 Actual |
| OxyContin | | | | | | | |
| Gross Sales | \$ 566,311 | \$ 710,522 | \$ 632,614 | \$ (144,211) | \$ (66,303) | \$ 2,916,463 | \$ 2,777,064 |
| Fee for Service | (12,490) | (14,605) | (16,377) | 2,115 | 3,887 | (59,887) | (65,876) |
| Sales Discounts and Allowances | (12,367) | (15,516) | (5,262) | 3,149 | (7,105) | (72,658) | (116,425) |
| Savings Cards Discounts | (9,703) | (5,639) | (2,779) | (4,064) | (6,924) | (22,813) | (18,330) |
| Rebates | (109,658) | (137,585) | (124,611) | 27,927 | 14,953 | (547,871) | (509,597) |
| Proposed Regulation Adjustment for Medicaid Rebates | (13,856) | (16,081) | (17,553) | 2,225 | 3,697 | (65,584) | (60,383) |
| OxyContin Net Sales | 408,237 | 521,096 | 466,032 | (112,859) | (57,795) | 2,147,650 | 2,006,453 |
| Butrans | | | | | | | |
| Gross Sales | \$ 29,130 | \$ 33,466 | \$ 21,686 | \$ (4,336) | \$ 7,444 | \$ 160,025 | \$ 112,887 |
| Fee for Service | (647) | (725) | (561) | 78 | (86) | (3,432) | (2,693) |
| Sales Discounts and Allowances | (759) | (872) | (78) | 113 | (681) | (6,826) | (13,726) |
| Savings Cards Discounts | (1,811) | (1,911) | (1,836) | 100 | 25 | (8,574) | (6,198) |
| Rebates | (2,776) | (3,189) | (1,458) | 413 | (1,318) | (14,341) | (6,139) |
| Butrans Net Sales | 23,137 | 26,769 | 17,753 | (3,632) | 5,384 | 126,852 | 84,131 |
| Intermezzo | | | | | | | |
| Gross Sales | \$ 3,163 | \$ 5,597 | \$ - | \$ (2,434) | \$ 3,163 | \$ 57,622 | \$ 16,556 |
| Fee for Service | (70) | (111) | - | 41 | (70) | (1,147) | (352) |
| Sales Discounts and Allowances | (63) | (112) | - | 49 | (63) | (6,914) | (9,908) |
| Savings Cards Discounts | (327) | (309) | - | (18) | (327) | (3,150) | (576) |
| Rebates | (114) | (201) | - | 87 | (114) | (2,365) | (138) |
| Intermezzo Net Sales | 2,589 | 4,864 | - | (2,275) | 2,589 | 44,046 | 5,582 |
| Total for All Products | | | | | | | |
| Gross Sales | \$ 619,975 | \$ 773,422 | \$ 674,038 | \$ (153,447) | \$ (54,063) | \$ 3,228,472 | \$ 3,004,905 |
| Fee for Service | (13,374) | (15,664) | (17,035) | 2,290 | 3,661 | (65,338) | (69,313) |
| Sales Discounts and Allowances | (10,715) | (17,051) | (812) | 6,336 | (9,903) | (88,198) | (134,032) |
| Savings Cards Discounts | (11,841) | (7,859) | (4,615) | (3,982) | (7,226) | (34,537) | (25,104) |
| Rebates | (109,517) | (141,365) | (126,544) | 31,848 | 17,027 | (566,118) | (517,606) |
| Proposed Regulation Adjustment for Medicaid Rebates | (13,856) | (16,081) | (17,553) | 2,225 | 3,697 | (65,584) | (60,383) |
| Other | 748 | 413 | 542 | 335 | 206 | 1,651 | 2,455 |
| Total Net Sales | \$ 461,420 | \$ 575,815 | \$ 508,021 | \$ (114,730) | \$ (46,807) | \$ 2,410,348 | \$ 2,200,922 |

Sales Variance to Budget

Expressed in 000's

Gross Sales:

| | | |
|---|--------------|---------------|
| • Impact of trade inventories lower than budget (1) | \$ (117,000) | |
| • Lower OxyContin demand versus budget (1) | (27,211) | |
| | <hr/> | \$ (144,211) |
| • Butrans sales due to lower trade inventory | | (4,336) |
| • Intermezzo sales | | (2,434) |
| • Ryzolt returns | | (124) |
| • All other | | <hr/> (2,342) |
| Subtotal - Gross sales variance | | (153,447) |

Deductions:

| | |
|--|--------------|
| • Lower variable deductions due to lower sales | <hr/> 39,052 |
|--|--------------|

Net Branded Sales Variance

\$ (114,395)

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

General and Administrative Summary

Expressed in 000's

| | March Year-to-Date | | | 2013 YTD Actual versus | | 2013 Budget | HEADCOUNT | | | | Comments |
|--|--------------------|------------------|------------------|------------------------|-----------------|-------------------|-----------------|-------------|---------------|-------------|--|
| | 2013 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | | 2013 YTD Actual | 2013 Budget | Var to Budget | 2012 Actual | |
| Finance | \$ 3,477 | \$ 3,553 | \$ 3,479 | \$ (76) | \$ (2) | \$ 13,520 | 58 | 62 | 4 | 62 | |
| Information Technology | 8,782 | 9,228 | 8,693 | (446) | 89 | 35,466 | 97 | 102 | 5 | 96 | \$0.4 million favorable due to open positions and timing of software and hardware maintenance. |
| Corporate Procurement | 849 | 919 | 829 | (70) | 20 | 3,500 | 12 | 14 | 2 | 13 | |
| Insurance | 718 | 873 | 701 | (155) | 17 | 3,492 | - | - | - | - | \$0.2 million due to lower negotiated property premium rates, lower than anticipated business interruption insurance, and timing of clinical trial insurance. |
| IPAP | 799 | 975 | 856 | (176) | (57) | 3,900 | - | - | - | - | \$0.2 million favorable due to a lower patient population. |
| Subtotal - Mahony | 14,625 | 15,548 | 14,558 | (923) | 67 | 59,878 | 167 | 178 | 11 | 171 | |
| Human Resources | 1,678 | 1,745 | 1,673 | (67) | 5 | 6,587 | 23 | 24 | 1 | 23 | |
| EHS Corporate | 676 | 687 | 625 | (11) | 51 | 2,587 | 6 | 6 | - | 6 | |
| Administration Building | 2,140 | 2,188 | 2,208 | (48) | (68) | 8,322 | 34 | 34 | - | 34 | |
| Stamford Facilities | 5,704 | 5,712 | 5,371 | (8) | 333 | 22,837 | - | - | - | - | |
| Facilities Allocation Out | (5,713) | (5,713) | (5,663) | - | (50) | (22,837) | - | - | - | - | |
| Subtotal - Mahony | 4,485 | 4,619 | 4,214 | (134) | 271 | 17,496 | 63 | 64 | 1 | 63 | |
| Public Affairs | 1,510 | 1,632 | 1,490 | (122) | 20 | 7,129 | 4 | 4 | - | 4 | |
| Federal Government Affairs | 1,491 | 1,463 | 1,564 | 28 | (73) | 3,495 | 2 | 2 | - | 2 | |
| State Government Affairs | 3,286 | 3,089 | 3,314 | 197 | (28) | 11,522 | 12 | 12 | - | 12 | \$0.2 million unfavorable for timing of dues. |
| Subtotal - External Affairs | 6,287 | 6,184 | 6,368 | 103 | (81) | 22,146 | 18 | 18 | - | 18 | |
| Purdue Pharma Fund | 592 | 481 | 392 | 111 | 200 | 1,922 | - | - | - | - | |
| DEA Compliance | 20 | 103 | 156 | (83) | (136) | 362 | - | 1 | 1 | 1 | |
| Redacted | | | | | | | | | | | |
| Executive Administration | 1,883 | 1,843 | 1,600 | 40 | 283 | 7,133 | 6 | 7 | 1 | 6 | |
| General Underspend ("Haircut") | - | (225) | - | 225 | - | (901) | - | - | - | - | |
| Subtotal - Executive Administration | 1,883 | 1,618 | 1,600 | 265 | 283 | 6,232 | 6 | 7 | 1 | 6 | |
| Depreciation and Occupancy | 4,119 | 4,119 | 4,512 | - | (393) | 16,471 | - | - | - | - | |
| Quality | 1,942 | 2,247 | 1,792 | (305) | 150 | 8,757 | 30 | 34 | 4 | 31 | \$0.3 million favorable due to \$0.1 million in salary and related expenses, \$0.1 million in staff extender/consulting, and \$0.1 million in product complaint processing. |
| Security | 1,495 | 1,536 | 1,795 | (41) | (300) | 5,897 | 14 | 15 | 1 | 15 | |
| Corporate Compliance | 1,010 | 1,051 | 938 | (41) | 72 | 3,606 | 10 | 12 | 2 | 11 | |
| Business Development | 767 | 928 | 716 | (161) | 51 | 3,442 | 7 | 7 | - | 7 | \$0.2 million favorable for timing of consulting. |
| Employee Benefits | 1,885 | (79) | 2,190 | 1,964 | (305) | (1,447) | - | - | - | - | \$2.0 million unfavorable is due to (1) \$1.2 million unfavorable for the recent change to the pension budgeted in the President's Reserve due to confidentiality; (2) \$0.5 million for timing of 401k and (3) \$0.1 million timing of Supplemental savings payout. |
| Fleet | (280) | 22 | (319) | (302) | 39 | - | - | - | - | - | \$0.3 million favorable due to disposals. |
| Subtotal - Other | 10,938 | 9,824 | 11,624 | 1,114 | (686) | 36,726 | 61 | 68 | 7 | 64 | |
| Total General and Administrative | \$ 42,913 | \$ 42,591 | \$ 43,003 | \$ 322 | \$ (90) | \$ 160,426 | 359 | 382 | 23 | 368 | |

Legal Fees Summary

Redacted

Research and Development

Expressed in 000's

| | March Year-to-Date | | | 2013 YTD Actual versus | | 2013 Budget | Comments |
|-------------------------------------|--------------------|-------------------|------------------|------------------------|-----------------|-------------------|---|
| | 2013 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | | |
| Clinical Program | \$ 33,612 | \$ 55,673 | \$ 25,586 | \$ (22,061) | \$ 8,026 | \$ 191,025 | \$22.1 million underspend due primarily to: ONU underspend \$11.6 million due to enrollment delays in the pain+OIC studies. BUP underspend \$8.5 million due to higher strength studies being cancelled. VND underspend \$1.8 million due to site start-up and enrollment delays in the Phase 2 study. |
| Non-Clinical | 9,696 | 12,520 | 14,036 | (2,824) | (4,340) | 50,134 | \$2.8 million of underspend is due to timing of outsourcing in TRPV1 (\$1.2 million), BUP (\$0.8 million), and HYD (\$0.7 million). |
| Medical Research | 7,932 | 8,476 | 5,671 | (544) | 2,261 | 33,455 | \$0.5 million favorability due to timing of software and R&D consulting. |
| Discovery Research | 5,384 | 6,037 | 5,001 | (653) | 383 | 24,522 | \$0.7 million of underspend relates to timing of outsourcing related to exploratory projects. |
| Health Policy | 4,655 | 4,310 | 5,233 | 345 | (578) | 16,502 | \$0.3 million unfavorable due to timing of medical education grants and library subscriptions vs. budget phasing. |
| Risk Management | 3,375 | 4,037 | 2,261 | (662) | 1,114 | 16,246 | \$0.7 million of underspend due to timing of studies & classwide REMS spend vs. budget. |
| Drug Safety | 2,278 | 2,686 | 2,764 | (408) | (486) | 11,122 | \$0.4 million underspend due to lower adverse event processing costs and \$0.1 million favorable in people costs. |
| Regulatory | 3,052 | 3,752 | 2,834 | (700) | 218 | 15,423 | \$0.7 million of underspend driven by timing of spend on FDA Advisory Committee of \$0.6 million. |
| Tech Transfer | 1,128 | 1,943 | 979 | (815) | 149 | 8,075 | \$0.8 million of underspend is primarily due to fewer ORF batches needed, and timing of OCI, HYD, and TRPV1 batches. Reduced ORF batches were related to manufacturing process assessment and not for clinical use. Batches related to I-bar reduction was to reduce the risk of melting material during the manufacturing process, and batches related to DOE matrix was originally designed to provide a more effective process to validate a combination of PEOs and API materials. We anticipate savings of \$0.5 million related to the ORF reduction. |
| Medical Affairs | 480 | 1,001 | 97 | (521) | 383 | 4,142 | \$0.5 million favorability due to underspend relating to Investigator Initiated Studies. |
| Shionogi Collaboration | 1,498 | 1,062 | 1,054 | 436 | 444 | 4,249 | \$0.4 million unfavorable variance relates to phasing of the collaboration budget. |
| R&D Innovation | 499 | 1,258 | 7 | (759) | 492 | 5,310 | \$0.8 million favorability due to timing of consulting spend related to exploratory projects. |
| Health Outcomes | 842 | 1,326 | - | (484) | 842 | 5,654 | \$0.5 million favorability due to underspend in consulting. |
| Project Management | 1,389 | 1,392 | 950 | (3) | 439 | 5,148 | |
| Outsource Management | 333 | 391 | 433 | (58) | (100) | 1,488 | |
| Stamford Occupancy and Depreciation | 2,671 | 2,671 | 2,353 | - | 318 | 10,678 | |
| Cranbury Occupancy | (28) | (35) | (250) | 7 | 222 | - | |
| Underspend Estimate | - | (6,350) | - | 6,350 | - | (25,826) | |
| Total Research and Development | <u>\$ 78,796</u> | <u>\$ 102,150</u> | <u>\$ 69,009</u> | <u>\$ (23,354)</u> | <u>\$ 9,787</u> | <u>\$ 377,347</u> | |

Other US

Expressed in 000's

| | March Year-to-Date | | | 2013 YTD Actual versus | | 2013 Budget | Comments |
|---------------------------------|--------------------|-----------------|-----------------|------------------------|-----------------|-------------|---|
| | 2013 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | | |
| <i>Other Income (Expense):</i> | | | | | | | |
| Purdue Pharma Tech | \$ 552 | \$ 421 | \$ 697 | \$ 131 | \$ (145) | \$ 1,683 | Purdue Pharma Tech (PP Tech) provides EHS, security and other services to Purdue at cost plus markup. PP Tech is consolidated in these financials - its margin is shown here. |
| Norwell rent income (Totowa) | 188 | 188 | 237 | - | (49) | 750 | |
| Purchase discounts | 99 | 175 | 138 | (76) | (39) | 700 | |
| Reversal of use tax | - | - | 307 | - | (307) | - | 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. |
| Amortization expense - Dilaudid | (621) | (622) | (621) | 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. |
| President's reserve | - | (1,475) | - | 1,475 | - | (5,900) | |
| Trust expenses | (36) | (25) | (105) | (11) | 69 | (100) | All remaining settlements have been paid out from the Qualified Settlement Trust (QST). The balance of the QST is expected to be returned to Purdue after clearing probate court in 2013. Administrative costs are expected to be incurred in 2013 to close the fund. |
| Depreciation - Norwell & Other | (53) | (55) | (52) | 2 | (1) | (220) | Primarily represents depreciation on Norwell. |
| Depreciation savings | - | 250 | - | (250) | - | 1,000 | Budget expected favorability (underspend) here. |
| Miscellaneous | 137 | (79) | 42 | 216 | 95 | (366) | |
| Net Other Income (Expense) | \$ 266 | \$ (1,222) | \$ 643 | \$ 1,488 | \$ (377) | \$ (4,939) | |

Headcount Summary

| | <u>March 2013 Actual</u> | <u>2013 Budget</u> | <u>Variance to Budget</u> | <u>2012 Actual</u> |
|----------------------------|--------------------------|--------------------|---------------------------|--------------------|
| G&A | 359 | 382 | 23 | 368 |
| R&D | 339 | 360 | 21 | 334 |
| Marketing / Sales Support | 79 | 87 | 8 | 77 |
| Field Sales | 653 | 673 | 20 | 625 |
| Total S&P | 732 | 760 | 28 | 702 |
| Totowa | 18 | 18 | - | 18 |
| Supply Chain Operations | 57 | 60 | 3 | 57 |
| Wilson | 192 | 201 | 9 | 187 |
| Total Technical Operations | 267 | 279 | 12 | 262 |
| President's Reserve | - | 3 | 3 | - |
| Total Headcount | <u>1,697</u> | <u>1,784</u> | <u>87</u> | <u>1,666</u> |

To: John Stewart
From: Ed Mahony
CC: [REDACTED]
Jon Lowne, [REDACTED], Executive Committee
Date: April 10, 2013
Subject: Year to date March 2013 financial results

Attached are the March year to date 2013 Purdue financial statements. Actual results are compared to the 2013 budget and 2012 actual results.

NET SALES

Net Sales for the three months ending March were \$461 million --- \$47 million lower than the same period last year and \$115 million under budget. The reasons for the under budget sales performance are discussed below.

OxyContin

OxyContin net sales for the three months ending March total \$408 million --- \$113 million below budget and \$58 million lower than the same period last year. The variance vs. budget is due to:

- i. OxyContin demand – as reported by IMS -- is running about 3.8%, or \$20 million, behind budget.
 - i. OxyContin prescriptions – as reported by IMS -- continue to be about 0.9% ahead of budget.
 - ii. OxyContin mix among strengths and the tablets per prescription are both unfavorable to budget – combined impact on demand is unfavorable 4.5% vs. budget.
- ii. OxyContin net sales are about \$4 million unfavorable to budget due to higher patient savings card redemptions
- iii. OxyContin wholesaler inventory – as reported by the wholesalers and converted to net sales value, is running \$86 million below budget. The variance is due to:
 - i. Typical, but unpredictable, fluctuations in trade inventory which tend to even out over time.
 - ii. Specifically, wholesaler inventory decreased from 1.3 months-on-hand at the end of 2012 to 0.8 months-on-hand at the end of March.
 - iii. Two wholesalers, McKesson and Cardinal, account for 75% of the inventory reduction.
- iv. Other noteworthy factors include:
 - i. OxyContin primary sales calls are below budget in the first quarter. This is due to vacant territories realignment which led to lower productivity for the first few months and slower implementation of the plan to have OxyContin in the primary position on 50% of all sales calls. As we start the second quarter, the sales force is much closer to both budgeted headcount and the 50% OxyContin primary position call target.
 - ii. At the end of 2012 OxyContin was removed from the United Healthcare AARP formulary. We expect that this could result in a \$50 million loss of OxyContin

- demand in 2013. The Purdue team is working to improve coverage elsewhere to offset this loss. (Part of the lower demand described above is due to this loss.)
- iii. The 2013 budget assumed that Pfizer would launch Remoxy in late 2013. Based on recent press reports the Remoxy launch is not likely to happen this year. The impact on sales this year was expected to be about \$5 million favorable.
 - iv. The remainder of 2013 OxyContin sales should benefit from an increase in sales calls vs. 2012 and the other items described above. The Purdue team is developing additional initiatives to try to ensure that OxyContin demand gets back to budget levels.
 - v. Trade inventory levels are monitored to ensure that the trade has adequate inventory and excellent customer service. Some or all of the first quarter trade inventory reduction should reverse during the year.

Butrans

Butrans net sales for the three months ending March were \$23 million --- \$3.6 million below budget but \$5.4 million above the same period last year. While demand as reported by IMS is in line with budget and 21.3% above the same period last year, wholesaler inventory is \$2.7 million lower than budget.

Intermezzo

Intermezzo net sales for the three months ending March were \$2.6 million ---\$2.3 million or 47% below budget.

- a. In the most recent week prescriptions were about 50% below budget.
- b. Year to date patient co-pay savings card redemptions are running at about 10% of sales vs. 5% of sales in the budget. This is due to higher than anticipated patient copays.
- c. As a result of this lower than expected demand management is evaluating options for the remainder of the year.

Operating expenses

Total operating expenses were \$225.1 million:

| (million) | Year to date March | | | Variance 2013 actual vs. | | 2013 Budget |
|--------------------------------------|--------------------|-----------------|-----------------|--------------------------|----------------|-----------------|
| | Actual | Budget | Prior year | 2013 Budget | 2012 Actual | |
| G&A | \$ 42.9 | \$ 42.6 | \$ 43.0 | \$ 0.3 | \$ (0.1) | \$ 159.1 |
| Redacted | | | | | | |
| R&D | 78.8 | 102.2 | 69.0 | (23.4) | 9.8 | 377.3 |
| R&D Other - Milestones and Alliances | 1.0 | 1.7 | 0.1 | (0.7) | 0.9 | 6.7 |
| S&P | 81.7 | 75.8 | 68.3 | 5.9 | 13.4 | 312.6 |
| New Health Care Reform Pharma Fee | 8.0 | 8.0 | 7.5 | - | 0.5 | 31.8 |
| Other - US | (0.3) | 1.2 | (0.6) | (1.5) | 0.3 | 4.0 |
| Total | \$ 225.1 | \$ 246.0 | \$ 200.8 | \$ (20.9) | \$ 24.3 | \$ 942.0 |

1. R&D spend through December 31, 2012 was \$23.4 million under budget – detail by project follows:

| (million) | 2013 Year to date March | | Variance | 2013 Budget |
|---------------------------------|-------------------------|----------|-----------|-------------|
| | Actual | Budget | | |
| Oxycodone Naloxone | \$ 19.7 | \$ 31.0 | \$ (11.3) | \$ 119.6 |
| Hydrocodone QD TR | 17.5 | 18.2 | (0.7) | 63.8 |
| Butrans | 5 | 16.3 | (11.3) | 50.2 |
| OxyContin (primarily pediatric) | 6 | 9.2 | (3.2) | 31.6 |
| Oxycodone IR TR | 2.5 | 3.2 | (0.7) | 13.9 |
| TRPV 1 (Purdue) | 2.7 | 6.5 | (3.8) | 26.8 |
| ORL 1 | 0.5 | 0.6 | (0.1) | 0.5 |
| Discovery Projects | 4.9 | 6.4 | (1.5) | 24.5 |
| Market Support Projects | 20.1 | 17.3 | 2.8 | 72.1 |
| Finance Underspend Estimate | - | (6.4) | 6.4 | (25.7) |
| Total | \$ 78.9 | \$ 102.3 | \$ (23.4) | \$ 377.3 |

Oxycodone Naloxone

March year to date spend is \$11.3 million below budget due to slower than expected enrollment in the two pain plus OIC efficacy studies. Protocol changes are under review to reduce the sample size as well as increase the recruitment rate. Filing date of pain + OIC sNDA currently estimated at Q4 2015. Filing of the pain only indication is on track for September 2013.

Butrans

March year to date spend is \$11.2 million below budget primarily due to a decision not to proceed with the higher strength efficacy and long term safety studies, which will result in full year savings of approximately \$16 million. Alternative and less costly strategies to pursue the higher strengths are currently under review.

OxyContin (primarily pediatric)

March year to date spend is \$3.3 million below budget driven by favorability in pediatric studies, tech transfer and risk management. OTR 3001 Safety Study has a current enrollment of 90 patients with a target of 154 patients and is expected to complete enrollment in 2014.

TRPV1 Lead (Purdue)

March year to date spend is \$3.8 million below budget driven by favorability in clinical and nonclinical spend which is expected to reverse in coming months.

S&P

S&P spend through March 31, 2013 was \$81.7 million, which is \$5.9 million higher than budget due to phasing and \$13.4 million higher than prior year primarily due to Intermezzo direct to consumer advertising and promotional spend (\$18.8 million).

Other

1. Ex. US Expenses – Year to date expense was \$50.3 million which was higher than budget by \$18.4 million primarily due to higher than expected ex-US funding (Korea and Singapore).

Pre-tax earnings

Full year pre-tax earnings of \$117.6 million are:

- a. \$103.2 million lower than budget primarily due to lower gross profit (\$100.7 million) on lower sales offset by lower operating expenses (\$20.8 million) and higher ex-US expenses (\$21.4 million).
- b. \$136.0 million lower than 2012 primarily due to lower gross profit (\$47.3 million) on lower sales, higher operating expenses – primarily S&P and R&D (\$24.4 million), higher ex-US expenses (\$51.9 million) and lower ex-US royalty income (\$11.8 million).

Non-Tax Distributions

Partner non-tax distributions of \$121.4 million were made in the first week of April.

Working Capital Highlights

Cash and Short Term Investments

At the end of March, unrestricted cash and short term investments totaled \$889 million --- which is \$128 million lower than budget. This lower than budget cash balance is due to sales being lower than budget. In the next two months, tax distributions and non-tax distributions will reduce this balance. The year end 2013 budget is \$600 million in unrestricted cash.

Accounts Receivable

1. The rolling 3 month average days sales outstanding (“DSO”) was 34.6 days at March 31, 2013 which is 0.4 days lower than our target of 35 days, and 0.6 days higher than February. The month to month DSO can fluctuate according to timing of sales and the resultant due dates. Invoice collections remain strong at 99.9 % within 10 days of the due date. There were no bad debt write-offs in the first quarter of 2013.
2. Open deductions totaled \$472,251 at March 31, 2013 or .002% of the total receivables.
3. In all respects, we believe the quality of accounts receivables is excellent. We continue to watch Rite Aid (balance at March 31st of \$513,590) and HD Smith (balance at March 31st of \$3,040,400) closely as both are posting disappointing financial results. Rite Aid’s short term liquidity remains good and HD Smith is working to get additional financing.

Accounts Payable

1. Payables at March 31, 2013 totaled \$33.3 million versus \$54.9 million at February 28, 2013. Substantial quarterly rebates entered in February and paid in March accounted for the decrease.
2. The December 31, 2012 rebates Day’s Payable Outstanding (“DPO”) was 52.73 vs. 51.58 days at June 30, 2012 a 1.15 day increase. The DPO for all other payments was 38.84 days at December 31, 2012 vs. 40.13 days at June 30, 2012 a decrease of 1.29 days. Fluctuations in the DPO are due to the mix of payment types. This is measured semi-annually.
3. Early payment discounts of \$116,726 or 97.4% of those available were earned during the first quarter of 2013.

Inventory levels

- As of March, Purdue is carrying \$68.8 million in inventory net of reserves. This balance has increased over prior year-end and March 2012 by \$18.1 million and \$14.6 million respectively. The primary drivers are as follows:

Versus Y/E 2012 (increase of \$18.1 million)

- Higher Oxycodone API (\$12.1 million) driven by timing of purchases due to beginning of the year quota approval.
- Higher OxyContin finished goods (\$5.3 million) as compared to year-end factory shutdown levels.

Versus March 2012 (increase of \$14.6 million)

- Higher Oxycodone API (\$11.2 million) driven by timing of purchases due to timing of quota approval in 2013 being more favorable than 2012.
 - Higher OxyContin finished goods (\$4.0 million) primarily driven by timing of production.
- OxyContin/Oxycodone is \$38.8 million of the \$68.8 million total inventory. Details are provided in the table below:

| | Mar-13 | | Mar-12 | Y/E 2012 |
|-----------------|--------|--------------|--------------|--------------|
| Oxycodone | kg | million \$'s | million \$'s | million \$'s |
| Raw | 6,111 | \$19.7 | \$8.5 | \$7.6 |
| WIP | 1,208 | \$3.9 | \$3.7 | \$2.1 |
| Bulk | 630 | \$2.0 | \$3.1 | \$4.4 |
| FG | 4,076 | \$13.2 | \$8.9 | \$9.0 |
| Total Oxycodone | 12,024 | \$38.8 | \$24.2 | \$23.1 |

- At the end March, the average MOH inventory level for OxyContin finished goods is ~ 2.5 months (based on projected sales). Details are as follows:

OxyContin - Months on Hand Inventory (100 count bottles only)

| 10mg | 15mg | 20mg | 30mg | 40mg | 60mg | 80mg |
|------|------|------|------|------|------|------|
| 1.7 | 2.3 | 2.6 | 1.5 | 3.5 | 2.6 | 2.8 |

- The current months on hand of 2.5 is higher than 2012 year-end of 2.1, but is in line with the 2013 target.

Trade inventory

During 2011 and 2012, OxyContin trade inventory was between 70 and 78.5 days demand – a normal level. Over the last six months, there has been a steady decline in the amount of inventory held:

OxyContin inventory at the trade is down to approximately 58 days:

| \$ millions | 12/31/2010 | 12/31/11 | 6/30/12 | 12/31/12 | 3/31/2013 |
|----------------|------------|----------|---------|----------|-----------|
| Wholesaler | 195.7 | 224.6 | 208.4 | 296.4 | 189.4 |
| Pharmacy | 438.1 | 347.0 | 337.9 | 270.0 | 262.9 |
| Hospital/Other | 3.3 | 5.0 | 4.0 | 4.5 | 5.4 |
| Total \$ | 637.1 | 576.6 | 550.3 | 571.0 | 457.7 |
| Total Days | 75.6 | 72.6 | 78.5 | 72.5 | 58.2 |

Butrans inventory at the trade is down to approximately 55 days:

| \$ millions | 12/31/11 | 6/30/12 | 12/31/12 | 3/31/2013 |
|----------------|----------|---------|----------|-----------|
| Wholesaler | 7.0 | 7.7 | 14.3 | 12.1 |
| Pharmacy | 10.8 | 10.7 | 6.6 | 8.5 |
| Hospital/Other | 0.1 | 0.5 | 0.1 | 0.1 |
| Total \$ | 17.9 | 18.9 | 21.0 | 20.7 |
| Total Days | 117.2 | 72.1 | 62.0 | 54.7 |

Intermezzo inventory at the trade is \$10.0 million – a return reserve of \$9.0 million has been established based on current Rx demand and inventory shelf life expiration. After the return reserve, trade inventory is approximately 30 days of current levels of demand.

| \$ millions | 6/30/12 | 9/30/12 | 12/31/12 | 3/31/2013 |
|----------------|---------|---------|----------|-----------|
| Wholesaler | 7.9 | 5.8 | 5.4 | 3.7 |
| Pharmacy | 4.9 | 4.8 | 4.6 | 6.7 |
| Hospital/Other | 0 | 0 | 0 | 0 |
| Total \$ | 12.8 | 10.6 | 10.0 | 10.4 |

Headcount

At the end of March, Purdue's headcount was 1,697 versus the budget of 1,784. The variance of 87 includes 3 positions on budget hold, 9 positions that have offers outstanding, 46 positions that are actively being recruited, and 29 positions that have yet to commence active recruiting.

Infinity

The 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 March 31, 2013 was \$48.47 per share and at the end of March the balance sheet reflects an investment value of \$262.5 million. These shares were distributed in early April at the carrying value of \$40.00 per share.

Message

From: Mahony, Edward [REDACTED]
Sent: 4/16/2013 4:21:57 PM
To: Boer, Peter [REDACTED]; Lewent, Judy [REDACTED]; Pickett, Cecil [REDACTED]; Costa, Paulo [REDACTED]; Snyderman, Ralph [REDACTED]; Sackler, Dr Richard [REDACTED]; Sackler, Dr Raymond R [REDACTED]; Sackler, Dr Kathe [REDACTED]; Sackler, Mortimer D.A. [REDACTED]; Sackler Lefcourt, Ilene [REDACTED]; Sackler, Beverly [REDACTED]; Sackler, Dame Theresa [REDACTED]; Sackler, Jonathan [REDACTED]; Sackler, David [REDACTED]; Baker, Stuart D. [REDACTED]; Stewart, John H. (US) [REDACTED]; Landau, Dr. Craig [REDACTED]; Weinstein, Bert [REDACTED];
CC: Lowne, Jon [REDACTED]
BCC: Stewart, John H. (US) [REDACTED]
Subject: FW: March 2013 Financial Statements
Attachments: Financial Statements 03.31.2013 v2.xlsm; March 2013 Financial Statement Cover Memo Final.docx

Colleagues,

Attached for your information are the Purdue March 2013 financial statements.

We are happy to supply a hard copy upon request.

Ed

**Purdue U.S.
Financial Statements
March 2013**

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| 7 | Sales Summary Gross to Net by Product |
| 8 | Sales Variance to Budget |
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| 10 | Legal Fees Summary |
| 11 | Research & Development Summary |
| 12 | Other US |
| 13 | Headcount |

Purdue US - Financial Reporting Scorecard

Expressed in 000's

| | March Year-to-Date | | | 2013 YTD Actual versus | | Full Year | |
|---|--------------------|-----------------|-----------------|------------------------|-----------------|--------------|--------------|
| | 2013 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 Budget | 2012 Actual |
| Net Revenues | \$ 461,420 | \$ 575,815 | \$ 508,021 | -24.8% | -10.1% | \$ 2,410,348 | \$ 2,200,922 |
| Operating Profit Margin | \$ 161,222 | \$ 243,216 | \$ 233,214 | -50.9% | -44.7% | \$ 1,124,604 | \$ 992,750 |
| EBITDA | \$ 125,572 | \$ 228,788 | \$ 258,046 | -82.2% | -105.5% | \$ 1,066,878 | \$ 1,038,561 |
| Net Profit Before Tax | \$ 117,595 | \$ 220,796 | \$ 253,569 | -87.8% | -115.6% | \$ 1,034,912 | \$ 1,010,856 |
| Owner's Equity | \$ 849,181 | \$ 944,536 | \$ 743,003 | -11.2% | 12.5% | \$ 705,232 | \$ 671,725 |
| Non-tax Distributions (1) | \$ 3,669 | \$ 543 | \$ 543 | 85.2% | 85.2% | \$ 538,100 | \$ 471,643 |
| Days Sales Outstanding | 33.2 | 35.0 | 33.6 | on target | on target | 35.0 | 33.2 |
| Accounts Receivable Outstanding > 90 Days Past Due | < 1% | < 1% | < 1% | on target | on target | < 1% | < 1% |
| Capital Spending | \$ 6,933 | \$ 8,750 | \$ 3,461 | -26.2% | 50.1% | \$ 35,000 | \$ 30,467 |
| Unrestricted Cash on Hand | \$ 838,013 | \$ 716,300 | \$ 793,671 | 14.5% | 5.3% | \$ 600,000 | \$ 755,593 |
| Available Liquidity | \$ 838,013 | \$ 716,300 | \$ 793,671 | 14.5% | 5.3% | \$ 600,000 | \$ 755,593 |
| Available Liquidity - Average Months Sales | 5.4 | 3.7 | 4.7 | +1.7 months | +0.8 months | 3.0 | 4.1 |
| Headcount | 1,697 | 1,710 | 1,645 | +1 head | +52 heads | 1,784 | 1,666 |

(1) March YTD Non-tax distributions represent distributions to shareholders for reinvestment in Thailand (\$2.9 million) and Japan (\$0.2 million), and \$0.5 million of Norwell annual fixed equity distributions. The Q1 partner distribution was paid out in April 2013 which is in line with the timing of the budget.

PURDUE US - Profit and Loss Statement
Period Ended March 31, 2013
Expressed in 000's

| | March Year-to-Date | | | | | | 2013 YTD Actual versus | | Full Year | | | |
|---|--------------------|--------------|-------------------|--------------|-------------------|--------------|------------------------|---------------------|---------------------|---------------|---------------------|--------------|
| | 2013 YTD Actual | % Sales | 2013 YTD Budget | % Sales | 2012 YTD Actual | % Sales | 2013 YTD Budget | 2012 YTD Actual | 2013 Budget | % Sales | 2012 Actual | % Sales |
| GROSS BRANDED PRODUCT SALES | \$ 619,975 | | \$ 773,422 | | \$ 674,038 | | \$ (153,447) | \$ (54,063) | \$ 3,228,472 | | \$ 3,004,905 | |
| Fee for Service | (13,374) | 2.2% | (15,664) | 2.0% (2) | (17,035) | 2.5% | 2,290 | 3,661 | (65,338) | 2.0% | (69,313) | 2.3% |
| Discounts and Allowances | (10,715) | 1.7% | (17,051) | 2.2% (3) | (812) | 0.1% | 6,336 | (9,903) | (88,198) | 2.7% | (134,032) | 4.5% |
| Patient Savings Card Discount | (11,841) | 1.9% | (7,859) | 1.0% | (4,615) | 0.7% | (3,982) | (7,226) | (34,537) | 1.1% | (25,104) | 0.8% |
| Rebates on Branded Sales | (109,517) | 17.7% | (141,365) | 18.3% (4) | (126,544) | 18.8% | 31,848 | 17,027 | (566,117) | 17.5% | (517,606) | 17.2% |
| Proposed Regulation Adjustment for Medicaid Rebates (1) | (13,856) | 2.2% | (16,081) | 2.1% | (17,553) | 2.6% | 2,225 | 3,697 | (65,584) | 2.0% | (60,383) | 2.0% |
| Other | 748 | | 413 | | 542 | | 335 | 206 | 1,651 | | 2,455 | |
| NET REVENUES | 461,420 | | 575,815 | | 508,021 | | (114,395) | (46,601) | 2,410,348 | | 2,200,922 | |
| Cost of Goods Sold | (32,281) | 5.2% | (39,534) | 5.1% | (32,685) | 4.8% | 7,253 | 404 | (162,211) | 5.0% | (148,475) | 4.9% |
| Royalty Expense | (29,673) | 4.8% | (36,617) | 4.7% | (28,503) | | 6,944 | (1,170) | (131,575) | | (120,268) | |
| Shipping and Warehousing | (2,768) | 0.4% | (2,819) | 0.4% | (2,865) | 0.4% | 51 | 97 | (10,807) | 0.3% | (11,814) | 0.4% |
| TOTAL COST OF GOODS SOLD | (64,722) | | (78,970) | | (64,053) | | 14,248 | (669) | (304,592) | | (280,557) | |
| GROSS PROFIT | 396,698 | | 496,845 | | 443,968 | | (100,147) | (47,270) | 2,105,756 | | 1,920,365 | |
| General and Administrative (incl Legal Dept, excl Legal Fees) | (42,913) | 9.3% | (42,591) | 7.4% | (43,003) | 8.5% | (322) | 90 | (160,426) | 5.0% | (154,259) | 7.0% |
| Legal Fees | (12,959) | 2.8% | (14,528) | 2.5% | (13,472) | 2.7% | 1,569 | 513 | (50,975) | 1.6% | (61,253) | 2.8% |
| Research and Development | (78,796) | 17.1% | (102,150) | 17.7% | (69,009) | 13.6% | 23,354 | (9,787) | (377,347) | 11.7% | (312,513) | 14.2% |
| Research and Development Other - Milestones and Alliances | (1,046) | | (1,673) | | (134) | | 627 | (912) | (6,692) | | (2,284) | |
| Sales and Promotion | (81,697) | 17.7% | (75,809) | 13.2% | (68,254) | 13.4% | (5,888) | (13,443) | (309,913) | 9.6% | (303,110) | 13.8% |
| Health Care Reform Fee | (7,950) | 1.7% | (7,950) | 1.4% | (7,500) | 1.5% | - | (450) | (31,800) | 1.0% | (31,251) | 1.4% |
| Other US | 266 | | (1,222) | | 643 | | 1,488 | (377) | (4,939) | | (17,933) | |
| OPERATING EXPENSES | (225,095) | | (245,923) | | (200,729) | | 20,828 | (24,366) | (942,092) | | (882,603) | |
| OPERATING MARGIN BEFORE INCENTIVES AND SETTLEMENTS | 171,603 | | 250,922 | | 243,239 | | (79,319) | (71,636) | 1,163,664 | | 1,037,762 | |
| Incentive Bonus | (10,501) | 2.3% | (10,504) | 1.8% | (10,121) | 2.0% | 3 | (380) | (42,618) | 1.3% | (34,285) | 1.6% |
| Insurance Income | 120 | | 2,798 | | (99) | | (2,678) | 219 | 3,558 | | 3,520 | |
| Settlement Expense | - | | - | | 195 | | - | (195) | - | | (14,247) | |
| TOTAL INCENTIVES AND SETTLEMENTS | (10,381) | | (7,706) | | (10,025) | | (2,675) | (356) | (39,060) | | (45,012) | |
| OPERATING PROFIT MARGIN | 161,222 | 34.9% | 243,216 | 42.2% | 233,214 | 45.9% | (81,994) | (71,992) | 1,124,604 | -34.8% | 992,750 | 45.1% |
| Royalty Income - ex US | 10,157 | | 10,173 | (5) | 21,943 | | (16) | (11,786) | 40,692 | | 83,961 | |
| Ex US Expenses | (53,311) | | (31,897) | | (1,363) | | (21,414) | (51,948) | (127,600) | | (65,063) | |
| One Time Charges / Other Items | (547) | | (739) | | (560) | | 192 | 13 | (2,956) | | (2,146) | |
| Interest Income (Expense), net | 74 | | 43 | | 335 | | 31 | (261) | 172 | | 1,354 | |
| TOTAL OTHER ITEMS | (43,627) | | (22,420) | | 20,355 | | (21,207) | (63,982) | (89,692) | | 18,106 | |
| PROFIT BEFORE TAX | 117,595 | | 220,796 | | 253,569 | | (103,201) | (135,974) | 1,034,912 | | 1,010,856 | |
| Tax Provision for Corporations | (305) | | - | | (258) | | (305) | (47) | (4,674) | | (2,548) | |
| PROFIT AFTER TAX | \$ 117,290 | 18.9% | \$ 220,796 | 28.5% | \$ 253,311 | 37.6% | \$ (103,506) | \$ (136,021) | \$ 1,030,238 | 31.9% | \$ 1,008,308 | 33.6% |

(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.

(2) YTD Fee for Service ratio is over budget because 2013 actual includes \$0.7 million expense related to 2012.

(3) Discounts and Allowances as a % of sales is below budget due to a favorable FFS price increase adjustment of \$2.3 million.

(4) Rebates as a % of sales is below budget due to a larger than budgeted decrease in trade inventory accruals.

(5) Decrease from prior year is due to a lower royalty rate at the end of 2012 upon patent expiration.

PURDUE US - Profit and Loss Statement Ratios

| | ACTUAL | | | | | | BUDGET |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| GROSS BRANDED PRODUCT SALES | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Fee for Service | -2.1% | -1.5% | -2.2% | -2.5% | -2.5% | -2.3% | -2.0% |
| Discounts and Allowances | -3.5% | -3.1% | -2.2% | -1.6% | -1.9% | -4.5%(1) | -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% | -17.2% | -17.5% |
| Proposed Regulation Adjustment for Medicaid Rebates | 0.0% | 0.0% | 0.0% | -1.3% | -2.3% | -2.0% | -2.0% |
| Other | 8.2%(2) | 0.9% | 1.5% | 1.2% | 0.4% | 0.1% | 0.1% |
| NET REVENUES | 82.0% | 81.5% | 79.9% | 74.3% | 74.4% | 73.2% | 74.6% |
| Cost of Goods Sold | -8.5%(3) | -5.9% | -5.6% | -5.2% | -5.6% | -4.9% | -5.0% |
| Royalty Expense | -0.4% | -0.1% | -0.4% | -2.3%(4) | -3.9% | -4.0% | -4.1% |
| Shipping and Warehousing | -0.9% | -0.5% | -0.5% | -0.5% | -0.4% | -0.4% | -0.3% |
| TOTAL COST OF GOODS SOLD | -9.8% | -6.5% | -6.4% | -7.9% | -9.9% | -9.3% | -9.4% |
| GROSS PROFIT | 72.2% | 75.0% | 73.5% | 66.3% | 64.5% | 63.8% | 65.2% |
| General and Administrative (incl Legal Dept, excl Legal Fees) | -11.7% | -6.0% | -5.4% | -5.9% | -6.6% | -7.0% | -6.7% |
| Research and Development | -11.0% | -5.8% | -5.5% | -7.1% | -12.1% | -14.2% | -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% | -13.8% | -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% | -0.8% | -0.2% |
| OPERATING EXPENSES | -42.4% | -23.1% | -23.1% | -23.3% | -33.0% | -40.1% | -39.1% |
| OPERATING MARGIN BEFORE INCENTIVES AND SETTLEMENTS | 29.8% | 51.9% | 50.4% | 43.1% | 53.8% | 47.2% | 48.3% |
| Incentive Bonus | -4.3% | -1.5% | -1.4% | -1.7% | -1.5% | -1.6% | -1.8% |
| Insurance Income | 3.5% | 0.6% | 0.4% | 0.7% | 1.4% | 0.2% | 0.1% |
| Settlement Expense | -0.2% | -2.2% | -1.7% | -0.8% | -0.3% | -0.6% | 0.0% |
| TOTAL INCENTIVES AND SETTLEMENTS | -1.0% | -3.1% | -2.7% | -1.7% | -0.4% | -2.0% | -1.6% |
| OPERATING PROFIT MARGIN | 28.8% | 48.8% | 47.8% | 41.3% | 53.4% | 45.1% | 46.7% |
| 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% |
| TOTAL OTHER ITEMS | 9.1% | -2.0% | -1.8% | -3.1% | -1.8% | 0.8% | -3.7% |
| PROFIT BEFORE TAX | 37.9% | 46.9% | 45.9% | 38.2% | 51.6% | 45.9% | 42.9% |

Income statement line items as a percent of gross sales

Income statement line items as a percent of net sales

- (1) 2012 Discounts and Allowances ratio is higher than history due to an increase in OxyContin return reserves.
(2) 2007 Other ratio is higher than history due to the termination of the OxyContin AG distribution agreement during 2007.
(3) 2007 Cost of Goods Sold was higher due to a higher sales mix of lower margin products.
(4) Starting mid 2010 royalties on the new OxyContin formula became due.

PURDUE US - Balance Sheet

Expressed in 000's

| | Footnotes | March 31, 2013 Actual | December 31, 2013 Budget | December 31, 2012 Actual |
|---|-----------|--------------------------|-----------------------------|-----------------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | | \$ 838,013 | \$ 600,000 | \$ 755,593 |
| Accounts receivable | (1) | 143,063 | 150,613 | 187,137 |
| Due from associated companies | (2) | 19,500 | 13,673 | 31,819 |
| Other receivables | (3) | 9,030 | 8,350 | 2,957 |
| Inventories | (4) | 68,773 | 42,881 | 50,631 |
| Prepaid expenses and other assets | (5) | 17,187 | 28,670 | 22,144 |
| Restricted cash - current | (6) | 23,904 | - | 23,927 |
| TOTAL CURRENT ASSETS | | 1,119,470 | 844,187 | 1,074,208 |
| Property and equipment, net | (7) | 150,075 | 163,447 | 149,483 |
| Investments in associated companies | (8) | 26,857 | 14,936 | 7,871 |
| Due from associated companies | | 3,000 | 3,250 | 3,000 |
| Restricted cash - long term | (6) | 17,206 | 21,700 | 17,205 |
| Goodwill | | 23,396 | 23,396 | 23,396 |
| Product rights, trademarks and other intangibles, net | (9) | 171,539 | 165,982 | 173,249 |
| Other assets | (10) | 22,214 | 21,247 | 22,523 |
| Investment in Infinity Common Stock | (11) | 262,511 | 138,772 | 189,545 |
| Deferred income taxes | | 19,788 | 17,425 | 19,788 |
| TOTAL ASSETS | | \$ 1,816,056 | \$ 1,414,342 | \$ 1,680,268 |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | | 67,134 | 94,100 | 71,181 |
| Accrued expenses and taxes payable | (12) | 641,736 | 360,628 | 694,721 |
| Due to associated companies | | 22,093 | 13,000 | 12,392 |
| TOTAL CURRENT LIABILITIES | | 730,963 | 467,728 | 778,294 |
| Other liabilities | | 235,912 | 241,382 | 230,249 |
| TOTAL LIABILITIES | | 966,875 | 709,110 | 1,008,543 |
| EQUITY | | | | |
| Capital stock - common | | 9 | 9 | 9 |
| Additional paid in capital | | 1,982 | 1,982 | 1,982 |
| Subscription receivable | | (999) | (999) | (999) |
| Accumulated other comprehensive income | | (139,935) | (128,436) | (139,935) |
| Unrealized gain on Infinity stock | (13) | 170,430 | 60,232 | 97,469 |
| Retained earnings and partners' capital | | 817,694 | 772,444 | 713,199 |
| TOTAL EQUITY | (14) | 849,181 | 705,232 | 671,725 |
| TOTAL LIABILITIES AND EQUITY | | \$ 1,816,056 | \$ 1,414,342 | \$ 1,680,268 |

PURDUE US - Balance Sheet Footnotes

Expressed in 000's

(1) Accounts receivable is \$44.1 million lower than prior year end primarily due to decrease in trade receivables of \$50.3 million as a result of lower March sales as compared to December.

(2) Decrease from prior year end is primarily due to a lower receivable from Rhodes due to timing (\$11.2 million).

(3) Increase from prior year end of \$5.8 million in other receivables balance is primarily due to increase in interest receivable from European start-ups due to the timing of the prior year payment being received before quarter end (\$5.2 million) and decrease in net amount receivable from Express Scripts related to IPAP program (\$2.5 million).

(4) Increase from prior year end of \$18.2 million in inventory balance is due to higher Oxycodone API (\$12.1 million) driven by timing of purchases due to delay in quota approval, coupled with lower year end levels due to factory shutdown, and higher OxyContin finished goods (\$5.3 million) as compared to year end factory shutdown levels.

(5) The balance in the prepaids fluctuates according to payment patterns on major contracts. Larger items include: prepaid software (\$3.2 million), prepaid clinical outsourcing (\$2.8 million), and prepaid FDA user fees (\$1.3 million) and \$3.3 million in prepaid S&P.

(6) All remaining settlements have been paid out from the Qualified Settlement Trust (QST). As of March 31, the entire balance of \$23.9 million of the QST is classified as current reflecting the fact that the balance of the QST is expected to be returned to Purdue in 2013. Long term restricted cash relates to cash collateralized insurance letters of credit.

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

| | |
|----------------------|----------------|
| Balance @ 01/01/13 | 149,483 |
| Capital expenditures | 6,933 |
| Depreciation | (6,341) |
| Balance @ 03/31/13 | <u>150,075</u> |

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

| | |
|---|---------------|
| Balance @ 01/01/13 | 7,871 |
| Cash investments in Lucien & Japan, net | 47,792 |
| Equity losses in Lucien & Japan | (47,792) |
| 100% of Germany losses | (1,102) |
| Cash investment in Germany | 20,088 |
| Balance @ 03/31/13 | <u>26,857</u> |

(9) The balance as of March 31, 2013 consists of:

| | |
|--|----------------|
| Dilaudid product rights | 86,328 |
| Shire assets (Colace, PeriColace and Slow-mag) | 64,917 |
| Grunenthal milestones (OxyContin) | 19,340 |
| Abbott/McGinley patent (OxyContin) | 2,460 |
| Butrans milestone | 510 |
| Total | <u>173,555</u> |

(10) Other assets balance of \$22.2 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 (\$12.9 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.

(11) Represents investment in shares of Infinity common stock at the fair value of \$48 per share as of March 31, 2013. 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).

(12) Accrued expenses and taxes payable of \$641.5 million includes \$198.0 million in accrued rebates, \$315.2 million in accrued Medicaid and Medicaid Part D (\$183.1 million relating to the proposed CMS rule), ~~Redacted~~, and \$21.0 million in salaries and bonuses. The decrease from year end of \$53.3 million is primarily due to decrease in HMO rebate accruals of \$25.3 million due to timing and decrease in wholesaler inventory rebates (\$26.0 million) due to decreased estimates of trade 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 rollforward:

| | |
|--|----------------|
| Balance @ 01/01/13 | 671,725 |
| Cash contributions | 196 |
| Cash distributions (tax and non-tax) | (12,991) |
| Unrealized gain on Infinity common stock | 72,961 |
| Net Income | <u>117,290</u> |
| Balance @ 03/31/13 | <u>849,181</u> |

PURDUE US - Statement of Cash Flows

Expressed in 000's

| | March 31, 2013 Actual | December 31, 2013 Budget | December 31, 2012 Actual |
|---|--------------------------|-----------------------------|-----------------------------|
| Operating activities | | | |
| Net income | \$ 117,290 | \$ 1,030,238 | \$ 1,008,308 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 8,051 | 32,138 | 29,059 |
| Impairment of intangible asset | - | - | 20,000 |
| Deferred income taxes | - | - | (2,600) |
| Loss on unconsolidated, associated companies | 48,894 | 128,621 | 101,005 |
| Loss on disposal of assets | - | - | 27 |
| Changes to working capital | (32,216) | (212,281)(1) | 88,604 |
| Long-term assets and liabilities | 5,967 | 27,431 | (2,012) |
| Total cash provided by operating activities | 147,986 | 1,006,147 | 1,242,391 |
| Investing activities | | | |
| Capital expenditures | (6,933) | (35,000) | (30,467) |
| Purchase of product marketing rights and other intangible | - | - | (29,982) |
| Restricted cash, net | 22 | 22,472 | 17,337 |
| Investments in associated companies, net | (67,880) | (134,605) | (89,089) |
| Investment in Infinity Common Stock | - | - | (27,500) |
| Total cash used in investing activities | (74,791) | (147,133) | (159,701) |
| Financing activities | | | |
| Payments from associates, net | 22,020 | 6,792 | (2,703) |
| Capital contributions | 196 | - | - |
| Distributions to partners for required tax payments | (9,322) | (444,000) | (459,245) |
| Distributions to partners non-tax | (3,669) | (538,077) | (471,643) |
| Total cash used in financing activities | 9,225 | (975,285) | (933,591) |
| Increase in cash and cash equivalents | 82,420 | (116,271) | 149,099 |
| Cash and cash equivalents: | | | |
| Unrestricted cash at the beginning of the period | 755,593 | 716,271 | 606,494 |
| Unrestricted cash at the end of the period | \$ 838,013 | \$ 600,000 | \$ 755,593 |

(1) Budget assumes payout of Medicaid rebates related to the CMS proposed rule of \$183 million.

Sales Summary Gross to Net by Product

Expressed in 000's

| | March Year-to-Date | | | 2013 YTD Actual versus | | Full Year | |
|---|--------------------|-------------------|-------------------|------------------------|--------------------|---------------------|---------------------|
| | 2013 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 Budget | 2012 Actual |
| OxyContin | | | | | | | |
| Gross Sales | \$ 566,311 | \$ 710,522 | \$ 632,614 | \$ (144,211) | \$ (66,303) | \$ 2,916,463 | \$ 2,777,064 |
| Fee for Service | (12,490) | (14,605) | (16,377) | 2,115 | 3,887 | (59,887) | (65,876) |
| Sales Discounts and Allowances | (12,367) | (15,516) | (5,262) | 3,149 | (7,105) | (72,658) | (116,425) |
| Savings Cards Discounts | (9,703) | (5,639) | (2,779) | (4,064) | (6,924) | (22,813) | (18,330) |
| Rebates | (109,658) | (137,585) | (124,611) | 27,927 | 14,953 | (547,871) | (509,597) |
| Proposed Regulation Adjustment for Medicaid Rebates | (13,856) | (16,081) | (17,553) | 2,225 | 3,697 | (65,584) | (60,383) |
| OxyContin Net Sales | 408,237 | 521,096 | 466,032 | (112,859) | (57,795) | 2,147,650 | 2,006,453 |
| Butrans | | | | | | | |
| Gross Sales | \$ 29,130 | \$ 33,466 | \$ 21,686 | \$ (4,336) | \$ 7,444 | \$ 160,025 | \$ 112,887 |
| Fee for Service | (647) | (725) | (561) | 78 | (86) | (3,432) | (2,693) |
| Sales Discounts and Allowances | (759) | (872) | (78) | 113 | (681) | (6,826) | (13,726) |
| Savings Cards Discounts | (1,811) | (1,911) | (1,836) | 100 | 25 | (8,574) | (6,198) |
| Rebates | (2,776) | (3,189) | (1,458) | 413 | (1,318) | (14,341) | (6,139) |
| Butrans Net Sales | 23,137 | 26,769 | 17,753 | (3,632) | 5,384 | 126,852 | 84,131 |
| Intermezzo | | | | | | | |
| Gross Sales | \$ 3,163 | \$ 5,597 | \$ - | \$ (2,434) | \$ 3,163 | \$ 57,622 | \$ 16,556 |
| Fee for Service | (70) | (111) | - | 41 | (70) | (1,147) | (352) |
| Sales Discounts and Allowances | (63) | (112) | - | 49 | (63) | (6,914) | (9,908) |
| Savings Cards Discounts | (327) | (309) | - | (18) | (327) | (3,150) | (576) |
| Rebates | (114) | (201) | - | 87 | (114) | (2,365) | (138) |
| Intermezzo Net Sales | 2,589 | 4,864 | - | (2,275) | 2,589 | 44,046 | 5,582 |
| Total for All Products | | | | | | | |
| Gross Sales | \$ 619,975 | \$ 773,422 | \$ 674,038 | \$ (153,447) | \$ (54,063) | \$ 3,228,472 | \$ 3,004,905 |
| Fee for Service | (13,374) | (15,664) | (17,035) | 2,290 | 3,661 | (65,338) | (69,313) |
| Sales Discounts and Allowances | (10,715) | (17,051) | (812) | 6,336 | (9,903) | (88,198) | (134,032) |
| Savings Cards Discounts | (11,841) | (7,859) | (4,615) | (3,982) | (7,226) | (34,537) | (25,104) |
| Rebates | (109,517) | (141,365) | (126,544) | 31,848 | 17,027 | (566,118) | (517,606) |
| Proposed Regulation Adjustment for Medicaid Rebates | (13,856) | (16,081) | (17,553) | 2,225 | 3,697 | (65,584) | (60,383) |
| Other | 748 | 413 | 542 | 335 | 206 | 1,651 | 2,455 |
| Total Net Sales | \$ 461,420 | \$ 575,815 | \$ 508,021 | \$ (114,730) | \$ (46,807) | \$ 2,410,348 | \$ 2,200,922 |

Sales Variance to Budget

Expressed in 000's

Gross Sales:

| | | |
|---|--------------|---------------|
| • Impact of trade inventories lower than budget (1) | \$ (117,000) | |
| • Lower OxyContin demand versus budget (1) | (27,211) | |
| | | <hr/> |
| | | \$ (144,211) |
| • Butrans sales due to lower trade inventory | | (4,336) |
| • Intermezzo sales | | (2,434) |
| • Ryzolt returns | | (124) |
| • All other | | <hr/> (2,342) |
| Subtotal - Gross sales variance | | (153,447) |

Deductions:

| | |
|--|--------------|
| • Lower variable deductions due to lower sales | <hr/> 39,052 |
|--|--------------|

Net Branded Sales Variance

\$ (114,395)

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

General and Administrative Summary

Expressed in 000's

| | March Year-to-Date | | | 2013 YTD Actual versus | | 2013 Budget | HEADCOUNT | | | | Comments |
|--|--------------------|------------------|------------------|------------------------|-----------------|-------------------|-----------------|-------------|---------------|-------------|--|
| | 2013 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | | 2013 YTD Actual | 2013 Budget | Var to Budget | 2012 Actual | |
| Finance | \$ 3,477 | \$ 3,553 | \$ 3,479 | \$ (76) | \$ (2) | \$ 13,520 | 58 | 62 | 4 | 62 | |
| Information Technology | 8,782 | 9,228 | 8,693 | (446) | 89 | 35,466 | 97 | 102 | 5 | 96 | \$0.4 million favorable due to open positions and timing of software and hardware maintenance. |
| Corporate Procurement | 849 | 919 | 829 | (70) | 20 | 3,500 | 12 | 14 | 2 | 13 | |
| Insurance | 718 | 873 | 701 | (155) | 17 | 3,492 | - | - | - | - | \$0.2 million due to lower negotiated property premium rates, lower than anticipated business interruption insurance, and timing of clinical trial insurance. |
| IPAP | 799 | 975 | 856 | (176) | (57) | 3,900 | - | - | - | - | \$0.2 million favorable due to a lower patient population. |
| Subtotal - Mahony | 14,625 | 15,548 | 14,558 | (923) | 67 | 59,878 | 167 | 178 | 11 | 171 | |
| Human Resources | 1,678 | 1,745 | 1,673 | (67) | 5 | 6,587 | 23 | 24 | 1 | 23 | |
| EHS Corporate | 676 | 687 | 625 | (11) | 51 | 2,587 | 6 | 6 | - | 6 | |
| Administration Building | 2,140 | 2,188 | 2,208 | (48) | (68) | 8,322 | 34 | 34 | - | 34 | |
| Stamford Facilities | 5,704 | 5,712 | 5,371 | (8) | 333 | 22,837 | - | - | - | - | |
| Facilities Allocation Out | (5,713) | (5,713) | (5,663) | - | (50) | (22,837) | - | - | - | - | |
| Subtotal - [REDACTED] | 4,485 | 4,619 | 4,214 | (134) | 271 | 17,496 | 63 | 64 | 1 | 63 | |
| Public Affairs | 1,510 | 1,632 | 1,490 | (122) | 20 | 7,129 | 4 | 4 | - | 4 | |
| Federal Government Affairs | 1,491 | 1,463 | 1,564 | 28 | (73) | 3,495 | 2 | 2 | - | 2 | |
| State Government Affairs | 3,286 | 3,089 | 3,314 | 197 | (28) | 11,522 | 12 | 12 | - | 12 | \$0.2 million unfavorable for timing of dues. |
| Subtotal - External Affairs | 6,287 | 6,184 | 6,368 | 103 | (81) | 22,146 | 18 | 18 | - | 18 | |
| Purdue Pharma Fund | 592 | 481 | 392 | 111 | 200 | 1,922 | - | - | - | - | |
| DEA Compliance | 20 | 103 | 156 | (83) | (136) | 362 | - | 1 | 1 | 1 | |
| Executive Administration | 1,883 | 1,843 | 1,600 | 40 | 283 | 7,133 | 6 | 7 | 1 | 6 | |
| General Underspend ("Haircut") | - | (225) | - | 225 | - | (901) | - | - | - | - | |
| Subtotal - Executive Administration | 1,883 | 1,618 | 1,600 | 265 | 283 | 6,232 | 6 | 7 | 1 | 6 | |
| Depreciation and Occupancy | 4,119 | 4,119 | 4,512 | - | (393) | 16,471 | - | - | - | - | |
| Quality | 1,942 | 2,247 | 1,792 | (305) | 150 | 8,757 | 30 | 34 | 4 | 31 | \$0.3 million favorable due to \$0.1 million in salary and related expenses, \$0.1 million in staff extender/consulting, and \$0.1 million in product complaint processing. |
| Security | 1,495 | 1,536 | 1,795 | (41) | (300) | 5,897 | 14 | 15 | 1 | 15 | |
| Corporate Compliance | 1,010 | 1,051 | 938 | (41) | 72 | 3,606 | 10 | 12 | 2 | 11 | |
| Business Development | 767 | 928 | 716 | (161) | 51 | 3,442 | 7 | 7 | - | 7 | \$0.2 million favorable for timing of consulting. |
| Employee Benefits | 1,885 | (79) | 2,190 | 1,964 | (305) | (1,447) | - | - | - | - | \$2.0 million unfavorable is due to (1) \$1.2 million unfavorable for the recent change to the pension budgeted in the President's Reserve due to confidentiality; (2) \$0.5 million for timing of 401k and (3) \$0.1 million timing of Supplemental savings payout. |
| Fleet | (280) | 22 | (319) | (302) | 39 | - | - | - | - | - | \$0.3 million favorable due to disposals. |
| Subtotal - Other | 10,938 | 9,824 | 11,624 | 1,114 | (686) | 36,726 | 61 | 68 | 7 | 64 | |
| Total General and Administrative | \$ 42,913 | \$ 42,591 | \$ 43,003 | \$ 322 | \$ (90) | \$ 160,426 | 359 | 382 | 23 | 368 | |

Redacted

Research and Development

Expressed in 000's

| | March Year-to-Date | | | 2013 YTD Actual versus | | 2013 Budget | Comments |
|-------------------------------------|--------------------|-------------------|------------------|------------------------|-----------------|-------------------|---|
| | 2013 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | | |
| Clinical Program | \$ 33,612 | \$ 55,673 | \$ 25,586 | \$ (22,061) | \$ 8,026 | \$ 191,025 | \$22.1 million underspend due primarily to: ONU underspend \$11.6 million due to enrollment delays in the pain+OIC studies. BUP underspend \$8.5 million due to higher strength studies being cancelled. VND underspend \$1.8 million due to site start-up and enrollment delays in the Phase 2 study. |
| Non-Clinical | 9,696 | 12,520 | 14,036 | (2,824) | (4,340) | 50,134 | \$2.8 million of underspend is due to timing of outsourcing in TRPV1 (\$1.2 million), BUP (\$0.8 million), and HYD (\$0.7 million). |
| Medical Research | 7,932 | 8,476 | 5,671 | (544) | 2,261 | 33,455 | \$0.5 million favorability due to timing of software and R&D consulting. |
| Discovery Research | 5,384 | 6,037 | 5,001 | (653) | 383 | 24,522 | \$0.7 million of underspend relates to timing of outsourcing related to exploratory projects. |
| Health Policy | 4,655 | 4,310 | 5,233 | 345 | (578) | 16,502 | \$0.3 million unfavorable due to timing of medical education grants and library subscriptions vs. budget phasing. |
| Risk Management | 3,375 | 4,037 | 2,261 | (662) | 1,114 | 16,246 | \$0.7 million of underspend due to timing of studies & classwide REMS spend vs. budget. |
| Drug Safety | 2,278 | 2,686 | 2,764 | (408) | (486) | 11,122 | \$0.4 million underspend due to lower adverse event processing costs and \$0.1 million favorable in people costs. |
| Regulatory | 3,052 | 3,752 | 2,834 | (700) | 218 | 15,423 | \$0.7 million of underspend driven by timing of spend on FDA Advisory Committee of \$0.6 million. |
| Tech Transfer | 1,128 | 1,943 | 979 | (815) | 149 | 8,075 | \$0.8 million of underspend is primarily due to fewer ORF batches needed, and timing of OCI, HYD, and TRPV1 batches. Reduced ORF batches were related to manufacturing process assessment and not for clinical use. Batches related to I-bar reduction was to reduce the risk of melting material during the manufacturing process, and batches related to DOE matrix was originally designed to provide a more effective process to validate a combination of PEOs and API materials. We anticipate savings of \$0.5 million related to the ORF reduction. |
| Medical Affairs | 480 | 1,001 | 97 | (521) | 383 | 4,142 | \$0.5 million favorability due to underspend relating to Investigator Initiated Studies. |
| Shionogi Collaboration | 1,498 | 1,062 | 1,054 | 436 | 444 | 4,249 | \$0.4 million unfavorable variance relates to phasing of the collaboration budget. |
| R&D Innovation | 499 | 1,258 | 7 | (759) | 492 | 5,310 | \$0.8 million favorability due to timing of consulting spend related to exploratory projects. |
| Health Outcomes | 842 | 1,326 | - | (484) | 842 | 5,654 | \$0.5 million favorability due to underspend in consulting. |
| Project Management | 1,389 | 1,392 | 950 | (3) | 439 | 5,148 | |
| Outsource Management | 333 | 391 | 433 | (58) | (100) | 1,488 | |
| Stamford Occupancy and Depreciation | 2,671 | 2,671 | 2,353 | - | 318 | 10,678 | |
| Cranbury Occupancy | (28) | (35) | (250) | 7 | 222 | - | |
| Underspend Estimate | - | (6,350) | - | 6,350 | - | (25,826) | |
| Total Research and Development | <u>\$ 78,796</u> | <u>\$ 102,150</u> | <u>\$ 69,009</u> | <u>\$ (23,354)</u> | <u>\$ 9,787</u> | <u>\$ 377,347</u> | |

Other US

Expressed in 000's

| | March Year-to-Date | | | 2013 YTD Actual versus | | 2013 Budget | Comments |
|---------------------------------|--------------------|-----------------|-----------------|------------------------|-----------------|-------------|---|
| | 2013 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | 2013 YTD Budget | 2012 YTD Actual | | |
| <i>Other Income (Expense):</i> | | | | | | | |
| Purdue Pharma Tech | \$ 552 | \$ 421 | \$ 697 | \$ 131 | \$ (145) | \$ 1,683 | Purdue Pharma Tech (PP Tech) provides EHS, security and other services to Purdue at cost plus markup. PP Tech is consolidated in these financials - its margin is shown here. |
| Norwell rent income (Totowa) | 188 | 188 | 237 | - | (49) | 750 | |
| Purchase discounts | 99 | 175 | 138 | (76) | (39) | 700 | |
| Reversal of use tax | - | - | 307 | - | (307) | - | 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. |
| Amortization expense - Dilaudid | (621) | (622) | (621) | 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. |
| President's reserve | - | (1,475) | - | 1,475 | - | (5,900) | |
| Trust expenses | (36) | (25) | (105) | (11) | 69 | (100) | All remaining settlements have been paid out from the Qualified Settlement Trust (QST). The balance of the QST is expected to be returned to Purdue after clearing probate court in 2013. Administrative costs are expected to be incurred in 2013 to close the fund. |
| Depreciation - Norwell & Other | (53) | (55) | (52) | 2 | (1) | (220) | Primarily represents depreciation on Norwell. |
| Depreciation savings | - | 250 | - | (250) | - | 1,000 | Budget expected favorability (underspend) here. |
| Miscellaneous | 137 | (79) | 42 | 216 | 95 | (366) | |
| Net Other Income (Expense) | \$ 266 | \$ (1,222) | \$ 643 | \$ 1,488 | \$ (377) | \$ (4,939) | |

Headcount Summary

| | <u>March 2013 Actual</u> | <u>2013 Budget</u> | <u>Variance to Budget</u> | <u>2012 Actual</u> |
|----------------------------|--------------------------|--------------------|---------------------------|--------------------|
| G&A | 359 | 382 | 23 | 368 |
| R&D | 339 | 360 | 21 | 334 |
| Marketing / Sales Support | 79 | 87 | 8 | 77 |
| Field Sales | 653 | 673 | 20 | 625 |
| Total S&P | 732 | 760 | 28 | 702 |
| Totowa | 18 | 18 | - | 18 |
| Supply Chain Operations | 57 | 60 | 3 | 57 |
| Wilson | 192 | 201 | 9 | 187 |
| Total Technical Operations | 267 | 279 | 12 | 262 |
| President's Reserve | - | 3 | 3 | - |
| Total Headcount | <u>1,697</u> | <u>1,784</u> | <u>87</u> | <u>1,666</u> |

To: John Stewart
From: Ed Mahony
CC: [REDACTED]
Jon Lowne, [REDACTED] Executive Committee
Date: April 10, 2013
Subject: Year to date March 2013 financial results

Attached are the March year to date 2013 Purdue financial statements. Actual results are compared to the 2013 budget and 2012 actual results.

NET SALES

Net Sales for the three months ending March were \$461 million --- \$47 million lower than the same period last year and \$115 million under budget. The reasons for the under budget sales performance are discussed below.

OxyContin

OxyContin net sales for the three months ending March total \$408 million --- \$113 million below budget and \$58 million lower than the same period last year. The variance vs. budget is due to:

- i. OxyContin demand – as reported by IMS -- is running about 3.8%, or \$20 million, behind budget.
 - i. OxyContin prescriptions – as reported by IMS -- continue to be about 0.9% ahead of budget.
 - ii. OxyContin mix among strengths and the tablets per prescription are both unfavorable to budget – combined impact on demand is unfavorable 4.5% vs. budget.
- ii. OxyContin net sales are about \$4 million unfavorable to budget due to higher patient savings card redemptions
- iii. OxyContin wholesaler inventory – as reported by the wholesalers and converted to net sales value, is running \$86 million below budget. The variance is due to:
 - i. Typical, but unpredictable, fluctuations in trade inventory which tend to even out over time.
 - ii. Specifically, wholesaler inventory decreased from 1.3 months-on-hand at the end of 2012 to 0.8 months-on-hand at the end of March.
 - iii. Two wholesalers, McKesson and Cardinal, account for 75% of the inventory reduction.
- iv. Other noteworthy factors include:
 - i. OxyContin primary sales calls are below budget in the first quarter. This is due to vacant territories realignment which led to lower productivity for the first few months and slower implementation of the plan to have OxyContin in the primary position on 50% of all sales calls. As we start the second quarter, the sales force is much closer to both budgeted headcount and the 50% OxyContin primary position call target.
 - ii. At the end of 2012 OxyContin was removed from the United Healthcare AARP formulary. We expect that this could result in a \$50 million loss of OxyContin

- demand in 2013. The Purdue team is working to improve coverage elsewhere to offset this loss. (Part of the lower demand described above is due to this loss.)
- iii. The 2013 budget assumed that Pfizer would launch Remoxy in late 2013. Based on recent press reports the Remoxy launch is not likely to happen this year. The impact on sales this year was expected to be about \$5 million favorable.
 - iv. The remainder of 2013 OxyContin sales should benefit from an increase in sales calls vs. 2012 and the other items described above. The Purdue team is developing additional initiatives to try to ensure that OxyContin demand gets back to budget levels.
 - v. Trade inventory levels are monitored to ensure that the trade has adequate inventory and excellent customer service. Some or all of the first quarter trade inventory reduction should reverse during the year.

Butrans

Butrans net sales for the three months ending March were \$23 million --- \$3.6 million below budget but \$5.4 million above the same period last year. While demand as reported by IMS is in line with budget and 21.3% above the same period last year, wholesaler inventory is \$2.7 million lower than budget.

Intermezzo

Intermezzo net sales for the three months ending March were \$2.6 million ---\$2.3 million or 47% below budget.

- a. In the most recent week prescriptions were about 50% below budget.
- b. Year to date patient co-pay savings card redemptions are running at about 10% of sales vs. 5% of sales in the budget. This is due to higher than anticipated patient copays.
- c. As a result of this lower than expected demand management is evaluating options for the remainder of the year.

Operating expenses

Total operating expenses were \$225.1 million:

[EMBED Excel.Sheet.12]

1. R&D spend through December 31, 2012 was \$23.4 million under budget – detail by project follows:

[EMBED Excel.Sheet.12]

Oxycodone Naloxone

March year to date spend is \$11.3 million below budget due to slower than expected enrollment in the two pain plus OIC efficacy studies. Protocol changes are under review to reduce the sample size as well as increase the recruitment rate. Filing date of pain + OIC sNDA currently estimated at Q4 2015. Filing of the pain only indication is on track for September 2013.

Butrans

March year to date spend is \$11.2 million below budget primarily due to a decision not to proceed with the higher strength efficacy and long term safety studies, which will result in full year savings of approximately \$16 million. Alternative and less costly strategies to pursue the higher strengths are currently under review.

OxyContin (primarily pediatric)

March year to date spend is \$3.3 million below budget driven by favorability in pediatric studies, tech transfer and risk management. OTR 3001 Safety Study has a current enrollment of 90 patients with a target of 154 patients and is expected to complete enrollment in 2014.

TRPV1 Lead (Purdue)

March year to date spend is \$3.8 million below budget driven by favorability in clinical and nonclinical spend which is expected to reverse in coming months.

S&P

S&P spend through March 31, 2013 was \$81.7 million, which is \$5.9 million higher than budget due to phasing and \$13.4 million higher than prior year primarily due to Intermezzo direct to consumer advertising and promotional spend (\$18.8 million).

Other

1. Ex. US Expenses – Year to date expense was \$50.3 million which was higher than budget by \$18.4 million primarily due to higher than expected ex-US funding (Korea and Singapore).

Pre-tax earnings

Full year pre-tax earnings of \$117.6 million are:

- a. \$103.2 million lower than budget primarily due to lower gross profit (\$100.7 million) on lower sales offset by lower operating expenses (\$20.8 million) and higher ex-US expenses (\$21.4 million).
- b. \$136.0 million lower than 2012 primarily due to lower gross profit (\$47.3 million) on lower sales, higher operating expenses – primarily S&P and R&D (\$24.4 million), higher ex-US expenses (\$51.9 million) and lower ex-US royalty income (\$11.8 million).

Non-Tax Distributions

Partner non-tax distributions of \$121.4 million were made in the first week of April.

Working Capital Highlights

Cash and Short Term Investments

At the end of March, unrestricted cash and short term investments totaled \$889 million --- which is \$128 million lower than budget. This lower than budget cash balance is due to sales being lower than budget. In the next two months, tax distributions and non-tax distributions will reduce this balance. The year end 2013 budget is \$600 million in unrestricted cash.

Accounts Receivable

1. The rolling 3 month average days sales outstanding (“DSO”) was 34.6 days at March 31, 2013 which is 0.4 days lower than our target of 35 days, and 0.6 days higher than February. The month to month DSO can fluctuate according to timing of sales and the resultant due dates. Invoice collections remain strong at 99.9 % within 10 days of the due date. There were no bad debt write-offs in the first quarter of 2013.
2. Open deductions totaled \$472,251 at March 31, 2013 or .002% of the total receivables.
3. In all respects, we believe the quality of accounts receivables is excellent. We continue to watch Rite Aid (balance at March 31st of \$513,590) and HD Smith (balance at March 31st of \$3,040,400) closely as both are posting disappointing financial results. Rite Aid’s short term liquidity remains good and HD Smith is working to get additional financing.

Accounts Payable

1. Payables at March 31, 2013 totaled \$33.3 million versus \$54.9 million at February 28, 2013. Substantial quarterly rebates entered in February and paid in March accounted for the decrease.
2. The December 31, 2012 rebates Day’s Payable Outstanding (“DPO”) was 52.73 vs. 51.58 days at June 30, 2012 a 1.15 day increase. The DPO for all other payments was 38.84 days at December 31, 2012 vs. 40.13 days at June 30, 2012 a decrease of 1.29 days. Fluctuations in the DPO are due to the mix of payment types. This is measured semi-annually.
3. Early payment discounts of \$116,726 or 97.4% of those available were earned during the first quarter of 2013.

Inventory levels

1. As of March, Purdue is carrying \$68.8 million in inventory net of reserves. This balance has increased over prior year-end and March 2012 by \$18.1 million and \$14.6 million respectively. The primary drivers are as follows:

Versus Y/E 2012 (increase of \$18.1 million)

- a. Higher Oxycodone API (\$12.1 million) driven by timing of purchases due to beginning of the year quota approval.
- b. Higher OxyContin finished goods (\$5.3 million) as compared to year-end factory shutdown levels.

Versus March 2012 (increase of \$14.6 million)

- c. Higher Oxycodone API (\$11.2 million) driven by timing of purchases due to timing of quota approval in 2013 being more favorable than 2012.
 - d. Higher OxyContin finished goods (\$4.0 million) primarily driven by timing of production.
2. OxyContin/Oxycodone is \$38.8 million of the \$68.8 million total inventory. Details are provided in the table below:

| | Mar-13 | | Mar-12 | Y/E 2012 |
|-----------------|--------|-------------|-------------|-------------|
| Oxycodone | kg | million S's | million S's | million S's |
| Raw | 6,111 | \$19.7 | \$8.5 | \$7.6 |
| WIP | 1,208 | \$3.9 | \$3.7 | \$2.1 |
| Bulk | 630 | \$2.0 | \$3.1 | \$4.4 |
| FG | 4,076 | \$13.2 | \$8.9 | \$9.0 |
| Total Oxycodone | 12,024 | \$38.8 | \$24.2 | \$23.1 |

3. At the end March, the average MOH inventory level for OxyContin finished goods is ~ 2.5 months (based on projected sales). Details are as follows:

OxyContin - Months on Hand Inventory
(100 count bottles only)

| 10mg | 15mg | 20mg | 30mg | 40mg | 60mg | 80mg |
|------|------|------|------|------|------|------|
| 1.7 | 2.3 | 2.6 | 1.5 | 3.5 | 2.6 | 2.8 |

4. The current months on hand of 2.5 is higher than 2012 year-end of 2.1, but is in line with the 2013 target.

Trade inventory

During 2011 and 2012, OxyContin trade inventory was between 70 and 78.5 days demand – a normal level. Over the last six months, there has been a steady decline in the amount of inventory held:

OxyContin inventory at the trade is down to approximately 58 days:

| \$ millions | 12/31/2010 | 12/31/11 | 6/30/12 | 12/31/12 | 3/31/2013 |
|----------------|------------|----------|---------|----------|-----------|
| Wholesaler | 195.7 | 224.6 | 208.4 | 296.4 | 189.4 |
| Pharmacy | 438.1 | 347.0 | 337.9 | 270.0 | 262.9 |
| Hospital/Other | 3.3 | 5.0 | 4.0 | 4.5 | 5.4 |
| Total \$ | 637.1 | 576.6 | 550.3 | 571.0 | 457.7 |
| Total Days | 75.6 | 72.6 | 78.5 | 72.5 | 58.2 |

Butrans inventory at the trade is down to approximately 55 days:

| \$ millions | 12/31/11 | 6/30/12 | 12/31/12 | 3/31/2013 |
|----------------|----------|---------|----------|-----------|
| Wholesaler | 7.0 | 7.7 | 14.3 | 12.1 |
| Pharmacy | 10.8 | 10.7 | 6.6 | 8.5 |
| Hospital/Other | 0.1 | 0.5 | 0.1 | 0.1 |
| Total \$ | 17.9 | 18.9 | 21.0 | 20.7 |
| Total Days | 117.2 | 72.1 | 62.0 | 54.7 |

Intermezzo inventory at the trade is \$10.0 million – a return reserve of \$9.0 million has been established based on current Rx demand and inventory shelf life expiration. After the return reserve, trade inventory is approximately 30 days of current levels of demand.

| \$ millions | 6/30/12 | 9/30/12 | 12/31/12 | 3/31/2013 |
|----------------|---------|---------|----------|-----------|
| Wholesaler | 7.9 | 5.8 | 5.4 | 3.7 |
| Pharmacy | 4.9 | 4.8 | 4.6 | 6.7 |
| Hospital/Other | 0 | 0 | 0 | 0 |
| Total \$ | 12.8 | 10.6 | 10.0 | 10.4 |

Headcount

At the end of March, Purdue's headcount was 1,697 versus the budget of 1,784. The variance of 87 includes 3 positions on budget hold, 9 positions that have offers outstanding, 46 positions that are actively being recruited, and 29 positions that have yet to commence active recruiting.

Infinity

The 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 March 31, 2013 was \$48.47 per share and at the end of March the balance sheet reflects an investment value of \$262.5 million. These shares were distributed in early April at the carrying value of \$40.00 per share.

| | A | B | C | D | E | F | G | H | I |
|----|--------------------------------------|--------------------|----------|------------|---|--------------------------|-------------|---|-------------|
| 1 | | Year to date March | | | | Variance 2013 actual vs. | | | |
| 2 | (million) | Actual | Budget | Prior year | | 2013 Budget | 2012 Actual | | 2013 Budget |
| 3 | G&A | \$ 42.9 | \$ 42.6 | \$ 43.0 | | \$ 0.3 | \$ (0.1) | | \$ 159.1 |
| 4 | | Redacted | | | | | | | |
| 5 | R&D | 78.8 | 102.2 | 69.0 | | (23.4) | 9.8 | | 377.3 |
| 6 | R&D Other - Milestones and Alliances | 1.0 | 1.7 | 0.1 | | (0.7) | 0.9 | | 6.7 |
| 7 | S&P | 81.7 | 75.8 | 68.3 | | 5.9 | 13.4 | | 312.6 |
| 8 | New Health Care Reform Pharma Fee | 8.0 | 8.0 | 7.5 | | - | 0.5 | | 31.8 |
| 9 | Other - US | (0.3) | 1.2 | (0.6) | | (1.5) | 0.3 | | 4.0 |
| 10 | Total | \$ 225.1 | \$ 246.0 | \$ 200.8 | | \$ (20.9) | \$ 24.3 | | \$ 942.0 |

Produced Natively

| (million) | 2013 Year to date March | | Variance | 2013 Budget |
|---------------------------------|-------------------------|-----------------|------------------|-----------------|
| | Actual | Budget | | |
| Oxycodone Nalaxone | \$ 19.7 | \$ 31.0 | \$ (11.3) | \$ 119.6 |
| Hydrocodone QD TR | 17.5 | 18.2 | (0.7) | 63.8 |
| Butrans | 5 | 16.3 | (11.3) | 50.2 |
| OxyContin (primarily pediatric) | 6 | 9.2 | (3.2) | 31.6 |
| Oxycodone IR TR | 2.5 | 3.2 | (0.7) | 13.9 |
| TRPV 1 (Purdue) | 2.7 | 6.5 | (3.8) | 26.8 |
| ORL 1 | 0.5 | 0.6 | (0.1) | 0.5 |
| Discovery Projects | 4.9 | 6.4 | (1.5) | 24.5 |
| Market Support Projects | 20.1 | 17.3 | 2.8 | 72.1 |
| Finance Underspend Estimate | - | (6.4) | 6.4 | (25.7) |
| Total | <u>\$ 78.9</u> | <u>\$ 102.3</u> | <u>\$ (23.4)</u> | <u>\$ 377.3</u> |

To: Sackler, Dr Richard [REDACTED]
Cc: Stewart, John H. (US [REDACTED] Gasdia,
Russell [REDACTED]

From: Rosen, David (Sales and Marketing)
Sent: Mon 4/22/2013 4:08:20 PM
Subject: Butrans=9,942; Intermezzo=1,492 (Week ending 4-12-13)
[Intermezzo Weekly Report 4-12-2013.xlsx](#)
[Copy of Butrans Weekly Report 4-12-13.xlsm](#)

Hi, Dr. Richard. Butrans continued its flat trend while Intermezzo rebounded after a slow previous week.

Butrans

| | |
|--|-------|
| Rx Increase from last week (9,9022) | .4% |
| Share | 1.98% |
| Share last week | 1.93% |

Intermezzo

| | |
|---------------------------------------|--------|
| Rx Increase from last week (1,602) | 9% |
| Share | 0.119% |
| Share last week | 0.108% |

-David

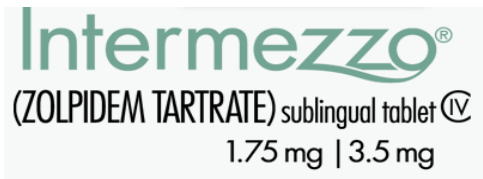
David Rosen | Executive Director, Forecasting, Analytics and Market Research | Purdue Pharma | One
Stamford Forum Stamford CT 06901 | [REDACTED]@pharma.com | [REDACTED]

[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 Redemptions | 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 TRx's](#)

Data includes retail pharmacy, mail order and LTC channels

| Week # | Week Ending | Intermezzo New, Refill and Total Prescriptions by Strength | | | | | | | | |
|---------|-------------|--|-------|--------|--------|-------|--------|-------|-------|--------|
| | | Total | | | 1.75mg | | | 3.5mg | | |
| | | 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 | 325 | 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 |
| Week 43 | 25-Jan-13 | 1,187 | 340 | 1,527 | 625 | 122 | 747 | 562 | 218 | 780 |
| Week 44 | 1-Feb-13 | 1,417 | 365 | 1,782 | 741 | 141 | 882 | 676 | 224 | 900 |
| Week 45 | 8-Feb-13 | 1,461 | 369 | 1,830 | 730 | 126 | 856 | 731 | 243 | 974 |
| Week 46 | 15-Feb-13 | 1,479 | 408 | 1,887 | 779 | 157 | 936 | 700 | 251 | 951 |
| Week 47 | 22-Feb-13 | 1,493 | 414 | 1,907 | 783 | 155 | 938 | 710 | 259 | 969 |
| Week 48 | 1-Mar-13 | 1,534 | 429 | 1,963 | 804 | 177 | 981 | 730 | 252 | 982 |
| Week 49 | 8-Mar-13 | 1,474 | 474 | 1,948 | 744 | 166 | 910 | 730 | 308 | 1,038 |
| Week 50 | 15-Mar-13 | 1,442 | 443 | 1,885 | 747 | 176 | 923 | 695 | 267 | 962 |
| Week 51 | 22-Mar-13 | 1,416 | 523 | 1,939 | 739 | 228 | 967 | 677 | 295 | 972 |
| Week 52 | 29-Mar-13 | 1,401 | 513 | 1,914 | 695 | 183 | 878 | 706 | 330 | 1,036 |
| Week 53 | 5-Apr-13 | 1,280 | 449 | 1,729 | 692 | 177 | 869 | 588 | 272 | 860 |
| Week 54 | 12-Apr-13 | 1,367 | 490 | 1,857 | 666 | 197 | 863 | 701 | 293 | 994 |
| TOTAL | 2013 | 19,681 | 6,294 | 25,975 | 10,004 | 2,423 | 12,427 | 9,677 | 3,871 | 13,548 |
| YTD | 2013 | 19,681 | 6,294 | 25,975 | 10,004 | 2,423 | 12,427 | 9,677 | 3,871 | 13,548 |

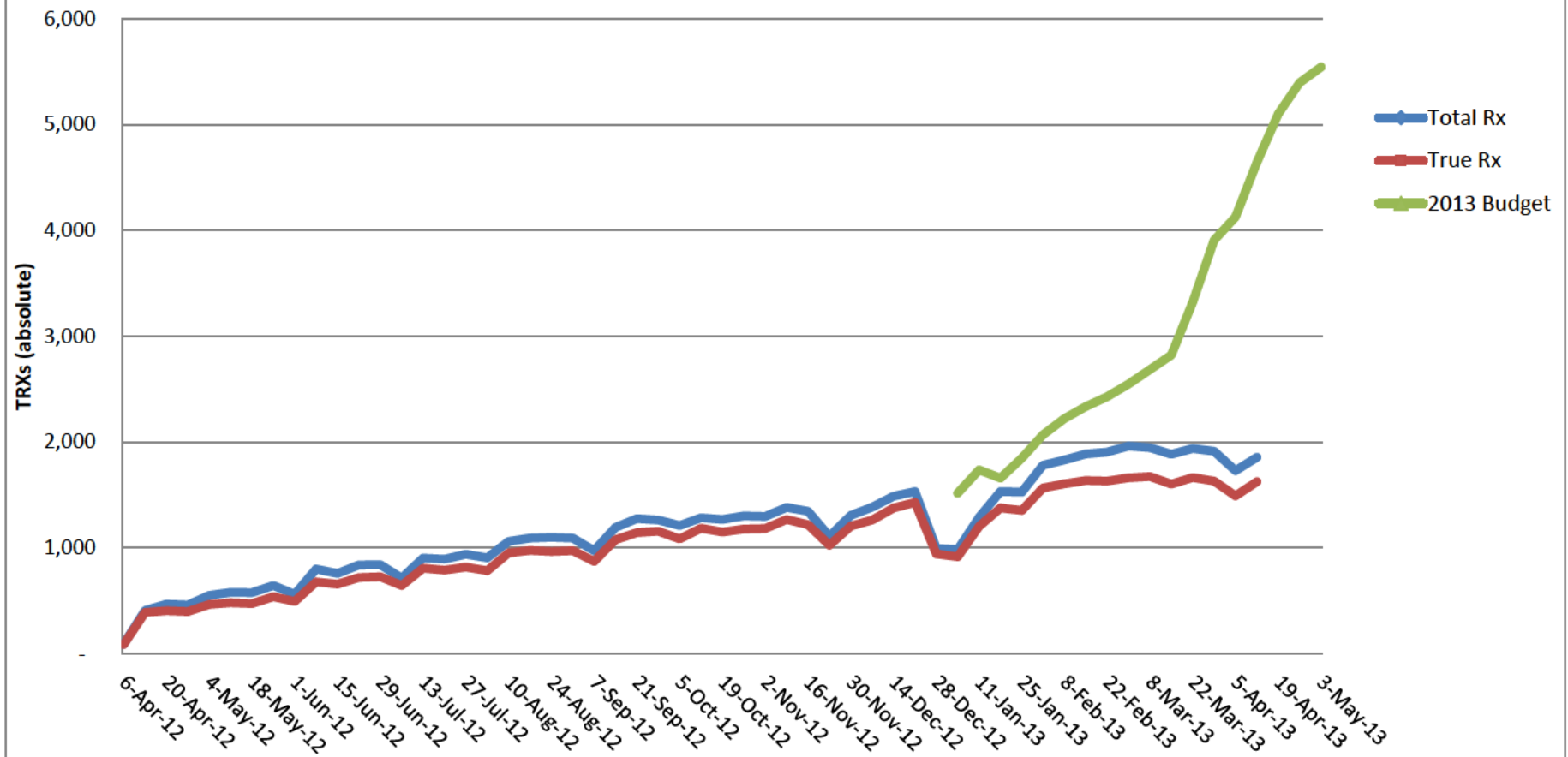
*Includes pre-launch prescriptions

Data includes retail pharmacy, mail order and LTC channels

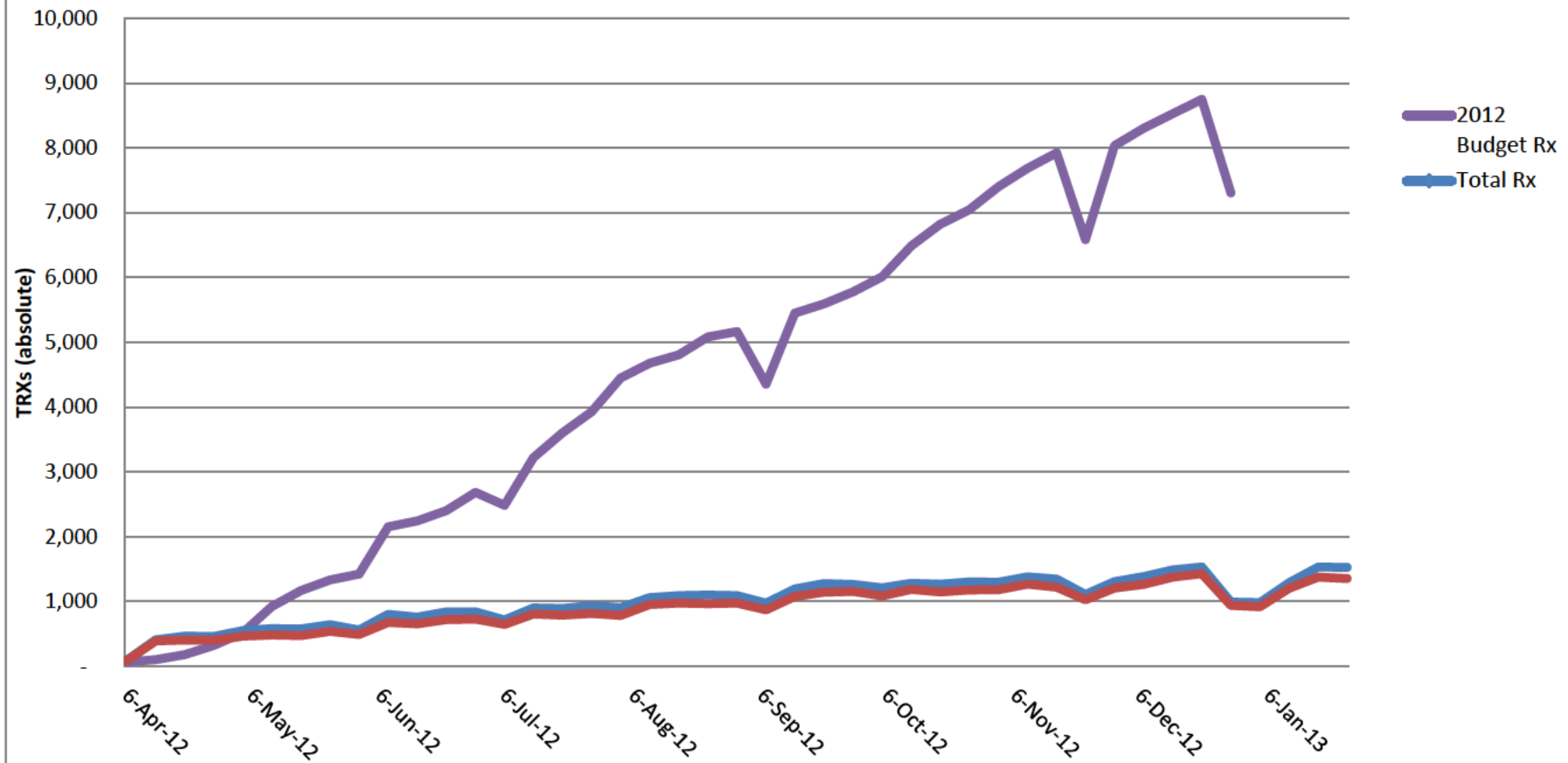
| Distribution of Total Intermezzo Prescriptions by Strength | | | | | | | | | | | |
|--|--------|--------|--|--------|--------|-------|--|-------|--------|-------|--|
| Total | | | | 1.75mg | | | | 3.5mg | | | |
| NRx | RRx | TRx | | NRx | RRx | TRx | | NRx | RRx | TRx | |
| 100.0% | 100.0% | 100.0% | | 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% | 52.5% | 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% | | 52.7% | 35.9% | 48.9% | | 47.3% | 64.1% | 51.1% | |
| 100.0% | 100.0% | 100.0% | | 52.3% | 38.6% | 49.5% | | 47.7% | 61.4% | 50.5% | |
| 100.0% | 100.0% | 100.0% | | 50.0% | 34.1% | 46.8% | | 50.0% | 65.9% | 53.2% | |
| 100.0% | 100.0% | 100.0% | | 52.7% | 38.5% | 49.6% | | 47.3% | 61.5% | 50.4% | |
| 100.0% | 100.0% | 100.0% | | 52.4% | 37.4% | 49.2% | | 47.6% | 62.6% | 50.8% | |
| 100.0% | 100.0% | 100.0% | | 52.4% | 41.3% | 50.0% | | 47.6% | 58.7% | 50.0% | |
| 100.0% | 100.0% | 100.0% | | 50.5% | 35.0% | 46.7% | | 49.5% | 65.0% | 53.3% | |
| 100.0% | 100.0% | 100.0% | | 51.8% | 39.7% | 49.0% | | 48.2% | 60.3% | 51.0% | |
| 100.0% | 100.0% | 100.0% | | 52.2% | 43.6% | 49.9% | | 47.8% | 56.4% | 50.1% | |
| 100.0% | 100.0% | 100.0% | | 49.6% | 35.7% | 45.9% | | 50.4% | 64.3% | 54.1% | |
| 100.0% | 100.0% | 100.0% | | 54.1% | 39.4% | 50.3% | | 45.9% | 60.6% | 49.7% | |
| 100.0% | 100.0% | 100.0% | | 48.7% | 40.2% | 46.5% | | 51.3% | 59.8% | 53.5% | |
| 100.0% | 100.0% | 100.0% | | 50.8% | 38.5% | 47.8% | | 49.2% | 61.5% | 52.2% | |
| 100.0% | 100.0% | 100.0% | | 50.8% | 38.5% | 47.8% | | 49.2% | 61.5% | 52.2% | |

| Distribution of Intermezzo New, Refill and Total Prescriptions by Strength | | | | | | | | | | | |
|--|-----|-----|--|--------|-----|-----|--|-------|-----|-----|--|
| Total | | | | 1.75mg | | | | 3.5mg | | | |
| NRx | RRx | TRx | | NRx | RRx | TRx | | NRx | RRx | TRx | |

Intermezzo True Rx's (Source: IMS NPA/McKesson) 2013

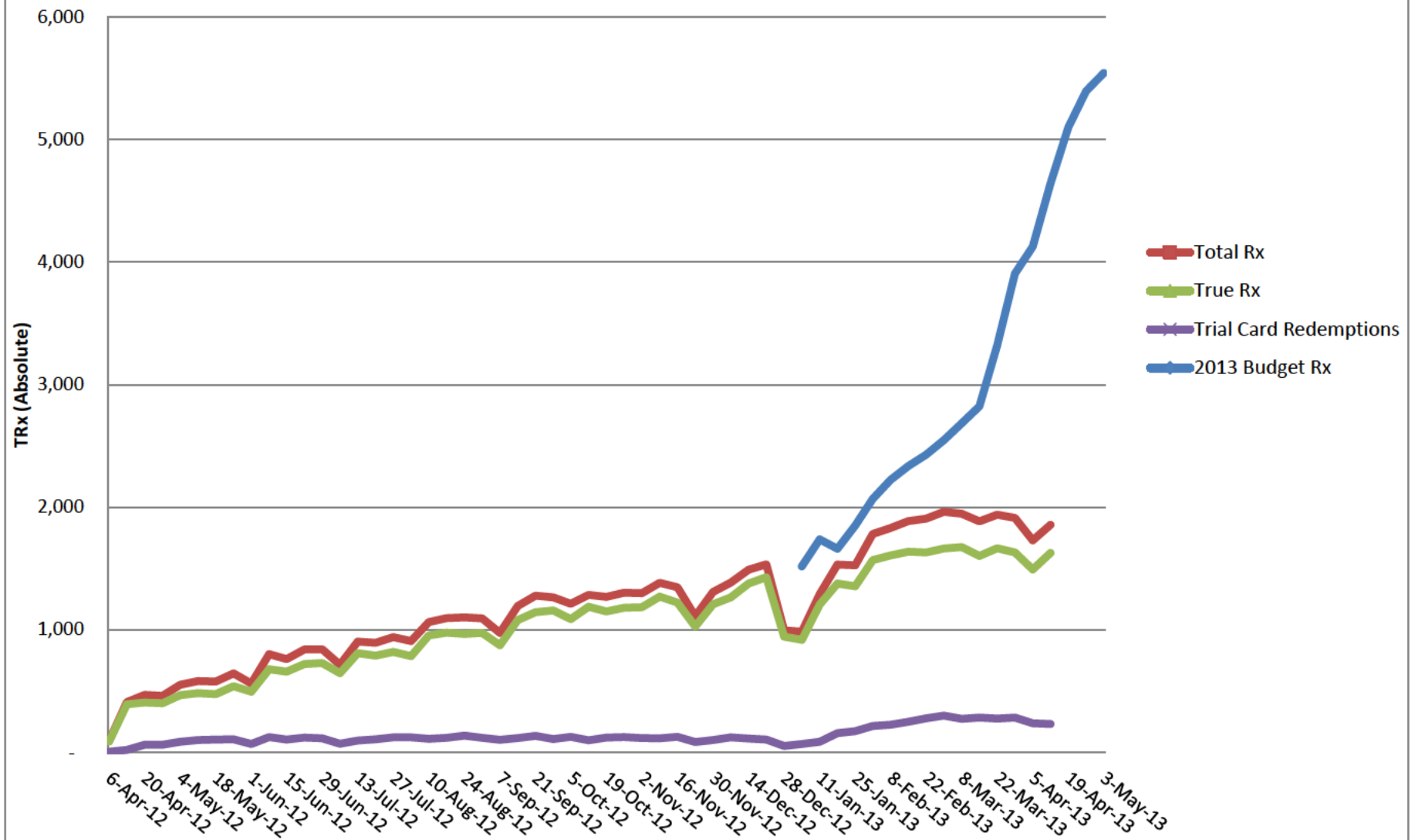


Intermezzo True Rx's (Source: IMS NPA/McKesson) 2012

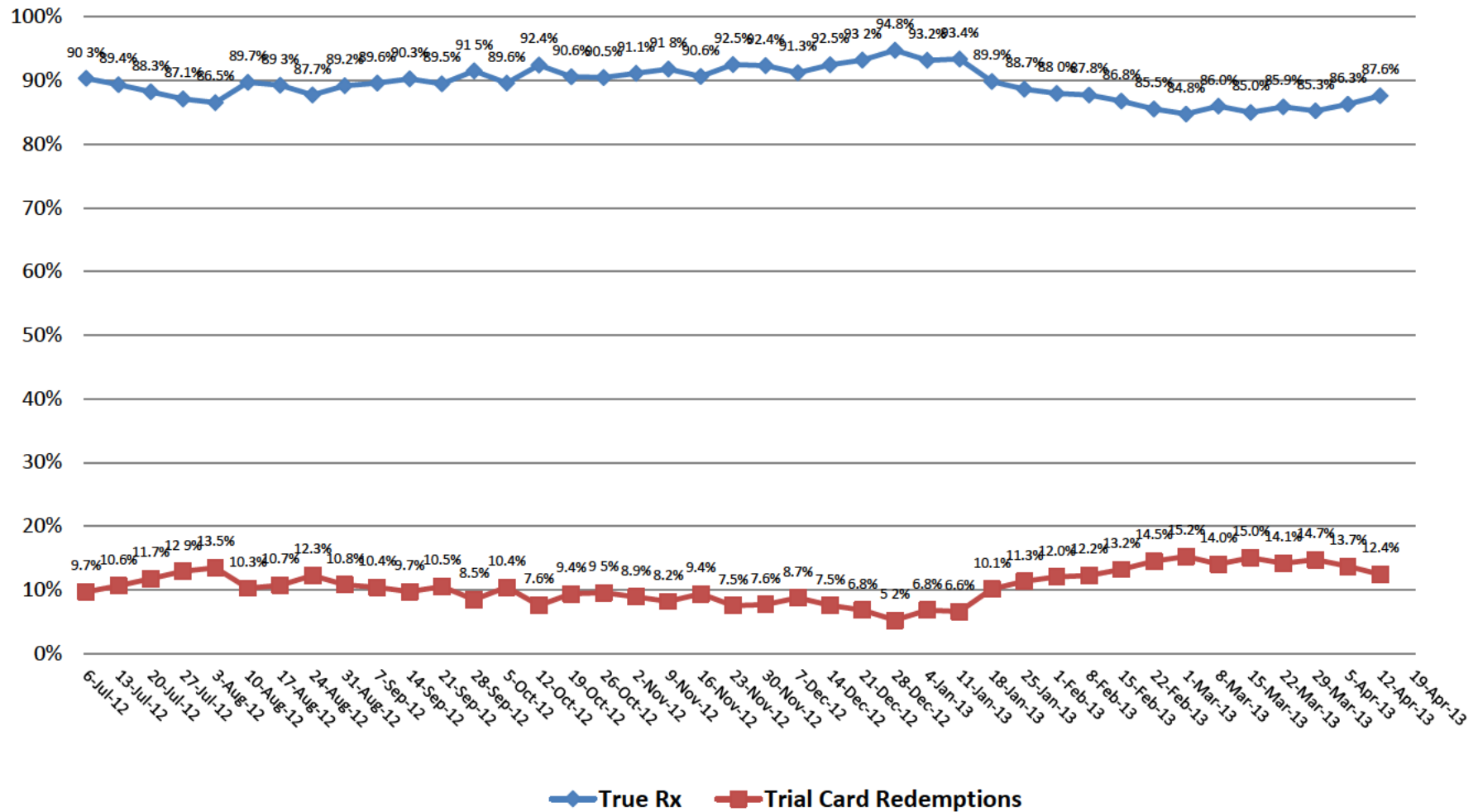


2012
Budget Rx
Total Rx

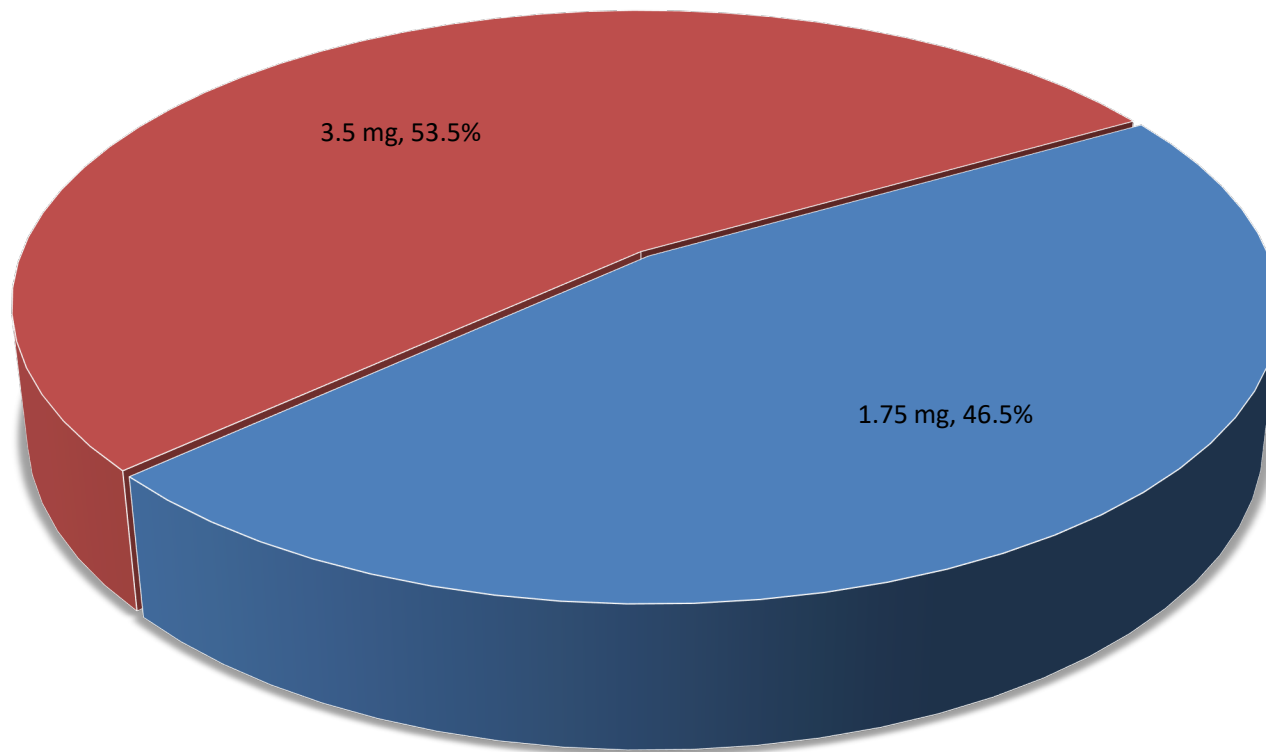
Total TRx, True Rx and Trial Card Redemptions (Source: IMS NPA/McKesson)



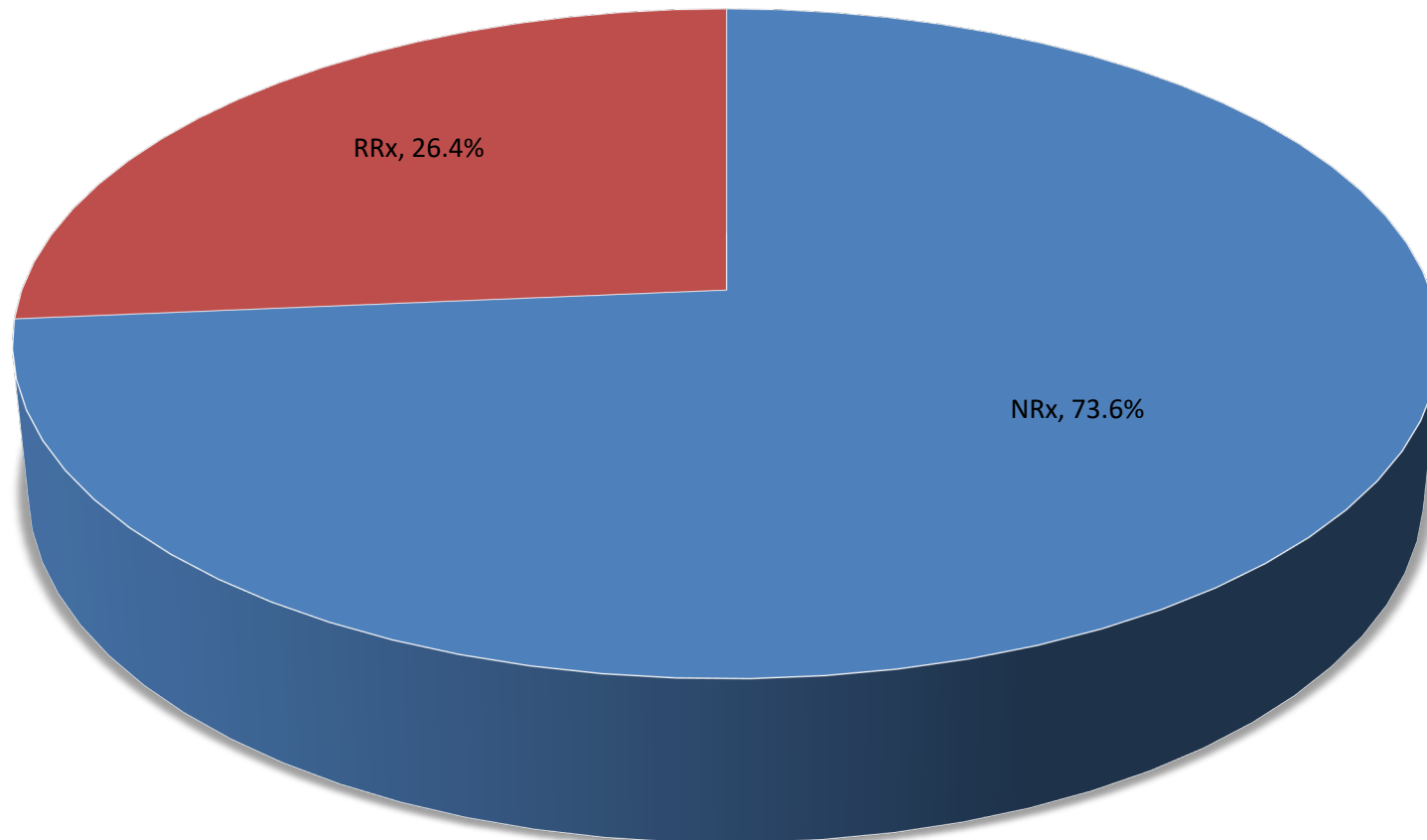
True Rx vs. Trial Card Redemptions (Source: IMS NPA/McKesson)



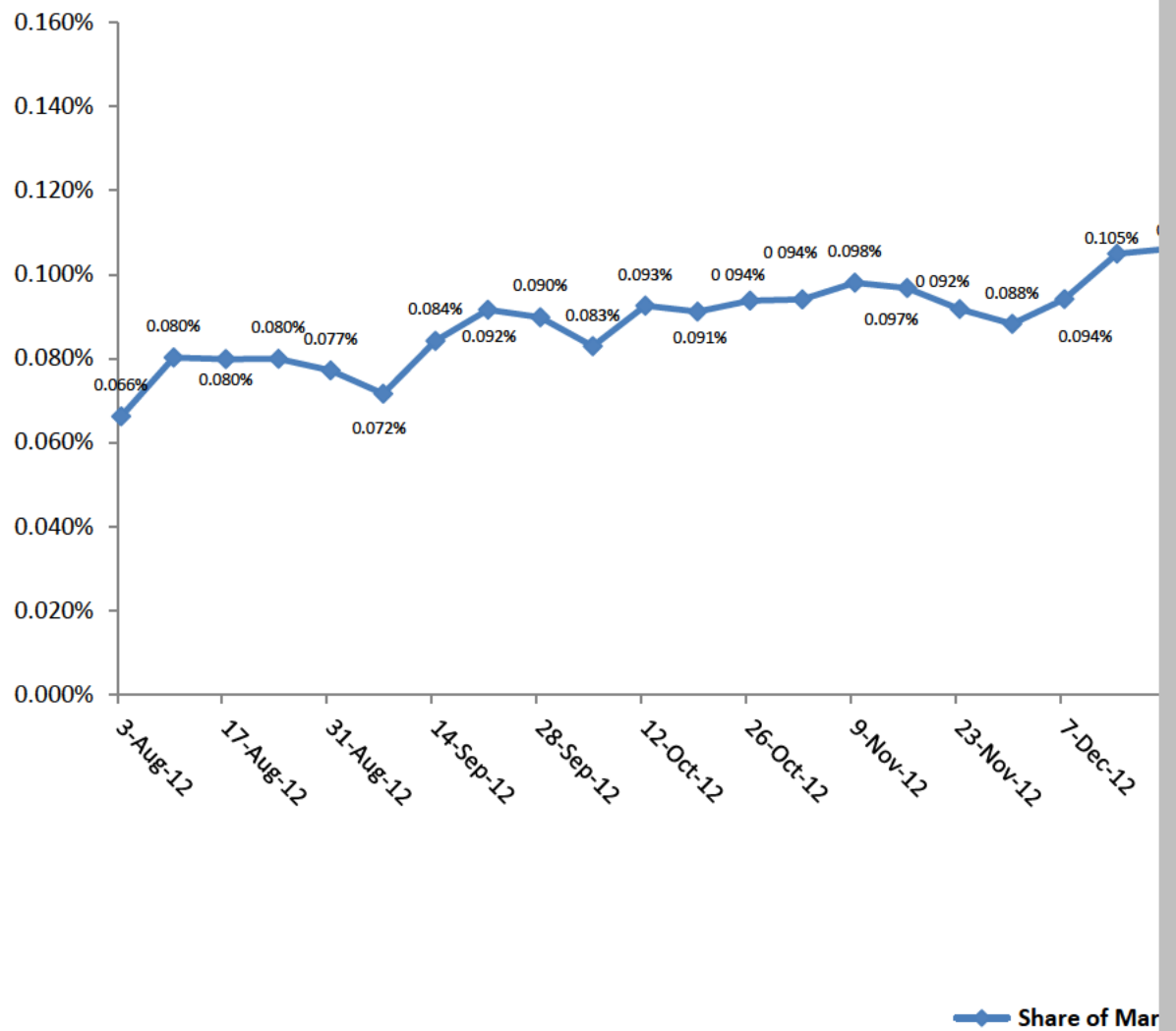
**Intermezzo Total Rx's by Dosage Strength
Week ending April 12, 2013
(Source: IMS NPA)**



Intermezzo Total NRx vs. Total RRx
Week ending April 12, 2013
(Source: IMS NPA)



Intermezzo Total Rx Share of Insomnia



Intermezzo True Rx Share of Insomnia Ma

